

美的 Midea

美的新思  
绽放新姿

# 创新 成就美的新高度

因知心而创新，因进取而进步

美的以全球视野，研发新产品，满足新需求，致力成为世界级的白色家电制造商和品牌商。

原来生活可以更美的

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## Important Notes

The Board of Directors, Board of Supervisors, directors, supervisors and senior management of the Company hereby guarantee that the information presented in this report is free of any false records, misleading statements or material omissions, and shall together be wholly liable for the truthfulness, accuracy and completeness of its contents.

All directors of the Company attended the Board meeting for reviewing this Annual Report. There are no directors, supervisors, or senior management who do not warrant or who dispute the truthfulness, accuracy and completeness of the contents of this Annual Report.

The financial statements of the Company for 2013 have been audited by Pan-China Certified Public Accountants Co., Ltd. and have obtained a standard unqualified audit report.

Mr. Fang Hongbo, chairman of the Board and president of the company and Ms. Yuan Liqun, responsible person for the company's financial affairs have represented and warranted that the financial statements in this report are true and complete.

The Board has considered and approved the following profit distribution plan for the year 2013: Based on the Company's share capital at the end of 2013, it is proposed that the Company will distribute cash dividends of RMB 20 per 10 shares (tax inclusive) to all shareholders and increase shares by converting capital reserves into share capital on the basis of 15 shares for every 10 shares.

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只因极致超薄  
15cm超薄机身诠释科技美学

# 让科技成为一种艺术

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## Definitions

Terms	Definition
Company, the Company, or Midea Group	Midea Group Co., Ltd.
Midea Holding	Midea Holding Co., Ltd.
GD Midea Holding	GD Midea Holding Co., Ltd.
Little Swan	Wuxi Little Swan Company Limited
Reporting Period	1 January , 2013 to 31 December, 2013



风如擎动  
清凉新劲界

美的空调

Section I Corporate Profile

01

## 1. Corporate Information

Stock Abbreviation	Midea Group
Stock Code	000333
Stock exchange where the shares of the Company are listed	Shenzhen Stock Exchange
Name of the Company in English	Midea Group Co., Ltd.
Legal Representative	Fang Hongbo
Registered Address	Midea Headquarters Building, No. 6 Meidi Dadao, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China
Postal Code	528311
Business Address	Midea Headquarters Building, No. 6 Meidi Dadao, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China
Postal Code	528311
Company Website	<a href="http://www.midea.com">http://www.midea.com</a>
E-mail	IR@midea.com

## 2. Contacts and Contact Methods

	Secretary to the Board of Directors	Representative for Securities Affairs
Name	Jiang Peng	Wang Jing
Address	Midea Headquarters Building, No. 6 Meidi Dadao, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China	Midea Headquarters Building, No. 6 Meidi Dadao, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China
Telephone number	+86 (757) 2660 5456	+86 (757) 2633 4559
Fax number	+86 (757) 2665 1991	+86 (757) 2665 1991
E-mail address	IR@midea.com	IR@midea.com

## 3. Information Disclosure and Place Where the Annual Report Is Kept for Inspection

Newspaper Designated by the Company for Information Disclosure	China Securities Journal, Securities Times, and Shanghai Securities News
Website Designated by the China Securities Regulatory Commission (CSRC) for the Publication of the Annual Report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Place where the Annual Report of the Company is Kept for Inspection	Directors Office of the Company

#### 4. Company Registration and Alteration

	Registration Date	Place of Registration	Registration No. of Business License for a Legal Entity	Taxation Registration No.	Organization Code
Initial Registration	7 April, 2000	Administration for Industry and Commerce of Shunde District in Foshan City, Guangdong Province, China	4406812005736	440681722473344	72247334-4
Registration at the End of the Reporting Period	19 December, 2013	Market Security Supervision Bureau of Shunde District in Foshan City, Guangdong Province, China	44068100038581	440681722473344	72247334-4
Changes in Main Business Activities Since the Company Was Listed					None
Changes of Controlling Shareholders of the Company					None

#### 5. Other Relevant Information

##### Accounting Firm Engaged by the Company

Name of the Accounting Firm	Pan-China Certified Public Accountants Co., Ltd. (Special General Partnership)
Business Address of the Accounting Firm	4-10F, Xinhua Commercial Tower, No. 128 Xixi Road, Hangzhou, Zhejiang Province, China
Name of Accountants for Writing Signature	Zhou Rongming, Huang Zhiheng

Sponsors engaged by the Company to continuously perform its supervisory function during the Reporting Period

Applicable  N/A

Name of the Sponsor	Business office of the Sponsor	Representative of the Sponsor	Supervisory Period
CITIC Securities Company Limited	CITIC Securities Tower, No. 8 Zhongxin San Road, Futian District, Shenzhen City, Guangdong Province, China	Wu Hongri, Qin Chengdong	18 September, 2013 -31 December, 2015
China International Capital Corporation Limited	27 and 28F, International Trade Building 2, No. 1 Jianguomenwai Avenue, Beijing, China	Li Xiaodai, Song Yong	18 September, 2013 - 31 December, 2015

Financial advisor engaged by the Company to continuously perform its supervisory function during the Reporting Period

Applicable  N/A

Name of the Sponsor	Business office of the Sponsor	Representative of the Sponsor	Supervisory Period
China International Capital Corporation Limited	27 and 28F, International Trade Building 2, 1 Jianguomenwai Avenue, Beijing, China	Li Xiaodai, Song Yong	18 September, 2013 -31 December, 2015

Note: Upon the receipt of a personnel change notice from China International Capital Corporation Limited (CICC) on 30 January, 2014, the Company issued an announcement stating that Mr. Song Yong of the CICC was no longer responsible for relevant work during the supervisory period due to his job change and Mr. Zhao Liang and Mr. Zeng Luhai would replace him to work with Mr. Li Xiaodai as a representative of the listing sponsor and a financial advisor respectively during the supervisory period.

# 突破科技，成就梦想

突破是一种实力，  
突破是一种气魄，  
突破是一种信仰，  
我们始终坚信——  
突破，终将成就梦想！

美的中央空调

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Section II Summary of Accounting Data and  
Financial Indicators



## 1. Key Accounting Data and Financial Indicators

Whether the Company performed a retroactive adjustment to or restatement of accounting data due to changes of accounting policies and correction of accounting errors

Yes  No

	2013	2012	Increase/decrease (%)	2011
Operating income (RMB'000)	120,975,003.14	102,598,110.49	17.91%	134,045,649.27
Net profits attributable to the shareholders of listed companies (RMB'000)	5,317,458.06	3,259,290.95	63.15%	3,472,650.51
Net profits after deducting non-recurring gain or loss that are attributable to the shareholders of listed companies (RMB'000)	3,903,375.90	3,027,493.05	28.93%	2,817,727.91
Net cash flow from operating activities (RMB'000)	10,054,196.41	8,089,566.65	24.29%	4,106,189.46
Basic earnings per share (RMB/share)	4.33	3.26	32.82%	3.47
Diluted earnings per share (RMB/share)	4.33	3.26	32.82%	3.47
Weighted average ROE (%)	24.87%	23.92%	0.95%	29.12%
	At the end of 2013	At the end of 2012	Increase/decrease (%)	At the end of 2011
Total assets (RMB'000)	96,946,024.77	87,736,526.98	10.50%	92,621,863.49
Net assets attributable to the shareholders of listed companies (RMB'000)	32,847,431.04	14,313,530.86	129.49%	12,525,463.91

Note: Midea Group merged with Midea Electric through share issuance and share exchange in September 2013, leading to the change in the shareholding percentage by Midea Group in GD Midea Holding from 41.17% to 100%.



# 安全耐用15年 引领行业新标准

**80万**  
80万次\*寿命测试

**480小时\***耐酸考验

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**国际尖端内胆制造工艺**

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FREEO**  
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## 美的空气能热水机

In order to help investors better understand the overall business performance of Midea Group and keep consistent with the 2013 pro-forma earnings forecast released by the Company, relevant items are adjusted as follows based on the pro-forma income statement (i.e. the merger through a share exchange is deemed to have been finished on 1 January, 2012):

	2013	2012	Increase/decrease (%)
Net profits attributable to the shareholders of listed companies (RMB'000)	7,299,511.99	5,305,005.30	37.60%
Non-controlling shareholders' interests (RMB'000)	997,984.44	835,884.30	19.39%
Earnings per share (RMB/share)	4.33	3.15	37.46%

Pan-China Certified Public Accountants Co., Ltd. issued the Assurance Report, The Difference Between Actual Earnings and Estimated Earnings of Midea Group Co., Ltd. The report says that the Company realized a pro-forma profit of RMB7.30 billion in 2013, greater than the pro-forma earnings forecast (RMB6.931 billion) disclosed in the Company's Report on Merger through Share Exchange.

Total Share Capital on the Last Trading Session Before Disclosure (Shares) 1,686,323,389.

Whether the Company's share capital changed and the change affected the owners' equity due to reasons like the issuance of new shares, allotment of shares, equity incentive plans, and repurchases during the time from the end of the Reporting Period to the date when the Annual Report was released

Yes  No

Whether there are any corporate bonds

Yes  No

Whether the Company operated at a loss in the past two years

Yes  No

## 2. Differences in Accounting Data under Domestic and Overseas Accounting Standards

Applicable  N/A

## 3. Items and Amounts of Extraordinary Gains or Losses

Unit: RMB'000

Item	Amount for 2013	Amount for 2012	Amount for 2011
Profit or loss from disposal of non-current assets	-215,390.26	-28,117.10	266,634.00
Government grants accounted for in profit or loss for the current period (except for the government grants closely related to the business of the Company and given at a fixed amount or quantity in accordance with the State's uniform standards)	656,458.32	467,659.00	304,755.40
Except for effective hedging business related to normal business operations of the company, profit or loss arising from the change in the fair value of held-for-trading financial assets and liabilities, as well as investment profit or loss produced from the disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets	1,502,894.81	490,055.10	400,073.70
Profit or loss from debt restructuring	2,567.24	9,520.20	10,374.60
Gains or losses arising from entrusted investments or entrusted asset management	250,371.75	79,934.10	20,184.80
Corporate restructuring costs (e.g. staff replacement costs and expenses for consolidation)	-9,634.38	-4,085.00	-11,077.40
Net profit and loss for the current period produced by the subsidiary between the beginning of the period and the merger date due to the merger of entities under common control		23.90	315,765.20
Other non-operating income and expenditure except above-mentioned items	141,301.96	-26,114.70	54,137.70
Other extraordinary profit and loss items		-524,550.30	-2,046.30
Corporate income tax	-419,965.38	-174,290.90	-246,022.40
Minority interests (after tax)	-494,521.90	-58,236.40	-457,856.70
Total	1,414,082.16	231,797.90	654,922.60

# 创世双系统 独领新时代

凡帝罗双系统风冷冰箱



美的冰箱

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Section III Report of the Board of Directors

## 1. Overview

As the Chinese government withdrew its stimulus policies for the home appliance industry in 2013, the battle to survive ahead of market competition heated up the industry. Given continuous, moderate growth in industrial demands, household appliance companies have to increase efficiency, upgrade their products and improve their profitability as a way of achieving success. The rapid development of the e-commerce channel, popularization of Internet operations, and vast expansion of intelligent products have driven household appliance companies to speed up transformation and upgrading, adjust their business models and look at new ways in which to grow.

According to 2013 sales statistics of the home appliance industry released by the Ministry of Industry and Information Technology of the People's Republic of China, the industry gained the main business income of RMB1,284.3 billion (14.2% rise), in which household refrigeration appliances contributed RMB317.4 billion (16.2% rise) and household air conditioners RMB465.8 billion (13.9% rise) compared with 2012. According to GfK China retail market estimation, the retail sales value in China's small appliances market reached RMB114.4 billion in 2013, a year-on-year increase of nearly 13%.

The domestic home appliance industry in 2013 has shown the following features:

1. A clearly visible change of consumer behavior is reflected in the increased sales of high-end household appliances. Among all sold home appliances, the share of those with high performance, high energy efficiency and high capacity

increased in 2013 thanks to the higher proportion of sold inverter air conditioners, tumble washers, high-end side-by-side and multi-door refrigerators, quality kitchen appliances and household health-related appliances. According to the statistical data provided by China Market Monitor Co., Ltd., a Chinese market research company, the ratio of retail sales of inverter air conditioners rose to 54%; that of tumble washers increased to 30%; and that of side-by-side refrigerators and refrigerators with three or more doors 50%. The data also shows an obvious trend in the increased sales of high-end kitchen appliances driven by built-in stoves and European-style range hoods and range hoods with slope design. In addition, China's increasing pollution levels sparked a boom in sales of household health-related appliances such as household air purifiers and water purifiers.

2. Industrial upgrading has become the general trend of development. Intelligent household appliances are poised to reshape the home appliance market and the industry with the help of digital technology, network convergence, Internet of Things, big data, and cloud computing. Enhanced R&D capability is helping further improve home appliance products and make them smarter. As automatic monitoring, measurement, control, and adjustment as well as the communication with remote control centers keep improving, man-machine interaction and communication between machines have reached a higher level. In this context, it is expected that the output of intelligent home appliances will soar from RMB5 billion in 2010 to RMB1,000 billion in 2020, according to the statistics provided by All View Consulting Ltd.

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3. Multiple sales channels have become available. With the rapid development of e-commerce and increasingly fierce competition among e-commerce companies, famous home appliance companies tend to strengthen online and offline marketing by expanding their e-commerce channels and accelerating the use of the Internet for product sales. According to a survey conducted by iResearch Consulting Group, China's online shopping transactions reached RMB1.85 trillion in 2013, an increase of 42%, in which business-to-consumer (B2C) online transactions increased by 68.4% to RMB650 billion. The proportion of B2C Internet transactions accounted for 35.1% of the overall online deals, an increase of 5.5 percentage points compared with 2012.

## 2. Analysis of Main Business

### 2.1 Overview

Guided by the strategies of "developing pioneering products, growing efficiently, and operating globally", the Company concentrated on leading industry change, producing quality products, maintaining economy of scale, and enhancing

profitability in 2013. To make this happen, the Company worked to clarify business structure, streamline organizational structure, harness the synergy and further promote the transformation of business model. The Company also focused on its consumers and tried its best to meet their demands. In addition, the Company increased its investment in technological innovation and product development, improved its basic and core capabilities, increased the attractiveness of its products and strengthened its quality control. Moreover, it strived to reinforce its institutional building and processes to ensure the consistency of internal standards and systems, and kept improving refined management and operating efficiency. In 2013, the Company saw increasingly attractive products, constantly improved product structure, and stable recovery of its reputation and market share. All these have laid a solid foundation for the sustainable development of the Company. Compared with 2012, the Company recorded operating income of RMB121.265 billion (18.06% increase) in 2013, of which revenue from large home appliances (air conditioners, refrigerators, and washing machines) was RMB78.362 billion (23.15% increase); revenue from small appliances RMB27.844 billion (8.08% increase); that from motors RMB6.886 billion (including sales within the Company) (9.77% increase); revenue from logistics business RMB2.631 billion (including sales within the Company) (5.96% increase). The gross profit rate of the Company reached 23.28%, a year-on-year growth of 0.72 percentage points thanks to the upgrade of product structure, cost control and stable costs of raw materials.

In 2013, Midea was ranked No. 10 on the list of China's Top 500 Private Companies, No. 41 on the list of China's Top 500 Manufacturing Firms, No. 8 in the Top 500 Companies in Guangdong, and No. 2 in the Top 100 Manufacturing Firms in Guangdong, according to the All-China Federation of Industry and Commerce, China Enterprise Confederation, and Guangdong Provincial Enterprise Confederation. The "Midea" brand valued at over RMB65.3 billion ranked fifth place in 2013 China's Most Valuable Brands. The Company was awarded the Most Influential Brand of 2012-2013 at the 2013 China's Household Electrical Appliance Industry Summit. Midea Group was also awarded the 2013 China Top 10 Innovative Companies in the 2013 Annual Meeting for China's Independent Innovation, becoming the only winner in the household appliance industry.



In 2013, the main operations of the Company are as follows:

*(1) Focus on consumers, the development of energy-saving, smart and healthy products, investment in science and technology, and the improvement of product attractiveness;*

The Company is committed to producing good products. To achieve this goal, it conducted comprehensive consumer research, established laboratories for the research on the Internet of Things and fluid technology, and constantly increased its investment in products, materials and core technologies used to build smart, Internet-based and inverter-based products. The Company launched many new products such as smart cloud-based air conditioners, smart "Tastier Rice" ("Xiangtianhaomifan" in Chinese) IH rice cookers, soybean milk makers of the "Millstone" ("Mopan" in Chinese) series, high-temperature steam range hoods, and "Running water" ("Huoshui" in Chinese) heaters. The introduction of the products has helped promote the upgrade of industrial technology and promote consumers to look at high-end products. The products were also well received by the industry and the market. By the end of 2013, the company had applied

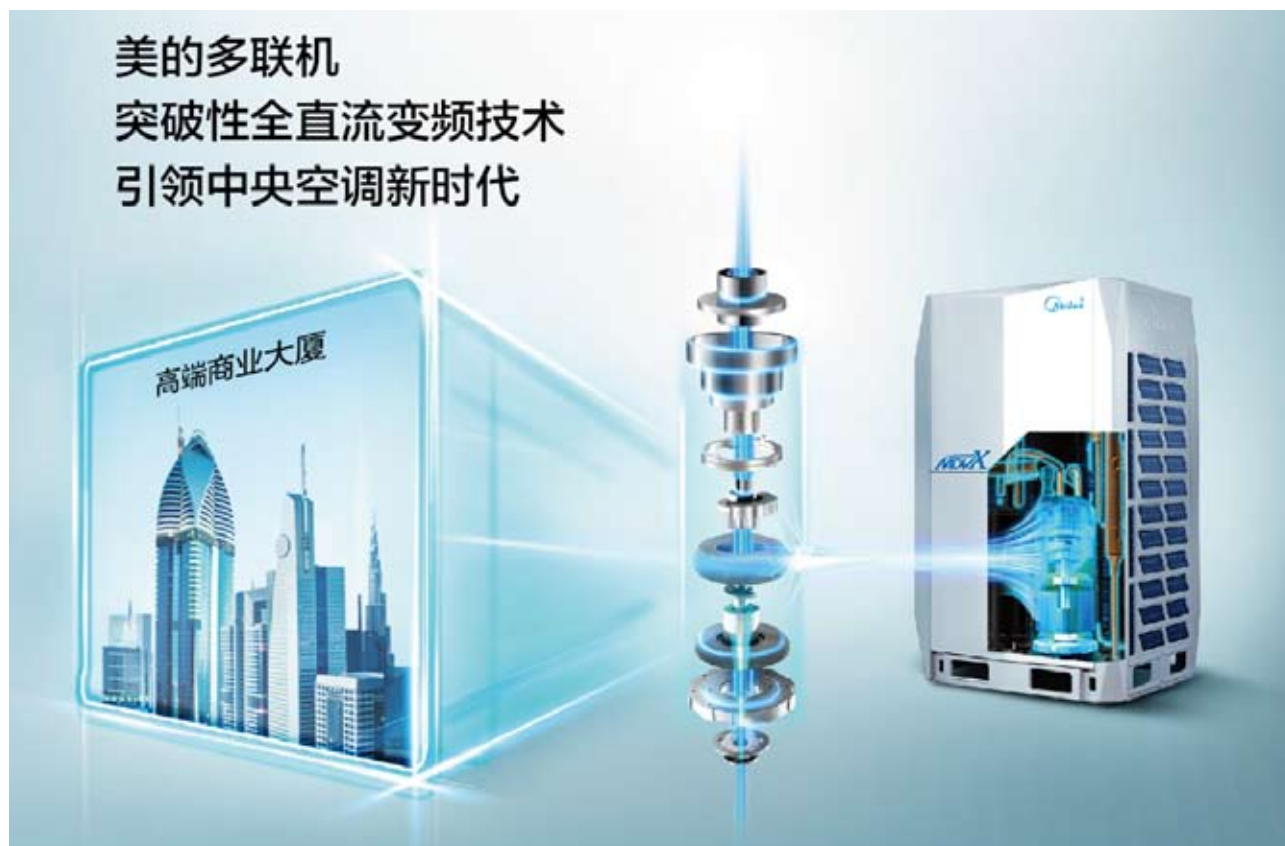
for 5,647 patents, making it the one of the first State-level Model Companies with Intellectual Property.

--Air Conditioner

With the first dual-mode (infrared/Internet) mobile applications in the world to be designed for household appliances, Midea's smart cloud-based air conditioners enable users to perform many operations on air conditioners with devices such as smart phones and tablet computers, including remote status query, voice control, mute control, power management, scheduled startup and shutdown, customization of sleep cycle;

Midea developed technology for air conditioners to achieve "high frequency for fast cooling and heating" and applied high-frequency activation technology to efficient inverter compressors, strong fan motors and high-precision heat transfer systems. With the technologies, it takes less time to cool or heat immediately after the startup of air conditioners;

Midea won approval for the first model production line for new refrigerant R290 financed by the Multilateral Fund of the United Nations in the world. In addition to demand for air



conditioners using refrigerant R290 from Europe, Africa, the Middle East, and Southeast Asia, Midea has also been issued the first 3C certificate in China. Midea also developed several environmental-friendly air conditioners with refrigerants, which were rewarded with China's 3C certificate, Europe's CB and CE certificates and Australia's SAA certificate. All these have allowed Midea to offer such new air conditioners to the foreign market.

Midea's central air conditioners used falling film centrifuges with highly efficient two-stage compression and all DC inverter VRF MDVX series, bringing the world to Energy Saving Era 7. The Company also took the lead in promoting technological innovation in the home appliance industry. To serve customers, the Company established a one-stop service system covering services before and after sales. It built a strong service network in China through over 3000 service providers. It was presented with the highest award in the construction industry, namely, Engineering Meritorious Suppliers' Luban Prize.

Midea also secured other awards for its achievements in air conditioners: Midea won the first prize of the National Scientific and Technological Progress Award for its project named "Research on Key Energy Saving Technologies of Room Air Conditioners and Their Applications", making it the only air conditioning manufacturer with the first prize for scientific and technological achievements granted by China Light Industry Association. Known for "1 kWh per Night", Arc-Style ("Shanghu" in Chinese) wall mounted air conditioners and KH double cross-flow floor standing air conditioners took home Product Innovation and Industrial Design Innovation Awards at IFA, an exhibition of consumer electronics held in Berlin, Germany. Shanghu wall mounted air conditioners were also awarded with a national prize named "Appliance Product Prize for Air Conditioners", and the first products in the air conditioner industry that passed "evaluation of software security". The air conditioners also won a certificate for energy saving products issued by China Quality Certification Center, which is the first certificate based on Annual Performance Factor (APF), a new energy efficiency standard. KF floor standing air conditioners won

2013 China Red Star Design Award for their innovative double cross-flow air channels and intelligent touch interaction. Midea's air conditioner projects called "European A+++ Research on Efficient Energy Saving Technologies of Room Air Conditioners and Their Applications" and "Research on Key Technologies of Double Cross-Flow Floor Standing Air Conditioners and Their Applications" have been identified to be internationally leading projects. The Company's three projects regarding household inverters and constant-speed air conditioners and air conditioners designed for base stations and other similar places all won the bidding for 2013-2014 Air Conditioner Procurement Project of China's State Organ".

#### --Small Appliances

With IH electromagnetic heating technology and self-developed "turbo-powered boiling technology", Midea "Tastier Rice" IH smart rice cookers are designed to achieve power of up to 1250w, making super powerful heating available. Besides the sufficient heat, a negative pressure zone formed through high-speed rotation of their turbines also allows rice to boil fast and constantly without causing the water to boil over. With such a "perfect temperature" for steaming, rice can enjoy water content of 62%;

Midea's "Direct Injection of Steam" ("Zhipenzheng" in Chinese) microwave ovens are equipped with patented steam generators. After fast heating by microwave, steam will be generated within 30 seconds and 100°C airtight space full of steam will become available in 10 minutes. This will help heat food, hold its nutrition and moisture, and effectively decompose its extra fat and salt.

Midea pioneered smart technology of washing by steam and has applied it to its "Washable by High-Temperature Steam" range hoods. The range hoods can be washed automatically by means of steam at high temperature and pressure. In this way, up to 98.5% of greasy dirt can be removed, which meet consumers' demand for easy cleaning without disassembling;

Midea's technology of grinding raw materials enables "Millstone" soybean milk makers to perform fine grinding before boiling soybeans, which helps keep nutrients to the maximum extent. According to a test report issued by a professional testing agency, the concentration of the soybean





milk cooked by "Millstone" soybean milk makers has increased by 64% compared with grade-one soybean milk by national standards, with a 79% increase in protein content and a much higher proportion of trace elements such as zinc and amino acid;

Midea have produced "Running water" heaters of patented drainage structure whose ball valves use PTEF and flexible metal sealing technology. Its three-step system of "Warning, Draining and Washing" has helped created a unique, clean environment for feeding water. Tanks of the water heaters can be scoured out with the press of a button to improve water quality and make a healthy bath with "Running water" available.

Midea water purifiers work much more effectively thanks to third-generation, long-acting dust-proof filter cartridges and DOW Chemical Company's reverse osmosis RO membranes imported from America. For their high efficiency in water purification, the products were named "2012-2013 The Most Reliable Brand in China's Water Purifier Industry".

Midea also secured other awards for its achievements in small appliances: Midea's kitchen stoves and range hoods of "Android" and "Galaxy Slim" series won 2013 German

Red Dot Design Award. Ten products of microwave ovens, big ovens, vacuum cleaners, and range hoods were granted Finalists Award at 2013 American IDEA Design Competition. Midea's "Tastier Rice" IH rice cookers, garment steamers of Jian'ai series, soybean milk makers of X series, and microwave ovens of "X6" series won awards in the 2013 Korean GOOD DESIGN Competition. Microwave ovens of "X6" series also won the Award of the President of KIDP. Midea's MB-FZ4021 smart rice cookers, JD1259-NF water dispensers with filters, F30GQ electric water heaters won 2013 "Appliance Technology Innovation Award" for China's household appliance products. Midea's high-end "Smart" gas water heaters (12HX), and products of "HP Colorful and Fresh" ("Guocaixiaoqingxin" in Chinese) series were granted 2013 China Red Star Award.

#### --Washing Machines

Little Swan, subsidiary of the Company launched the first Internet-of-Things capable washing machines in the world as early as 2010 by introducing them first to America where the washing machine market is already mature. Little Swan smart washing machines can automatically detect the network load and allow users to remotely control or monitor the running status, water temperature, water amount, detergents, and washing intensity with their smart phones.

Little Swan washing machines were the first to use the technology for automatically adding detergents. They can detect the amount of detergents and add them as necessary thanks to the unique technology of "static eyes". With the ability to perform precise optical transparency detection through signals, the washing machines can detect the accurate turbidity of water in their drums and determine the number of rinsing times, ushering in a new era of smart washing with washing machines. At 2013 IFA, Little Swan was granted "Technology Innovation" award for its "technology of accurately adding detergents";

Midea's tumble washing machines took home 2013 China Industrial Design Innovation Award, Best Innovation Design Award. Little Swan Chunzhen 2.0 tumble washing machines were granted the first prize among similar products in the Second China 'Taihu (Lake Tai) Award' Design Competition".



#### --Refrigerators

A Vandelo 620 side-by-side refrigerator enables separate control of its freezer and fridge with the leading technologies of two compressors and two systems, preventing the transfer of odor between the fridge and the freezer. What's more, the relative humidity in the fridge can reach up to over 80%, which is an effective way of retaining moisture in food. The fast cooling technology used in the refrigerator helps improve the air cycle system and increase the cooling speed. The product was presented with the 2013 China Industrial Design Innovation Award.

As high-end products of Midea, Vandelo refrigerators won 2013 American IDEA Industrial Design Award. "Vandelo six-door refrigerators-370WGPVA", "Vandelo side-by-side refrigerators- 620WKGDV" and "Midea creative, small one-door air-cooled refrigerators" were all granted 2013 China Red Star Design Award. As Midea's strategic product, a microwave refrigerator combo (M-Wave Series) won 2013 Korean GD Industrial Design Award for its simple, fashionable, innovative appearance. Midea Vandelo BCD-625WKDV side-by-side

refrigerators were granted China Home Appliance Award. In the sixth annual meeting of China's refrigerator industry, Midea's refrigerators took home six awards including 2013 Top Prize for High-end Refrigerators, 2013 Energy-Conservation Breakthrough Contribution Award and 2013 Technology Innovation Summit Prize designed for China's Refrigerator Industry.

#### *(2) Value the development of distribution channels and plan to establish many e-commerce outlets*

Midea works to identify the relationship between different distribution channels in terms of interests and inject new life to different channels while focusing on the increase of product attractiveness. In 2013, Midea made great effort to develop its flagship stores and exclusive shops with the number of flagship stores rising to 800. In addition, Midea brought its products of all categories to the flagship stores as a way of building strategic advantage through channel sales. Furthermore, Midea regained its advantage in marketing by increasing investment in resources related to sales assistance. It also strived to establish consistent after-sales standards, tighten up control over after-sales maintenance, installation and services, and promote the setup of an after-sales service information system.

Midea focuses on the research into e-commerce and increased investments in e-commerce in terms of products, policies, and talent. It tried to extend e-commerce channels by all means while standardizing the management of e-commerce companies. It integrated 16 flagship stores in Tmall, a Chinese website for B2C online retail while strengthening online service and communication functions in its flagship stores on JD.com, another large e-commerce platform in China. With great emphasis on interactions with consumers, Midea ramped up its online sharing, interaction and service functions to improve brand image and brand commitment. In 2013, Midea's online retail sales reached nearly RMB4 billion, a year-on-year increase of over 160%. On 11 November, 2013 ("Double 11" shopping festival in China with many e-commerce players offering discounts), Midea boasted sales of RMB313 million, in which its outlets in Taobao contributed to RMB239 million, making Midea a leader for small appliances in Tmall.

### *(3) Performed refined management and promoted process change*

Midea worked to simplify its operations, streamline its organizational structure, and build an agile organization with "a small group and large business divisions". It tightened up its control over strategies, investment and risks, delegated power to lower levels, and stimulated business vitality. It also promoted benchmarking in the whole processes of budgeting, process management and performance evaluation and established a scientific evaluation system. The Company coordinated internal resources by revitalizing and disposing non-performing and idle assets and optimizing inventory structure. It also ramp up strengthen money management to control non-operating expenses. On the one hand, Midea promoted quality projects for lean manufacturing and high-quality design to improve product manufacturability. On the other hand, it increased investment in automated equipment to improve production efficiency. It performed strict quality control, set the bottom lines for quality and carried out the "one-vote veto" system for any quality accident. It also promoted the system for inspecting all key parts and sorting out workshops by business divisions. Midea implemented the product return and exchange mechanism and random market quality supervision. It also pushed for process change projects and established standard process frameworks so as to lay a solid foundation for operations and control.

### *(4) Improved overseas strategic arrangements and standardized the management of overseas companies*

Midea worked to improve its system for managing its overseas companies. With its international business division as a medium for the expansion of overseas market and management of its joint ventures and its own brands, Midea improved its performance evaluation system for its overseas companies and coordinated their advantages in different regions. Midea promoted the integration of a joint venture project in the Philippines, a restructuring project in Thailand and a small and large home appliance project in Vietnam. It also cleaned up and reorganized the property rights of overseas companies in places such as Canada, the United States, Thailand and Vietnam to improve its overseas strategic arrangement. Midea increased its exchange with well-known international companies and training, improved the system for managing overseas joint ventures mainly based on the Board of Directors

and standardized the operating mechanisms of its foreign companies. It also strived to strengthen the planning capability for building an export platform to expand product lines and make our products more attractive and cost competitive.

### *(5) Made an overall listing and worked to grow bigger and stronger*

After efficiently promoting the overall listing, the Company has become China's largest listed home appliances company in terms of production and sales that offer the most extensive choice of appliances. Midea has integrated and improved its large and small appliances, motors, logistics, and other industry resources, greatly enhancing its coordinating and resource sharing capabilities of its integrated industrial chain. In this context, the Company has found itself more firmly anchored in the industry and its comprehensive competitiveness greatly improved. Optimized governance structure and stronger independence also have laid a solid foundation for the long-term steady development of the Company.

Reasons for the difference of less than or over 20% between the Company's operating results and the earnings forecast publicly disclosed by the Company

□ Applicable √ N/A



美的洗衣机

## 八项全能 洗衣达人

### 美的新爱尚滚筒洗衣机

智能控, 呵护您, 美绽放, 健康您——美的新爱尚, 美质巧动, 8人洗衣科技, 核心为您而来, 让您感受更美的生活。

- 蒸汽洗烫
- 喷淋水循环
- 智能烘干
- D-PiL抗菌科技
- 中途添衣
- 智能预约晾晒
- 智能预约脱水
- 贴心洗护提醒

## 2.2 Revenue

Whether revenue from physical sales is higher than service revenue

Yes  No

Unit: ('0,000)

Industry Type	Item	2013	2012	Increase/ decrease (%)
Home appliance industry	Sales volume	20,027.47	17,452.51	14.75%
	Production volume	19,641.58	18,751.73	4.75%
	Inventory	3,214.86	2,886.50	11.38%

According to the statistics above, the Company's sales grew in pace with production. This is because the Company adopted the policy of adjusting production volume based on sales volume to strike a balance between sales and production. Consequently, the Company's inventory also remained at an appropriate level with inventory structure further improved. (Note: The aforementioned statistics about production volume, sales volume and inventory were calculated based on internal standards. Lighting products are excluded because they are difficult to count).

Retail market share of the Company's major products

Product Category	2013		2012	
	Market share	Market ranking	Market share	Market ranking
Air-conditioner	21.6%	2	19.7%	2
Refrigerators	7.3%	6	6.5%	5
Washing machines	16.8%	2	16.5%	2
Electric rice cookers	42.9%	1	42.7%	1
Induction cookers	47.4%	1	46.0%	1
Electric pressure cookers	41.3%	1	39.6%	1
Electric kettles	28.6%	1	33.0%	1
Microwave ovens	40.8%	2	39.0%	2
Water purifiers	36.7%	1	40.4%	1
Kitchen stoves	6.0%	5	6.0%	5
Range hoods	6.6%	4	6.1%	5
Vacuum cleaners	10.6%	3	12.9%	2
Electric fans	34.2%	1	34.5%	1
Water heaters	8.5%	3	7.6%	3

Note: Market share data is sourced from China Market Monitor.

Explanation on why the related data varied by more than 30%.

Based on enhanced consumer research, Midea's products such as range hoods, kitchen stoves, water purifiers and air cleaners have been designed with improved performance and multiple to meet customers' higher requirements for a smart and healthy life. Therefore, the sales volume of all products grew fast.

Major orders of the Company

Applicable  N/A

Significant change in or adjustment of the products or services of the Company during the Reporting Period

Applicable  N/A

Sales to major customers of the Company

Total Sales to Top Five Customers (RMB'000)	9,731,339.13
Total Sales to Top Five Customers as a Percentage of the Total Sales for the Year (%)	8.02

Information on top five customers

No.	Sales amount (RMB'000)	As a percentage of the total sales for the year (%)
1	3,056,335.11	2.52
2	2,271,023.08	1.87
3	1,680,467.62	1.39
4	1,409,484.23	1.16
5	1,314,029.09	1.08
-	9,731,339.13	8.02

## 2.3 Cost

Unit: RMB '0,000

Product Type	Item	2013		2012		Increase/ decrease (%)
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
Home appliances	Raw materials	7,159,460.48	84.97%	6,146,034.96	85.09%	-0.12%
	Labor costs	462,909.16	5.49%	400,815.20	5.55%	-0.06%
	Depreciation	188,331.47	2.24%	180,814.75	2.50%	-0.27%
	Energy	124,221.47	1.47%	105,567.68	1.46%	0.01%

Note: Home appliances include large home appliances, small appliances, compressors and electric motors.

Major suppliers of the Company

Total Purchases from Top Five Suppliers (RMB'000)	6,484,342.97
Total Purchases from Top Five Suppliers as a Percentage of the Total Purchases for the Year (%)	6.30

Information on top five suppliers of the Company

No.	Purchases (RMB'000)	As a percentage of the total purchases for the year (%)
1	1,891,799.61	1.84
2	1,572,963.02	1.53
3	1,506,019.18	1.46
4	884,519.33	0.86
5	629,041.83	0.61
-	6,484,342.97	6.30

## 2.4 Expenses

Unit: RMB'000

Item	Amount during the year	Amount during the previous year	Increase/decrease (RMB)	Increase/decrease (%)
Selling expenses	12,432,343.86	9,389,868.49	3,042,475.37	32.40%
Administrative expenses	6,733,456.28	5,925,780.78	807,675.50	13.63%
Financial costs	564,220.53	807,047.80	-242,827.27	-30.09%
Income tax expenses	1,714,275.57	1,568,621.32	145,654.25	9.29%

Due to increased sales volume and greater investment in marketing, selling expenses increased by 32.40% .

Due to improved fund management and decreased note discounts, financial costs decreased by 30.09%.

## 2.5 Research and development expenditure

During the year, guided by customer requirements and based on a long term and ongoing competitive advantage, the Company increased investment in research and development expenditure to improve production capacity and product quality, streamline manufacturing processes and optimize technical procedures. In addition to the building of 10 technical expert teams, the Company carried out 33 key technology projects that involved 8 world class pieces of technology and 13 nationally leading technology projects. The Company founded two research laboratories for "The Internet of Things" and fluid technology, promoting the coordinated development of Midea's home appliances based on "The Internet of Things". Midea also invested more in the recruitment of top talent, specializing in cutting-edge technology and providing much support for high-end talent. In 2013, the Company's research and development expenditure amounted to more than RMB3 billion.

## 2.6 Cash flow

Unit: RMB'000

Item	2013	2012	Increase/decrease (%)
Subtotal of cash inflows from operating activities	84,525,154.16	79,362,515.76	6.51%
Subtotal of cash outflows from operating activities	74,470,957.75	71,272,949.11	4.49%
Net cash flows from operating activities	10,054,196.41	8,089,566.65	24.29%
Subtotal of cash inflows from investing activities	1,682,928.90	782,910.83	114.96%
Subtotal of cash outflows from investing activities	2,149,610.84	4,779,954.83	-55.03%
Net cash flows from investing activities	-466,681.94	-3,997,044.00	-88.32%
Subtotal of cash inflows from financing activities	31,657,009.89	25,146,856.14	25.89%
Subtotal of cash outflows from financing activities	37,021,138.71	30,047,073.35	23.21%
Net cash flows from financing activities	-5,364,128.82	-4,900,217.21	9.47%
Net increase in cash and cash equivalents	4,219,795.03	-810,015.76	620.95%

Explanation of why the related data varied by more than 30%

Cash inflows from investing activities increased by 114.96%, which was mainly due to the exchange rate locking profits; Net cash flows from investment activities decreased by 55.03%, which was mainly due to a drop in expenditure on equity investments; Net cash flows from investing activities decreased by 88.32%, which was due to the above two reasons.

Explanation of main reasons leading to the material difference between cash flows from operating activities during the Reporting Period and net profit for the year

Applicable  N/A

## 3. Components of Main Business

Unit: RMB'000

	Revenue	Operating costs	Gross profit margin (%)	Increase/decrease of revenue as compared to prior year (%)	Increase/decrease of operating costs as compared to prior year (%)	Increase/decrease of gross profit margin as compared to prior year (%)
By industry						
Manufacturing	110,637,201.02	84,263,611.07	23.84%	17.39%	16.66%	0.48%
Logistics transportation	2,631,251.27	2,325,549.70	11.62%	5.96%	6.34%	-0.31%
By product						
Large home appliances	78,362,227.69	59,434,947.19	24.15%	23.15%	22.42%	0.46%
Air conditioner and components	62,177,696.67	46,942,826.43	24.50%	20.82%	20.63%	0.12%
Refrigerator and components	8,131,083.38	6,581,673.70	19.06%	36.64%	33.62%	1.83%
Washing machines and components	8,053,447.64	5,910,447.06	26.61%	29.60%	25.52%	2.39%
Small appliances	27,843,791.00	21,107,489.10	24.19%	8.08%	7.22%	0.61%
Motors	6,885,538.02	5,906,163.88	14.22%	9.77%	9.76%	0.00%
Logistics	2,631,251.27	2,325,549.70	11.62%	5.96%	6.34%	-0.31%
By geographical segment						
PRC	67,313,554.94	49,041,081.74	27.15%	26.37%	26.10%	0.16%
Other countries and regions	45,083,022.42	36,777,918.90	18.42%	5.28%	5.17%	0.09%

Note: In order to help the investors learn about the actual scale of operation and operational capability in terms of motors and logistics, the above mentioned data include the 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 sales within the Company.

Under the circumstances that the statistical standards for the Company's main business data adjusted in the Reporting Period, the Company's main business data in the recent year is calculated based on adjusted statistical standards at the end of the Reporting Period

□ Applicable √ N/A



蒸汽喷洗更彻底  
每天都是新厨房

- 110°C 高温高压蒸汽
- 15分钟全自动喷洗
- 洗净率高达98.5%

## 4. Analysis of Assets and Liabilities

### 4.1 Material changes of asset items

Unit: RMB'000

	As at the end of 2013		As at the end of 2012		Change in percentage (%)
	Amounts	As a percentage of total assets (%)	Amounts	As a percentage of total assets (%)	
Monetary funds	15,573,683.04	16.06%	13,435,509.08	15.31%	0.75%
Accounts receivable	7,928,438.25	8.18%	9,864,573.62	11.24%	-3.07%
Inventories	15,197,723.84	15.68%	13,350,000.92	15.22%	0.46%
Investment properties	205,834.70	0.21%	84,388.01	0.10%	0.12%
Long-term equity investments	1,755,798.09	1.81%	1,709,771.71	1.95%	-0.14%
Fixed assets	19,572,161.32	20.19%	20,252,528.91	23.08%	-2.89%
Construction in progress	612,601.28	0.63%	1,600,696.10	1.82%	-1.19%

### 4.2 Material changes of liability items

Unit: RMB'000

	2013		2012		Change in percentage (%)
	Amounts	As a percentage of total assets (%)	Amounts	As a percentage of total assets (%)	
Short-term borrowings	8,872,173.98	9.15%	5,082,087.08	5.79%	3.36%
Long-term borrowings	711,464.64	0.73%	2,388,473.96	2.72%	-1.99%

### 4.3 Assets and liabilities measured at fair value

Unit: RMB'000

Item	Opening balance	Profit or loss from change in Fair Value During the period	Cumulative Fair Value Change Charged To Equity	Impairment Provided During The Period	Closing balance
Financial assets					
1. Financial assets measured at fair value with fair value changes included in profit and loss for the year	0.00	0.00	0.00	0.00	0.00
2. Derivative financial assets	261,775.89	528,015.28	25,177.03	0.00	814,968.20
3. Financial assets available for sale	776.33	0.00	292.27	0.00	1,068.60
Sub-total of financial assets	262,552.22	528,015.28	25,469.30	0.00	816,036.80
Investment real estate	0.00	0.00	0.00	0.00	0.00
Productive living assets	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00
Sub-total of the above	262,552.22	528,015.28	25,469.30	0.00	816,036.80
Financial liabilities	22,073.08	-10,812.90	0.00	0.00	11,260.18

Whether there were any material changes on the measurement attributes of major assets of the Company during the Reporting Period

Yes  No



## 5. Core Competitiveness Analysis

### 5.1 Industry-leading advantages of scale

The Group has a complete industrial chain from air conditioners and refrigerators to washing machines, as well as a complete group of small household electrical appliances. With 16 production bases that cover 5 regions including southern, eastern, central, southwestern and northern parts of China, the Group also has production bases in 6 countries which are Vietnam, Belarus, Egypt, Brazil, Argentina and India. Thanks to these bases, the Company ranks forefront both at home and abroad in terms of productivity, yield and sales volume of major household appliances.

Meanwhile, Midea Group has a strong supply capacity of upstream components of household appliances, with overall production capacity for about 100 million motors and sales at about 60 million motors, remaining at the forefront of the production and sales scale of main motor products. Besides, the strong transportation and distribution ability of the Group's logistics sector has provided a powerful guarantee for the development of the company's household appliances industry. Midea Group has a large-scale layout in household appliances and related industries, which reinforces the company's position at the forefront of the industry and protects the Company's comprehensive advantages in terms of cost control, quality control, resource integration and timeliness of delivery.

### 5.2 Integrated capabilities in industry chain collaboration and resource sharing

As the only white goods enterprise with a whole industrial chain and full product line in China, Midea Group has developed a complete industrial chain combining R&D, manufacturing and sales of key components and complete machines, backed by industry-leading R&D and manufacturing technology of core components of household appliances (such as compressors, electrical controls and magnetrons), and based on powerful capabilities in production and logistics service of upstream parts and components like motors. As for the product line, the Group produces major appliances like air conditioners, refrigerators and washing machines, and

almost all mainstream small household appliances such as microwave ovens, rice cookers, dishwashers and other kitchen & bath appliances, forming a comprehensive coverage of high, medium and low-end products.

After giving comprehensive consideration to regional radiation, supply support, logistics cost and other factors, we conduct systematic planning and rational distribution in productivity and structure while carrying out integration of multi-product scale and flexible production, enabling the company to be more flexible to respond to market demands. Meanwhile, we have achieved full sharing of resources and all-round coordination in procurement, branding, technology, channels and other aspects thanks to the advantages of whole industry chain and full product line.

### 5.3 Broad and stable channel network

By virtue of years of development and layout, Midea Group has formed all-dimensional market coverage. In the mature first- and second-tier markets, the company has maintained good cooperation relationships with large home appliance retail chains such as Gome and Suning; while in the extensive third and fourth-tier markets, the company uses exclusive shops, traditional channels and new channels as effective supplement. Already, the company has achieved a full coverage of the first- and second-tier markets and over 95% coverage of the third and fourth-tier markets. Besides, the Company's superiorities in branding, products, offline channels and logistics distribution also create powerful guarantees for the company's rapid expansion of e-commerce business and channels. In China, Midea Group has established operative relationship with a majority of initial distributors for many years, cultivating good brand loyalty; in foreign countries, Midea Group has set up a number of overseas branches, and has built some production bases in six foreign countries, accelerating the construction of its marketing network covering Southeast Asia, North America, South America, Europe, Middle East and other potential markets.

#### 5.4 Steadily leading innovation and R&D capabilities

Having been committed to product innovation and research, Midea Group has introduced leading high-end technical talents within the industry and maintained technical cooperation with leading domestic and foreign research institutions. Relying on a sound innovation mechanism and sustained strong investment in research resources, the Group has maintained its advanced level of science and technology at home and abroad, and taken the lead in developing and launching a series of innovative products, such as the full DC inverter air conditioner consuming "1 kWh per night", the "intelligent auto-dispensing" washer-dryer, the "Steam Cube" (Zhenglifang) Series microwave ovens, the IH smart electric rice cooker, the high-temperature steam cleaning range hood and the running water heater, which are highly recognized within the market.

#### 5.5 Perfect corporate governance mechanism and excellent professional manager mechanism

Out of close attention to the construction of governance

framework, corporate control, separation of powers, centralization and decentralization system, the Group has implemented the divisional system for many years, and its performance-oriented evaluation and incentive mechanism featuring full decentralization has become a training and growth platform for the Group's professional managers. With long-standing business practices, the Group has formed a mature management system for professional managers as well as a stable and sound modern business management system. The Group's senior management team consists of the professional managers who have been trained and forged in the operation practice of Midea Group. With an average age of about 40 years old, the vast majority of the management has been working for Media for more than 15 years, so they all have rich industry and management experience, deep understanding of the home appliance industry of China and the world, and accurate grasp of the industry operating environment and corporate operation management. The Company's advantages in systems and mechanisms have laid a solid foundation for the promising, stable and sustaining development of the Company in the future.



## 6. Analysis of Investments

### 6.1 External equity investments

#### (a) The Company's shareholdings in financial corporations

Company name	Type of companies	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)	Profit and loss for the Reporting Period (RMB'000)	Accounting calculation item	Source of shares
Golden Eagle Asset Management Co., Ltd.	Fund company	50,000.00	50,000,000	20.00%	50,000,000	20.00%	27,760.03	-8,600.33	Long-term equity investment	Established by way of promotion
Bank of Jiangsu Co., Ltd.	Commercial bank	13,220.45	2,202,564	0.00%	5,232,676	0.00%	13,330.45	123.40	Long-term equity investment	Non-public issue
Hubei Bank Corporation Limited	Commercial bank	5,000.00	5,870,266	1.29%	5,870,266	1.29%	5,000.00	1,015.56	Long-term equity investment	Non-public issue
Foshan Shunde Rural Commercial Bank Company Limited	Commercial bank	452,840.00	186,104,160	6.33%	186,104,160	6.33%	452,840.00	29,607.48	Long-term equity investment	Non-public issue
Zhangshu Shunyin County Bank Company Limited	Commercial bank	6,000.00	6,000,000	6.00%	6,000,000	0.60%	6,000.00	60.00	Long-term equity investment	Non-public issue
Fengcheng Shunyin County Bank Company Limited	Commercial bank	6,000.00	6,000,000	6.00%	6,000,000	0.60%	6,000.00	0.00	Long-term equity investment	Non-public issue
Total		533,060.45	256,176,990	--	259,207,102	--	510,930.48	22,206.11	--	--

#### (b) Securities investment

Applicable  N/A

### 6.2 Entrusted asset management, derivatives investments and entrusted loans

#### (a) Entrusted asset management

Unit: RMB'0,000

Name of Trustee	Connected transaction or not	Whether it is a connected transaction	Product type	Value of entrusted assets	Commencement date	Termination date	Method of remuneration	Actual principal amount recovered for the period	Amount provided for impairment (if applicable)	Projected income	Actual profit and loss amount for the period
Domestic commercial bank	No	No	Bank financial product	5,216,666	2013.01	2014.01	Agreement	4,254,330	-	25,037.18	25,037.18
Total				5,216,666	--	--	--	4,254,330	-	25,037.18	25,037.18
Source of entrusted assets								The Company's own funds			
Cumulative amount of principal and revenue overdue								No			
Litigation involved (if applicable)								No			

## (b) Derivatives investment

Unit: RMB'0,000

Middleman name	Connected transaction or not	Whether it is a connected transaction	Investment type	Initial investment amount	Commencement date	Termination date	Investment amount at the beginning of the period	Amount provided for impairment (if applicable)	Investment amount at the end of the period	Ratio of investment amount at the end of the period to the Company's net asset at the end of the period (%)	Actual profit and loss amount for the period
Futures company	No	No	Futures contracts	3,022.60	2013.01.01	2013.12.31	3,022.60	0	0.00	0.00%	-19,740.69
Bank	No	No	Forward forex contracts	20,947.69	2013.01.01	2013.12.31	20,947.69	0	80,370.80	2.45%	155,829.78
Total				23,970.29	--	--	23,970.29	--	80,370.80	2.45%	136,089.09
Source of derivatives investment funds	All from the Company's own funds.										
Litigation involved (if applicable)	N/A										

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)

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 to avoid the risks of exchange and interest rate fluctuation, realize the preservation and appreciation of forex assets, reduce forex liabilities, as well as achieve locked-in costs. The Company has performed sufficient evaluation and control against derivatives investment and position risks, details of which are described as follows:

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.

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.

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.

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.

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.

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.

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

1. Profit/loss from futures hedging contracts incurred during the Reporting Period was RMB -197,406,900;

2. Profit/loss from forward forex contracts incurred during the Reporting Period was RMB 1,558,297,800;

3. Public quotations in futures market or forward forex quotations announced by Bank of China are used in the analysis of derivatives fair value.

## Continued

Explanation of significant changes in accounting policies and specific financial accounting principles in respect of the Company's derivatives for the Reporting Period as compared to the previous Reporting Period

No change

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.

## (c) Details of entrusted loans

Applicable  N/A

## 6.3 Use of funds raised

Applicable  N/A

## 6.4 Analysis of 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)	Revenue from operations (RMB million)	Operating profit (RMB million)	Net profit (RMB million)
Guangdong Midea Refrigeration Equipment Co., Ltd.	Subsidiary	Manufacturing	Air conditioner	RMB85,400.00	13,086.45	2,622.03	28,835.98	765.46	665.40
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Subsidiary	Manufacturing	Air conditioner	USD693	5,372.75	1,164.91	16,653.57	473.51	410.86
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	Subsidiary	Manufacturing	Air conditioner	RMB10,000.00	2,333.92	575.81	6,579.93	460.49	383.44
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	Subsidiary	Manufacturing	Air conditioner	RMB106,000	1,713.88	1,326.06	1,254.23	304.04	259.44
Wuhu GMCC Air-conditioning Equipment Co., Ltd.	Subsidiary	Manufacturing	Air conditioner	RMB83,000	1,644.83	1,073.47	3,021.34	315.95	241.13
Anhui GMCC Compressor Sales Co., Ltd.	Subsidiary	Manufacturing	Compressor	RMB10,000	2,583.86	386.00	10,145.71	330.31	248.12
Foshan Sunde Midea Electric Appliance Manufacturing Co., Ltd.	Subsidiary	Manufacturing	Water heater	USD2,200.00	3,064.74	1,381.96	4,874.52	722.05	609.92
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing	Kitchen & bathroom electric appliances	USD4,200.00	4,043.38	1,262.54	7,797.68	473.45	411.71
Foshan Shunde Midea Washing Appliance Manufacturing Co., Ltd.	Subsidiary	Manufacturing	Washing appliance	USD 1,600.00	1,382.17	468.50	2,661.11	309.69	272.66

Note: Please refer to 2013 Annual Report for Wuxi Little Swan Company Limited, a controlled subsidiary of the Company.

## Acquisition and disposal of subsidiaries during the Reporting Period

Company name	Purpose to acquire and dispose subsidiaries during the Reporting Period	Purpose to acquire and dispose subsidiaries during the Reporting Period	Impact on overall production and results
Midea Aircon (Malaysia) Sdn. Bhd.	To improve sales in household electric appliance	Share acquisition	Net profit increased by RMB336,800 for the Reporting Period
Wuhan Mei'an Storage and Transportation Co., Ltd.	Disposal of business	Share transfer	Net profit increased by RMB53,600 from the beginning of the period to the disposal date
Ezhou Annto Logistics Co., Ltd.	Disposal of business	Share transfer	Net profit decreased by RMB150 from the beginning of the period to the disposal date
Xinjiang Annto Logistics Co., Ltd.	Disposal of business	Share transfer	Net profit increased by RMB430 from the beginning of the period to the disposal date
Jiangsu Qingjiang Motor Manufacturing Co., Ltd.	Disposal of business	Share transfer	Net profit increased by RMB54,805,400 from the beginning of the period to the disposal date
Guangdong Ganey Precision Machinery Co., Ltd.	Disposal of business	Share transfer	Net profit decreased by RMB1,255,200 from the beginning of the period to the disposal date
Jiangsu Huai'an Weituo Road Maintenance Equipment Ltd.	Disposal of business	Share transfer	Net profit decreased by RMB9,889,800 from the beginning of the period to the disposal date
Foshan Weite Road and Bridge Maintenance Machinery System Integration Co., Ltd.	Disposal of business	Share transfer	Net profit decreased by RMB1,920,900 from the beginning of the period to the disposal date
Guangdong Shunde Midea Science and Technology Incubator Ltd., Co.	Disposal of business	Share transfer	Net profit increased by RMB866,800 from the beginning of the period to the disposal date
Guangdong Midea Automatic Control Technology Co., Ltd.	Disposal of business	Cancellation	Net profit decreased by RMB2,770,900 from the beginning of the period to the disposal date
Midea Latin America Co., Ltd. (Miami)	Disposal of business	Cancellation	Net profit increased by RMB5,200 from the beginning of the period to the disposal date
Zhongshan Shunying Electric Manufacturing Co., Ltd.	Disposal of business	Cancellation	Net profit increased by RMB0 from the beginning of the period to the disposal date
Beijing Midea Commercial Air Conditioning Sales Co., Ltd.	Disposal of business	Cancellation	Net profit decreased by RMB3,163,400 from the beginning of the period to the disposal date
Foshan Shunde Bowen Investments Co., Ltd.	Disposal of business	Cancellation	Net profit increased by RMB30,500 from the beginning of the period to the disposal date
Midea Group Refrigerator Manufacturing (Hefei) Co., Ltd.	Disposal of business	Cancellation	Net profit increased by RMB866,300 from the beginning of the period to the disposal date
Suzhou Midea Clean and Healthy Electric Appliance Manufacturing Co., Ltd.	Disposal of business	Cancellation	Net profit increased by RMB13,000 from the beginning of the period to the disposal date
Guangdong Midea Group Wuhu Property Construction Management Co., Ltd.	Disposal of business	Cancellation	Net profit increased by RMB317,500 from the beginning of the period to the disposal date
Guangdong Midea Louyu Technology Co., Ltd.	Disposal of business	Cancellation	Net profit increased by RMB7,380,000 from the beginning of the period to the disposal date
Wuxi Little Swan Drive and Control Technology Development Co., Ltd.	Disposal of business	Cancellation	Net profit decreased by RMB223,900 from the beginning of the period to the disposal date
Wuxi Little Swan Huayin Electrical Appliances Co., Ltd.	Disposal of business	Cancellation	Net profit increased by RMB889,500 from the beginning of the period to the disposal date

## 6.5 Highlights of the major investments not financed by the proceeds

Applicable  N/A

## 7. Forecast of Business Performance from January to March in 2014

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

Forecast of business performance:

Statement of business performance forecast (based on income statement)

	From the beginning of the year to the end of the next reporting period			Same period in the last year	Increase/decrease (%)			
Estimated amount of aggregate net profit (RMB'00 million)	23.51	--	26.57	10.22	Increase	130%	--	160%
Basic earnings per share (RMB/share)	1.39	--	1.58	1.02	Increase	36%	--	55%
Explanations for business performance forecast	In September 2013, Midea Group merged with GD Midea Holding through share exchange. The income statement has been compiled based on accounting standards. The net profit of the Period was the data generated following the merger, while the figure in the same period of the previous year was calculated based on 41.17% shares held by Midea Group in GD Midea Holding before the merger.							

To facilitate contrastive analysis based on the same statistical standards for investors, the Company will disclose the income statement of the first quarter in 2014 while formulating and disclosing the pro-forma income statement of the first quarter in 2014 (the merger of GD Midea Holding is deemed as to have been completed on 1 January, 2013). Based on the pro-forma profit statement, the Company's business performance is expected to improve in the first quarter of 2014 as follows:

Statement of business performance forecast (based on pro-forma profit statement)

	From the beginning of the year to the end of the next reporting period			Same period in the last year	Increase/decrease (%)			
Estimated amount of aggregate net profit (RMB'00 million)	23.51	--	26.57	16.55	Increase	42%	--	61%
Basic earnings per share (RMB/share)	1.39	--	1.58	0.98	Increase	42%	--	61%
Explanations for business performance forecast	(1) The Company remains committed to deepening the transformation of business model, constantly optimizing product structure, continuously boosting the proportion of high-end products and stably improving its profitability. (2) The Company has effectively promoted its overall strategy for smart household appliances and the strategy for making progress in e-commerce. In addition, the Company's new model of economic growth has gradually taken root.							

## 8. Special Purpose Vehicle Controlled by the Company

Applicable  N/A

## 9. Prospect for the Future Development of the Company

### 9.1 Industry landscape and trends

As industry demand slows down, industry upgrade, higher efficiency and category extension have become an inevitable choice for companies to pursue profits. The change of buying behaviors is promoting the continuous improvement of product structure. The strategies of home appliance companies are shifting from traditional expansion to reconstruction and expansion of the industrial chain and even cross-industry cooperation. The improved network environment is also pushing the companies to reform, bringing new market opportunities and challenges.

When it comes to industry and product trends, becoming smarter is a new goal for the upgrade of future products. As network environment further improves, business models will become more diversified. The development of innovative products catering to customers' needs will provide strong support for the sustainable growth of China's home appliances market. The market for health-orientated household appliances such as air purifiers and water purifiers will expand rapidly. With the increasing demand for more efficient sales channels of electric appliances, e-commerce penetration will rise at a faster pace and products will tend to be sold online and offline regardless of their categories.

Although there is a downturn in the home appliance industry after successive years of high growth, from a mid- to long-term perspective, factors supporting the industry's growth remain unchanged, such as the speed up of new urbanization, increase in the income level of residents, recovery of export environment, extended operations in emerging-market countries, and China's low home appliances ownership compared with developed countries and other factors of supporting the growth of electric appliances. Furthermore, as China boasts a population of 1.4 billion people and a major home appliance manufacturer and exporter with complete industry clusters, its electric appliance industry still has long-term growth potential that can't be ignored.

### 9.2 Developing strategies of the company

Based on its strategies of "becoming the leader in China's home appliance industry and ranking among the top three in world's home appliance industry", the Company will deepen its transformation, promote the continuous growth of operation quality, and lead the market for its products centered on consumer demand by means of technology innovation, quality improvement and high-quality projects. The Company will shift from a factor-driven model to an efficiency-driven model of operation to create new cost advantage by improving efficiency in management, manufacturing and asset use. It plans to promote industrial coordination in the domestic market to optimize the distribution of channels. With regard to the overseas market, the Company will further improve its management and control system, strengthen joint-venture partnerships and other cooperation, and explore new markets, so as to lay the groundwork for its global operations. Midea will push for innovation and transformation and seek for the development of new economy and new growth model in the Internet age. It will also strengthen research on strategies and strategic arrangement, develop new ways to grow and build a new industrial platform. The Company also strives to rapidly solidify the basis for the development of the Company's e-commerce business, build a cluster of smart products, and push forward the strategy of building a smart home and industrial automation. Besides all these, the Company aims to achieve new growth by strengthening cooperation and attracting talent.

### 9.3 Key operation for 2014

#### *(a) Focus on increasing product attractiveness and profitability and deepen operational transformation*

As a consumer-centric business, the Company will establish a product attractiveness evaluation mechanism in terms of the market, consumers and comparison with competing products. It will make accurate plans for products, improve its R&D system, accelerate product upgrades, and strengthen the development of innovative products, to further improve its profitability and increase its market share. It plans to increase



investment in technology, introduce industry-leading talent, and establish a basic research platform, and laboratories for refrigeration and inverter technologies, industrial design and mold development. Energy-saving, smart, comfortable and technologies for healthy life will be further developed for a transformation from competitive innovation to innovation designed for improvement and breakthroughs. The Company will continue to tighten up its control over quality, improve product compliance systems, and enforce R&D, supplier management, and quality control processes. It will work to improve product design as well as management and test standards and carry out quality projects to increase product reliability and attractiveness. It will also continue to strengthen its core business in air conditioning industry chain and develop its growing businesses in refrigerators, washing machines, all kitchen appliances and small appliances while promoting the coordinated integration of the logistics business. To find new ways to grow, efforts will be made to develop innovative small appliances such as lights, water purifiers and air cleaners and other similar products that can meet consumer demand.

The Company is bold in transforming from the manufacturer of a single product to a supplier of comprehensive service solutions and a great variety of products. To make this happen, the company will promote Midea M-SMART smart home strategies while giving play to its advantage in industrial clusters to promote cross-industry integration and cooperation. As the company aims to provide smart, healthy and energy-saving products and services, sensor and intelligent control technologies combined with big data will be used to provide comprehensive smart services and overall solutions for a smart home, including intelligent control over air, nutrition, water and energy. The company expects to build a large community of millions of M-SMART fans or users as a way of continuously optimizing users' experience of the M-SMART smart home and realize the interconnection and interaction among home appliances of all categories. In 2014, Midea Group will accelerate the launch of new smart products with a plan to introduce smart home appliances of 25 categories.

*(b) Promote channel integration, realize e-commerce breakthrough and enhance service abilities*

With attention to detail, the Company tries to perform well in everything it does. With an aim to increase product attractiveness, the Company works to safeguard the interests of parties concerned with different channels and stimulate their vitality by optimizing sales structure and improving operating capacity. It will also give play to its advantage in terms of collaboration between flagship stores and exclusive shops and improve their quality and capacities. The Company plans to set up 1,500 flagship stores in 2014 and help flagship stores develop after-sales and distribution capabilities. It will allocate certain service resources at or below the county level to flagship stores and service outlets, gradually improving the basic capability of providing after-sales service related to e-commerce over the last mile.

Midea will accelerate the strategic change of Internet-related ideas and fully develop its e-commerce business. With customers' requirements in mind, the Company will integrate brand building, interactions, sales, service, and channels to realize a good user experience from shopping online and offline. It will reinforce strategic cooperation with e-commerce platforms including JD.com, Tmall and Suning.com by establishing Midea Group e-commerce company, opening Midea Group's official flagship store offering all of its product categories on Tmall, and starting the operation of Midea Group's official online shopping mall. By implementing strategic plans through all e-commerce channels, Midea will strive to achieve an e-commerce sales target of RMB10 billion in 2014. As a supporter of e-commerce business, logistics services will be integrated to accelerate the distribution of logistics centers. The Company expects to build six major e-commerce warehouses in Beijing, Shanghai, Guangdong, Hubei, Zhejiang and Sichuan to improve its ability to frequently deliver small orders in a wider area. It plans to put 25 comprehensive distribution centers into use to provide warehousing and delivery services for both B2B (business to business) and B2C (business to customer) business with

an extended distribution network to include third and fourth tier cities. All Midea's offline quality resources from flagship stores, exclusive shops and after-sales service outlets will be incorporated into an e-commerce business support system. By building an information and data integration system, Midea expects to promote its online and offline business and provide a combination of delivery and installation services, so as to create a good shopping experience for its customers. It will strengthen the analysis of user data and analyze users' purchasing behaviors with big data calculation methods. Certain results of analysis will be sent to Midea's supply chain including factories, R&D departments, and manufacturing bases to provide users with proper solutions.

Midea will make great effort to enhance its after-sales service capability by all means. First, users' problems will be resolved within 24 hours to increase the reputation of Midea's after-sales services among consumers. Second, it will design uniform service standard compliance cards to ensure the consistency of after-sales services provided by different service staff so that users can receive effective and standardized services. Third, Midea will further improve its "Midea Service" platform on WeChat (a mobile text and voice messaging communication service in China) and its customer service functions. More specifically, the platform will enable users to perform many of their own services (such as requesting for repairs, tracking and evaluating services, and searching for nearby flagship stores and outlets), receive monthly e-magazines (providing information such as how to use and maintain Midea's products and information about new products) and interact with customer service staff. Fourth, Midea will work to identify pain points in after-sales service and promote the transformation of its call center through WeChat platform to an information management center for customer interaction through all media, consumer demand research center, customer relationship management (CRM) center, data analysis management and control center, and third-party research center.

*(c) Reinforce fundamental management, strengthen operation management and control and promote efficiency improvement*

The Company will carry out a comprehensive process management system, strengthen the management and control of operational risks and enhance detailed financial analysis and pre-warning capabilities. It will dynamically monitor all risks in items such as inventories, accounts receivables, funds, and exchange rate. In addition, Midea plans to increase the return on its funds by increasing its own cash and accelerating its transformation through internal and external capital markets. Financial system functions based on ERP will be optimized to improve efficiency in financial operations and data transparency and support sophisticated business analysis and decision-making. The Company will continue to streamline its corporations and accounting items to simplify accounting, improve settlement efficiency, and increase the level of automation for accounting treatment.

The Company plans to strengthen lean design and lean manufacturing capabilities as well as coordination between production and sales and balanced production. Furthermore, it will promote the modularity and simplicity of product design to reduce the number of products and parts, increase the level of factory automation, and reduce losses caused by volatility and dispersion in demand. All these will help improve manufacturing efficiency.

Efforts will be made to further promote the revitalization and allocation of assets and their coordination with the property. A fixed asset management system will be set up to quickly clear up idle assets and dispose of non-operating assets. The company will exercise caution while implementing new investments, control the scale of fixed assets, and improve the return on fixed assets.

*(d) Stick to an international strategy, build a global industrial chain and a global landscape based on the development of the world home appliance industry*

The company remains committed to promoting the strategy of building regional self-owned brands and improving the profitability of overseas branches and emerging markets

with self-controlled brands and channels. It plans to improve the collaboration between product business divisions and international platforms in terms of their value chains, accelerate the integration between customer sharing of product information and businesses, and maximize the synergy of various product platforms. It will keep promoting strategic alliances and cooperation with global home appliance giants, optimize the distribution of overseas production bases based on global development, seek cooperation objectives and investment targets, and explore ways to enter the market in developed countries through mergers and acquisitions (M&A); Midea will further improve its international management and control mechanism and develop multinational fund management ability to lower exchange rate losses and improve the efficiency in using capital. The construction of IT operational systems will be strengthened for overseas factory and sales platforms. It will improve multinational management of human resources, performance appraisal and staff training to build a strong team of international talent and strengthen international management capabilities.

#### 9.4 Future key capital expenditure plan

Adapting to changes in the industry environment, the key areas of investment for the company in 2014 will be technological innovation, quality improvement, IT information system improvement, e-commerce channel development and capability enhancement and implementation of M-SMART overall smart home strategy. With a plan to invest RMB3 billion in the building of global R&D headquarters in Shunde, Guangdong Province in China, it will also strictly control investments in infrastructure and capacity expansion projects and non-production operations. Funds for investment will mainly come from the Company's own funds.

#### 9.5 Major risk factors related to future development

##### *(a) Risk of fluctuation in macro-economy*

As the Company's products include air conditioners, refrigerators, washing machines and a variety of small appliances, which are consumer goods, the market demand for home appliances is significantly affected by economic

conditions and macro control policies. If the growth of macro-economy or consumers' demand slow down, the Company's growth in home appliances market will slow down, and its sales of products will be negatively affected.

##### *(b) Risk of competition in the market*

The home appliance industry in China features perfect competition where a large number of domestic and foreign-invested home appliance manufacturers compete for the sales of different products and bands (self-owned or foreign brands). Although the company has certain competitive advantage in the industry, it still faces an intensifying industry competition and market risks such as the impact of new business models in the Internet economy, which may negatively influence its business performance and financial situation.

##### *(c) Risk of price fluctuation in production factors*

The main raw materials for appliances and motors production are various types of copper, steel, aluminum and plastic. Furthermore, as home appliance manufacturing is labor intensive, if material prices increase significantly, or costs of production factors (i.e. labor, water, electricity and land) rise due to changes in the macroeconomic environment and policies while the prices of end products fail to be adapted to fluctuations in the costs, the business performance of the company will be negatively affected.

##### *(d) Risk related to developing overseas market*

Globalization and world-wide operation are the long-term strategies of the Company, and it has established joint venture production bases in a number of countries around the world. However, when developing in the overseas market, the company faces unpredictable risks such as local political and economic stability, significant changes in local law systems and regulation systems, and sharp rise in production costs.

##### *(e) Risk of product export and exchange losses arising from exchange fluctuation*

Product export accounts for over 40% of total revenue for the company. Exchange fluctuation will not only adversely affect its exports, but will also result in exchange losses and increase financial costs.

#### *(f) Market risk arising from trade barriers*

As tariff barriers are lowered, the impact of non-tariff barriers between countries has become increasingly prominent. They are mainly reflected as various mandatory safety certifications, requirements on international standards, certification requirements on product quality and its management system, energy saving and increasingly stringent environmental protection and recycling standards for waste home appliances. Non-tariff barriers and trade frictions caused by antidumping measures of some countries and regions have increased the cost burden of home appliance companies and brought new challenges to market expansion.

### 10. The Board of Directors' Explanation Regarding the "Non-standard Audit Opinion" for the Reporting Period

Applicable  N/A

### 11. Reason for Changes in Accounting Policies, Accounting Estimates and Accounting Methods as Compared to the Financial Report for the Prior Year

Applicable  N/A

### 12. Reason for Retrospective Restatement of Major Accounting Errors during the Reporting Period

Applicable  N/A

### 13. Reason for Changes in Scope of the Consolidated Financial Statements as Compared to the Financial Report for the Prior Year

#### 1. Newly consolidated companies

According to the "Equity Transfer Agreement" signed by Midea Refrigeration (Hong Kong) Co., Ltd., Hicom Holdings Bhd. and Eastern Trinity Sdn. Bhd. on 26 June, 2013, Midea Refrigeration (Hong Kong) Co., Ltd. purchased 21.86% equity of Malaysia Joint Venture (SEE) held by Hicom Holdings

Bhd. at the price of RMB1,370,010 (equivalent to 681,940 ringgit, 224,950 dollars), and its shareholding percentage increased from 51% to 72.86% after the purchase. On 30 November, 2013, Midea Refrigeration (Hong Kong) Co., Ltd. paid RMB1,370,010 for the equity transfer while having gone through property right handover procedures. As a result, since December 2013, Midea Refrigeration (Hong Kong) Co., Ltd. would be included in the consolidated financial statements.

#### 2. Deconsolidation of companies

##### *(1) Statement of subsidiary cancellation out of equity sales*

(a) According to the "Equity Transfer Agreement" signed by Wuhu Ande Investment Co., Ltd. and Wuhan Zhenwei Economic Development Co., Ltd. on 7 February, 2013, Wuhu Ande Investment Co., Ltd. transferred 100% equity of Wuhan Mei'an Storage and Transportation Co., Ltd to Wuhan Zhenwei Economic Development Co., Ltd. at the price of RMB69,750,000. In February 2013, Wuhu Ande Investment Co., Ltd. received RMB69,750,000 for the equity transfer while having gone through property right handover procedures. As a result, since February 2013, Wuhan Mei'an Storage and Transportation Co., Ltd. would never be included in the consolidated financial statements.

(b) According to the "Equity Transfer Agreement" signed by Annto Logistics, Wuhu Ande Investment Co., Ltd. and Huangshi Xinxing Huachang Electric Co., Ltd. on 22 November, 2013, Annto Logistics and Wuhu Ande Investment Co., Ltd. transferred their respectively 80% and 20% equity of Ezhou Annto Logistics at the price of RMB11,976,420 to Huangshi Xinxing Huachang Electric Co., Ltd. In December 2013, Annto Logistics and Wuhu Ande Investment Co., Ltd. received RMB9,170,350 for the equity transfer while having gone through property right handover procedures. As a result, since December 2013, Ezhou Annto Logistics would never be included in the consolidated financial statements.

(c) According to the "Equity Transfer Agreement" signed by Annto Logistics, Wuhu Ande Investment Co., Ltd., Dongguan Shide Industrial Investment Co., Ltd., and Xinjiang Jinchi Electric Co., Ltd. on 3 March, 2013, Annto Logistics and

Wuhu Ande Investment Co., Ltd. jointly transferred their respectively 80% and 20% equity of Xinjiang Annto Logistics at the price of RMB21,802,750 to Dongguan Shide Industrial Investment Co., Ltd., and Xinjiang Jinchi Electric Co., Ltd. evenly. On 20 June, 2013, Annto Logistics and Wuhu Ande Investment Co., Ltd. received RMB21, 802,750 for the equity transfer while having gone through property right handover procedures. As a result, since June 2013, Xinjiang Annto Logistics would never be included in the consolidated financial statements.

(d) According to the “Equity Transfer Agreement” signed by Midea Group Co., Ltd., Midea International Holdings Ltd., and Hong Kong Wolong Holding Group Co., Ltd. on 31 July, 2013, Midea Group Co., Ltd. and Midea International Holdings Ltd. transferred their 100% equity of Jiangsu Qingjiang Motor Manufacturing Co., Ltd. and its subsidiary, Jiangsu Huaiyin Huaida Electric Industry Co., Ltd. at the price of RMB155,730,000 to Hong Kong Wolong Holding Group Co., Ltd. For this equity transfer, Midea Group Co., Ltd. received RMB29,999,990, RMB30,000,020, RMB30,000,000 and RMB26,797,500 respectively on 25 October, 29, 30 and 31, 2013, while Midea International Holdings Ltd. received RMB38,932, 500, and the property right handover procedures also have been handled. As a result, since November 2013, Jiangsu Qingjiang Motor Manufacturing Co., Ltd. and Jiangsu Huaiyin Huaida Electric Industry Co., Ltd. would never be included in the consolidated financial statements.

(e) According to the “Equity Transfer Agreement” signed by Midea Group Co., Ltd. and Zhejiang Kaishan Compressor Co., Ltd. on 31 July, 2013, Midea Group Co., Ltd. transferred its 93% equity of Guangdong Ganey Precision Machinery Co., Ltd. at the price of RMB20,000,000 to Zhejiang Kaishan Compressor Co., Ltd. For this equity transfer, Midea Group Co., Ltd. received RMB20,000,000 on 5 August, 2013 while having gone through property right handover procedures. As a result, since August 2013, Guangdong Ganey Precision Machinery Co., Ltd. would never be included in the consolidated financial statements.

(f) According to the “Equity Transfer Agreement” signed by Midea Group Co., Ltd. and Suqian Kelu Maintenance

Technology Co., Ltd. on 8 November, 2013, Midea Group Co., Ltd. transferred its 100% equity of Huaian Weituo Road Maintenance Equipment Co., Ltd. in Jiangsu and its subsidiary, Foshan Weite Road and Bridge Maintenance Machinery System Integration Co., Ltd. at the price of RMB300,000 to Suqian Kelu Maintenance Technology Co., Ltd. For this equity transfer, on 15 November, 2013, Midea Group Co., Ltd. received RMB300,000 while having gone through property right handover procedures. As a result, since December 2013, Huaian Weituo Road Maintenance Equipment Co., Ltd. and Foshan Weite Road and Bridge Maintenance Machinery System Integration Co., Ltd. would never be included in the consolidated financial statements.

(g) According to the “Equity Transfer Agreement” signed by Midea Group Co., Ltd. and Deng Yiwei on 31 October, 2013, Midea Group Co., Ltd. transferred its 100% equity of Guangdong Shunde Midea Science and Technology Incubator Ltd. at the price of RMB8,616,000 to Deng Yiwei. For this equity transfer, on 27 December, 2013, the Company received RMB8,616,000 while having gone through property right handover procedures. As a result, since December 2013, Guangdong Shunde Midea Science and Technology Incubator Ltd. would never be included in the consolidated financial statements.

#### *(2) Statement of subsidiary cancellation out of other reasons*

(a) In January 2013, Guangdong Midea Automatic Control Technology Co., Ltd. was canceled.

(b) In February 2013, Midea Latin America Co., Ltd. was canceled.

(c) In March 2013, Zhongshan Shunying Electric Manufacturing Co., Ltd was canceled.

(d) In August 2013, Beijing Midea Commercial Air Conditioning Sales Co., Ltd. was canceled.

(e) In November 2013, Foshan Shunde Bowen Investments Limited was canceled.

(f) In November 2013, Midea Group Refrigerator Manufacturing (Hefei) Co., Ltd. was canceled.

(g) In December 2013, Suzhou Midea Clean and healthy Electric Manufacturing Co., Ltd. was canceled.

(h) In December 2013, Guangdong Midea Group Wuhu Property Construction Management Co., Ltd. was canceled.

(i) In December 2013, Guangdong Midea Louyu Technology Co., Ltd. was canceled.

(j) In December 2013, Wuxi Little Swan Drive and Control Technology Development Co., Ltd. was canceled.

(k) In November 2013, Wuxi Little Swan Huayin Electrical Appliances Co., Ltd. was canceled.

#### 14. Distribution of profit and dividend payment by the company

Formulation, implementation and adjustment of profit distribution policy, especially cash dividend policy, during the Reporting Period

Considered and approved at the Group's general meeting of shareholders for 2012 on 22 April, 2013, the Articles of Association of Midea Group took effect on 18 September, 2013, the listing date of Midea Group. According to the Articles of Association, the profit distribution policy of Midea Group after listing is as follows:

1. Form of profit distribution: The Company shall use cash, stock or a combination of cash and stock to allocate dividends. The Board of Directors of the company may propose interim profit distribution based on its profitability and fund demand.

2. Specific conditions and proportions of the company's cash dividends: If the Company achieves positive distributable profits for any year and there is no substantial investment plan or cash expenditure (excluding investments financed by the proceeds), in any three consecutive years, the cumulative profit distribution in cash by the Company for the last three year period shall be not less than 30% of the average of the same three years' annual distributable profits. If the Board of Directors did not make a cash bonus plan, as a result of significant investment plans or significant cash expenditures, etc., it should disclose in detail the reason for no cash dividend payment, the purpose and use plan of retained funds in the profit distribution proposal and annual report.

3. For shareholders with illegal possession of the Company's funds, they shall be deducted of the cash dividend distribution as the repayment of the illegally occupied funds.

4. Specific conditions for the company's distribution of stock dividends: Under the premise of ensuring the company's reasonable share capital scale and shareholding structure, if the company is in good operating condition, it may propose the stock dividend distribution plan.

5. The Company shall develop a shareholders' return plan for three years, and review this plan at least once every three years.

In order to specify the dividend returns to shareholders after the listing of Midea Group through share swap merger of GD Midea Holding, and to further refine the terms in the Articles of Association on profit distribution policy, the Company has developed the "Shareholders' Return Plan for the Next Three Years" of Midea Group Co., Ltd. after Listing, which was approved by the Midea Group general meeting of shareholders for 2012 on 22 April, 2013. Details are as follows:

#### 1. Considerations for developing the plan of shareholder returns

With an aim to be committed to the long-term and sustainable development, the company shall establish sustained, steady and scientific plan and mechanisms for investor returns while comprehensively considering its actual situation, business development planning, and external financing environment. In this way, it shall develop a dividend distribution system to maintain the continuity and stability of its profit distribution policy.

#### 2. Principles for developing the shareholders' return plan

After fully considering and listening to the opinions of shareholders, especially small and medium shareholders and independent directors, under the premise of ensuring the company's normal business development, the Company shall distribute dividends in cash or stocks in the shareholders'

return plan. In addition, in any three consecutive years, the cumulative profit distribution in cash by the company for the last three-year period shall be not less than 30% of the average of the same three years' annual distributable profits. Under the premise of ensuring the Company's reasonable share capital scale and shareholding structure, if the company is in good operating condition, it may propose the stock dividend distribution plan.

### 3. Cycle for developing the shareholders' return plan

The Company shall revise the shareholders' return plan at least once every three years, which shall be proposed by the Board of Directors according to provisions of the Articles of Association while combining the company's profitability, business development planning, shareholder returns, capital demands, the social cost of funds and external financing environment, etc. In addition, the development and amendment of the company's shareholders' return plan should take into account of the opinions from the shareholders (especially public shareholders), independent directors and supervisors of the company.

### 4. "Shareholders' Return Plan for the Next Three Years" after listing

Within three years after the listing, the company shall continue to focus on cash dividend and shareholder returns. When meeting the funding requirements for normal production and operations, the company plans to distribute cash profits no less than one third of the profits attributable to shareholders realized of the year. If there is no major investment plan or significant cash outlays, the company shall reasonably and appropriately improve the ratio of cash dividends. What's more, under the premise of ensuring full cash dividend distribution, the company may further increase the distribution of stock dividends. It shall also prompt its subsidiaries to develop appropriate profit distribution policy in accordance with the requirements of the shareholders' return plan.

The Company's profit distribution policy complies with requirements of the Articles of Association. The company

attaches great importance to investors return, protects the legal interest of minority shareholders and ensures the continuity and stability of its profit distribution policy. Independent directors have expressed their opinion on the Company's profit distribution, which had well defined distribution standard and proportion. Conditions for the adjustment or change of profit distribution policy have been stipulated in the Articles of Association, and the procedures are in compliance and transparent.

Cash dividends of the company in the past three years: N/A

The company was listed on the Shenzhen Stock Exchange on 18 September, 2013.

The company made a profit and had positive retained profit during the Reporting Period without cash dividend being proposed: N/A

### 15. The proposed profit distribution plans or profit distribution plans and the proposals on conversion of capital reserves into share capital during the Reporting Period

Number of bonus shares (Bonus shares) per 10 shares	0
Number of dividends (RMB) (taxes included) per 10 shares	20.00
Number of shares (Shares) converted by capital reserve per 10 shares	15
Equity base (Shares) in distribution plan	1,686,323,389
Total cash dividends (RMB) (taxes included)	3,372,646,778
Distributable profit (RMB)	5,073,348,027.00
Proportion of cash dividend among total profit distribution (%)	100%

Cash dividend policy:

According to the cash dividend policy, and the "Shareholders' Return Plan for the Next Three Years" after the listing, when meeting the funding requirements for normal production and operations, the Company plans to distribute cash profits no less than one third of the profits attributable to shareholders realized of the year.

Details of profit distribution or capital reserve capitalization plan

As audited by the Pan-China Certified Public Accountants (LLP), parent company of the Company realized a net profit for 2013 of RMB5,031,052,530.00 . Pursuant to the relevant provisions under the Articles of Association, it provided 10%of the statutory surplus reserve, namely RMB503,105,253.00 . Plus undistributed profit at the beginning of the year, which was RMB545,400,750.00, the actual distributable profits would be RMB5,073,348,027.00 .

The Company had profit distribution and capital reserve capitalization plan of 2013 as: As of 31 December, 2013, on the basis of a total equity capital of 1,686,323,389 shares, the Company distributed cash dividends of RMB20.00 (taxes included) per 10 shares, resulting in a total cash payment of RMB3, 372,646,778. The remaining undistributed profit shall be carried forward to future distribution. Meanwhile 15 shares shall be converted by capital reserve per 10 shares, therefore totally 2,529,485,083 converted shares.

The plan shall be submitted to the Company's general meeting for 2013.

## 16. Social responsibilities

The Company has shouldered its social responsibility. It put much emphasis on preserving legal interests of stakeholders, including creditors, staff, consumers, suppliers and community. It reinforces the communication and coordination with the interested parties, insists on a harmonious relationship and cohabitation with all parties, adheres to the principles of good faith and commitment, complies with laws and moral standards and strives to achieve the sustainable development of the society and environment (details of which can be found in the separately published 2013 Social Responsibility Report).

Whether the listed company and its subsidiaries belong to heavy polluting industries prescribed by the environmental protection departments of China?

Yes  No

Whether the listed company and its subsidiaries have other major social security issues?

Yes  No

Whether there were any administrative penalties during the Reporting Period?

Yes  No





## 17. Registration report on reception of research investigations, communications and interviews during the Reporting Period (after the listing on 18 September, 2013)

Date of reception	Place of reception	Manner of reception	Parties accommodated class	Parties accommodated
2013-11-01	Company	On-site survey	Institution	Value Partners Group
2013-11-04	Company	On-site survey	Institution, individual	Joint research by PingWest
2013-11-07	Company	On-site survey	Institution	Joint research by UBS
2013-11-11	Company	On-site survey	Institution	Kingdon Capital
2013-11-12	Company	On-site survey	Institution	Fidelity investments, Macquarie Securities Group
2013-11-20	Company	On-site survey	Institution	Sinalink Securities, Shenyin&Wanguo Securities, Haitong Securities, Guotai Junan Securities, CICC, CITIC Securities, Minsheng Securities, Haitong Securities, Guosen Securities, China Galaxy Securities, Changjiang Securities, China Investment Securities, Hong Yuan Securities, Fortune CLSA, Industrial Securities, Orient Fund, China Life, New China Asset Management Co., Ltd., China AMC, Bosera Funds, Bank of China Investment Management, Dacheng Fund Management Co., Ltd., Chang Xin Asset Management, Cathay Life Insurance, Harvest Fund, Yinhua Fund Management Co., Ltd., Changsheng Fund, Broad Capital, CPIC, Citic-prudential Fund Management Company Ltd., Peng Hua Fund, Invesco Great Wall, ABC-CA Fund Management Co., Ltd, HFT Investment Management Co., Ltd., Rongtong Fund Management Co., Ltd., Ping An Asset Management Co., Ltd., Everbright Pramerica Fund, China Southern Asset Management, Greenwoods Asset Management, Fullgoal Fund Management Co., Ltd., Anbang Asset Management Co., Ltd., Neuberger Berman Inc., Fortune SG Fund Management Co., Ltd.
2013-12-04	Company	On-site survey	Institution	Shenzhen Upstone Asset Management Ltd., Shenzhen Mayflower Investment, Shenzhen Qiyi Investment
2013-12-09	Company	On-site survey	Institution	China Securities (International) Finance Holding Company Limited, Fuh Hwa Site Asset Mgt Ltd, CreaditEase
2013-12-12	Company	On-site survey	Institution	Shenzhen South China Investment Management Co., Ltd., South China PE Fund Management Co., Ltd.
2013-12-23	Company	On-site survey	Institution	Citibank
Description of reception	The Company mainly briefed the investors about: (1) current status and development of the industry; (2) operation and development strategy of the Company; (3) other regular report disclosed by the Company and topics involved in the announcement Informative report provided by the Company: public information, such as regular report announcement of the Company. In addition to institutional investors, the Company also pays attention to the communication with individual and other minatory investors. Via telephone, mail, and the Q&A platform on the website of stock exchange, the Company actively answers the questions of investors and responds to their advice.			

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04 / Section IV Significant Issues

## 1. Material litigation and arbitration

The Company was not related to any material litigation and arbitration during the year.

## 2. Media criticism

There was no media criticism for the company during the Reporting Period.

## 3. Occupied non-operation funds of the Company by the controlling shareholder or its connected person

There were no occupied non-operation funds of the listed company by the controlling shareholder or the connected person.

## 4. Matter related to bankruptcy and reorganization

Applicable  N/A

## 5. Asset transactions

### 5.1. Acquisition of assets

Applicable  N/A

### 5.2. Disposal of assets

Applicable  N/A

### 5.3. Business combination

During the Reporting Period, the company realized the entire listing through the absorption and merger of GD Midea Holding by share swap. Upon the completion of the entire listing, the company became a household electric appliance company with the biggest sales and most comprehensive categories in China, which helped the Company integrate and optimize its industrial resources of large household electric appliance business, small household electric appliance, logistics business and electrical and mechanical business, and largely improved its integrated operational capacity of industry chain collaboration and resource sharing capabilities. What's more, the company's industry position, comprehensive competitiveness and independence were further reinforced with more improvements in corporate governance. These all laid a solid foundation for the Company's long-term stable development. (For the specific information about the absorption and merger of GD Midea Holding through share exchange, please refer to the "Report of Absorption and Merger of GD Midea Holding by Midea Group Co., Ltd. through Share Swap" and relevant announcement issued on Cninfo and designed media for the purpose of information disclosure.)

# 美的吸尘机器人 震撼上市



- 更智能：创新弓字形清洁模式；自动感应灰尘；全方位红外感应，障碍缓冲；自动回充
- 更清洁：双边刷设计；防毛发缠绕设计；80min超长清扫时间
- 更灵巧：85mm超薄机身，轻松穿越沙发、床底



## 6. Implementation of the equity incentive plan of the Company and its effect

Applicable  N/A

## 7. Significant related party transactions

### 7.1. Related party transactions associated with day-to-day operation

Related party	Related party relationship	Related party transaction class	Subject matter of the related party transactions	Related party transaction pricing basis	Amount of related party transactions (RMB'000)	Percentage as the amount of similar transactions (%)	Related party transaction settlement
Hefei Century Plastic Mold Science and Technology Co., Ltd.	Company controlled by family members of actual controller	Purchase	Purchase of raw materials	Market price	65,778.12	0.06	Payment after products
		Sale	Sale of raw materials	Market price	24,636.42	0.02	Payment after products
Infore Investment Holding Group Co., Ltd.	Company controlled by family members of actual controller	Purchase	Purchase of raw materials	Market price	998,772.08	0.97	Payment after products
		Sale	Sale of raw materials	Market price	44,620.37	0.03	Payment after products
Total				--	1,133,806.99	0.50	
Description of return of bulk sales in details			None				
Necessity and continuity of related party transactions and the reason for trade with related party (instead of other counterparties in the market)			The day-to-day related party transactions of the Company comply with the principal of fair, equitable and open and would not prejudice the Company's interests, which are beneficial to fully utilize the internal resources advantage of Midea Group and other related party in order to stabilize the product quality, reduce product and logistics cost and effectively allocate resources, resulting in positive effect to the current and future financial position as well as operation result of the Company				
Effect of related party transactions on the independence of the Company			The day-to-day related party transactions would not affect the independence of the Company.				
Degree of the Company's dependency on related parties and related solutions (if any)			The major business of the Company would not heavily rely on the above related party transactions.				
The actual performance (if any) of the estimated total amounts of day-to-day related party transactions to be conducted in the period under review during the Reporting Period by type.			The associated amount limit between the Company and the related parties and the subsidiaries did not exceed the estimated total amounts of day-to-day related party transactions by type.				
The reason for the big difference between the transaction price and the market reference price			N/A				

### 7.2. Related party transactions arising from acquisition and disposal of assets

Applicable  N/A

### 7.3. Significant related party transactions arising from joint foreign investment

Applicable  N/A

## 7.4. Whether non-operating related creditors' rights and debts transactions existed?

Yes  No

## 7.5. Other significant related party transactions

Name of tentative announcement	Disclosure date of the tentative announcement	Name of the tentative announcement disclosure website
(2013-005) Announcement about estimated day-to-day related party transactions of Midea Group Co., Ltd. for 2014	2013-12-21	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
(2013-006) Announcement about related party transaction in relation to discounted bills provided for Zhejiang Shangfeng Group	2013-12-21	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## 8. Significant contracts and their implementation

## 8.1. Custody, contracting and leasing matters

## (1) Custody

Applicable  N/A

## (2) Contracting

Applicable  N/A

## (3) Leasing

Applicable  N/A

## 8.2. Guarantees

Unit: RMB'0,000

The Company's external guarantees (excluding guarantees provided for its subsidiaries)								
Name of guaranteed party	Guaranteed amount limit announcement issuing date	Guaranteed amount limit	Date of occurrence (agreement signing date)	Actual guaranteed amount	Guarantee type	Guarantee period	Whether performance was completed	Guarantee provided for related party or not (yes or no)
None	-	-	-	-	-	-	-	-
Total line of external guarantees approved during the Reporting Period (A1)			0.00	Actual amount of external guarantees provided during the Reporting Period (A2)				0.00
Total line of external guarantees approved at the end of Reporting Period (A3)			0.00	Actual amount of external guarantees provided at the end of Reporting Period (A4)				0.00

## Continued

Name of guaranteed party	Guarantee provided by the Company for its subsidiaries							Whether performance was completed	Guarantee provided for related party or not (yes or no)
	Guaranteed amount limit announcement issuing date	Guarantee Amount limit	Date of occurrence (agreement signing date)	Actual guaranteed amount	Guarantee type	Guarantee period			
Guangdong Midea Refrigeration Equipment Co., Ltd.	-	275,220	2012-12-31	96,885	Warranty	2014-12-31	No	No	
GD Midea Group Wuhan Refrigerating Equipment Co., Ltd.	-	30,000	2012-12-31	0	Warranty	2014-12-31	No	No	
Foshan Midea Carrier Refrigeration Equipment Co., Ltd.	-	20,600	2012-11-14	6,287	Warranty	2015-02-01	No	No	
Midea Commercial Air Conditioning Equipment Co., Ltd., Guangdong Province	-	20,000	2012-11-14	3,443	Warranty	2015-02-01	No	No	
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	-	70,000	2012-11-14	28,692	Warranty	2015-02-01	No	No	
Guangdong GMCC Precise Manufacture Co., Ltd.	-	10,000	2012-11-14	4,995	Warranty	2015-02-01	No	No	
Anhui GMCC Refrigeration Equipment Co., Ltd.	-	31,111	2012-11-14	5,028	Warranty	2015-02-01	No	No	
Guangdong GMCC Refrigeration Equipment Co., Ltd.	-	35,000	2012-11-14	9,144	Warranty	2015-02-01	No	No	
Hefei Midea Washing Equipment Manufacturing Co., Ltd.	-	40,000	2012-02-01	0	Warranty	2015-02-01	No	No	
Hefei Midea Refrigerator Co., Ltd.	-	187,722	2012-11-14	358	Warranty	2015-02-01	No	No	
Hefei Hualing Co., Ltd.	-	108,222	2012-11-14	8,710	Warranty	2015-02-01	No	No	
Hubei Midea Refrigerator Co., Ltd.	-	61,700	2012-03-01	5,824	Warranty	2014-03-01	No	No	
Ningbo Midea Joint Materials Supply Co.	-	28,000	2012-12-31	0	Warranty	2014-12-31	No	No	
Guangdong Welling Motor Co., Ltd.	-	110,000	2012-11-14	5,021	Warranty	2015-02-01	No	No	
Foshan Welling Washer Motor Manufacturing Co., Ltd.	-	45,700	2012-11-14	27,414	Warranty	2015-02-01	No	No	
Hefei Welling Motor Manufacturing Co., Ltd.	-	5,000	2012-11-14	0	Warranty	2015-02-01	No	No	
Foshan Welling Electronic and Electric Appliances Co., Ltd.	-	15,000	2012-11-14	1,592	Warranty	2015-02-01	No	No	
Foshan Welling Material Co., Ltd.	-	16,000	2012-11-14	8,615	Warranty	2015-02-01	No	No	
Guangdong Midea Life Electric Manufacturing Co., Ltd.	-	117,000	2012-12-31	11,360	Warranty	2015-02-01	No	No	
Foshan Shunde Midea Drinking Manufacturing Co., Ltd.	-	23,000	2012-12-31	7,890	Warranty	2015-02-01	No	No	
Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd.	-	54,000	2012-12-31	44,666	Warranty	2015-02-01	No	No	
Foshan Midea Clear Lake Water Purification Equipment Manufacturing Co., Ltd	-	12,900	2012-11-14	0	Warranty	2014-11-14	No	No	
Guangdong Midea Microwave Electric Manufacturing Co., Ltd.	-	238,900	2012-11-14	139,519	Warranty	2015-02-01	No	No	
Guangdong Witt Vacuum Electronics Manufacturing Co., Ltd.	-	35,000	2012-11-14	2,123	Warranty	2015-02-01	No	No	
Foshan Shunde Midea Washing Appliance Manufacturing Co., Ltd.	-	168,000	2012-11-14	61,798	Warranty	2015-02-01	No	No	
Guangdong Midea Environment Appliances Manufacturing Co., Ltd.	-	118,000	2012-11-14	88,277	Warranty	2014-12-31	No	No	
Guangdong Midea Kitchen & Bathroom Appliances Manufacturing Co., Ltd.	-	15,000	2012-11-14	0	Warranty	2015-02-01	No	No	
Foshan Midea Kitchen Appliances Manufacturing Co., Ltd.	-	5,000	2012-12-31	0	Warranty	2014-12-31	No	No	
Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd.	-	35,000	2012-02-01	439	Warranty	2015-02-01	No	No	
Guangdong Midea Boutique Electric Manufacturing Co., Ltd.	-	19,000	2012-12-31	0	Warranty	2015-02-01	No	No	
Jiangsu Midea Chunhua Electric Co., Ltd.	-	32,000	2012-11-14	0	Warranty	2014-11-15	No	No	

Continued

Guarantee provided by the Company for its subsidiaries								
Name of guaranteed party	Guaranteed amount limit announcement issuing date	Guarantee Amount limit	Date of occurrence (agreement signing date)	Actual guaranteed amount	Guarantee type	Guarantee period	Whether performance was completed	Guarantee provided for related party or not (yes or no)
Wuhu Annto Logistics Co., Ltd.	-	39,000	2012-11-14	0	Warranty	2015-02-01	No	No
Ningbo Midea Material Supply Co., Ltd.	-	27,000	2012-12-31	0	Warranty	2014-12-31	No	No
Jiangxi Midea Guiya Lighting Co., Ltd.	-	8,200	2012-12-31	5,576	Warranty	2014-12-31	No	No
Wuhu GMCC Air Conditioning Equipment Co., Ltd.	-	79,900	2012-11-14	17,193	Warranty	2015-02-01	No	No
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	-	166,000	2012-03-01	0	Warranty	2015-02-01	No	No
Anhui GMCC Precise Manufacture Co., Ltd.	-	44,000	2012-11-14	8,785	Warranty	2014-11-14	No	No
Wuhu Midea Washing Appliance Manufacturing Co., Ltd.	-	37,500	2012-11-14	2,214	Warranty	2015-02-01	No	No
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	-	37,000	2012-12-31	2,706	Warranty	2014-12-31	No	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	-	24,000	2012-12-31	4,284	Warranty	2014-12-31	No	No
Midea Group Finance Co., Ltd.	-	50,000	2012-12-31	0	Warranty	2014-12-31	No	No
Midea International Holdings Ltd.	-	270,000	2011-08-31	117,512	Warranty	2014-08-31	No	No
Other overseas subsidiaries	-	1,033,200	2011-08-31	354,669	Warranty	2014-08-31	No	No
Total of guaranteed amount limit approved and provided for subsidiaries during the Reporting Period (B1)		2,659,409		Actual amount of guarantees provided for subsidiaries during the Reporting Period (B2)				2,659,409
Total of guaranteed amount limit approved and provided for subsidiaries at the end of Reporting Period (B3)		1,081,019		Actual amount of guarantees provided for subsidiaries at the end of Reporting Period (B4)				1,081,019
Total amount of guarantees provided by the Company (namely total amount of the above two items)								
Total amount of guarantees approved during the Reporting Period (A1+B1)		2,659,409		Actual amount of guarantees provided during the Reporting Period (A2+B2)				2,659,409
Total amount of guarantees approved at the end of Reporting Period (A3+B3)		1,081,019		Actual amount of guarantees provided at the end of Reporting Period (A4+B4)				1,081,019
Ratio of total guarantee amount (i.e. A4+B4) to the Company's net asset								32.91%
Of which:								
Amount of guarantee provided for shareholders, actual controller and related party (C)								0.00
Amount of guarantee of indebtedness directly or indirectly provided for the guaranteed party with the asset-liability ratio of over 70% (D)								337,094
The portion of total guarantee amount in excess of 50% of net asset (E)								0.00
Total of the abovementioned three guarantee amounts (C+D+E)								337,094
Explanation on several and joint liability possibly borne for undue guarantee								None
Explanation of external guarantees in breach of the specified procedures								None

#### Explanation of external guarantees in breach

There are no external guarantees in breach of the Company during the Reporting Period.

#### 8.3. Other major contracts: None

## 9. Performance of undertakings

### 9.1. Undertakings made by the Company and shareholders interested in 5% or more of the shares of the Company made in the Reporting Period or subsisting to the Reporting Period

Undertaking	Party involved in undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking made in offering documents or shareholding alternation documents	Controlling shareholders Actual controller	<p>1. Undertaking of Midea Holding Ltd. (hereinafter referred to as "Midea Holding"), and He Xiangjian, respectively the controlling shareholder and actual controller of Midea Group Co., Ltd., towards the lock-up period of shares.</p> <p>He Xiangjian and Midea Holding have undertaken as follows: Within 36 months since 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.</p> <p>2. Undertaking of Midea Holding and the actual controller He Xiangjian towards the maintenance of the independence of Midea Group.</p> <p>He Xiangjian and Midea Holding have undertaken as follows: He Xiangjian, Midea Holding and their controlled enterprises will keep independent from Midea Group in respect of personnel, finance, assets, business and institutions, etc. 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.</p> <p>3. Undertaking of Midea Holding and the actual controller He Xiangjian towards avoiding competition within the industry.</p> <p>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 his controlled companies, He Xiangjian and Midea Holding 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 participating 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 have already performed production and operation, 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 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 He Xiangjian is identified as the actual controller of Midea Group, and Midea Holding the controlling shareholder, they will not change or terminate this undertaking.</p> <p>(5) He Xiangjian and Midea Holding 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.</p>	28 March, 2013	Apart from the first item of commitments whose valid duration continues 36 months from the day, 18 September, 2013, of Midea Group's listing to 18 September, 2016, other items are indefinite.	<p>1. There is no violation of commitments.</p> <p>2. There is no violation of commitments.</p> <p>3. There is no violation of commitments.</p> <p>4. There is no violation of commitments.</p> <p>5. So far, this shareholding transfer has not brought about any loss caused by any dispute or potential disputes. There is no violation of commitments.</p> <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 is no violation of commitments.</p> <p>7.1 The Process of Property Ownership Certificate: The "Report" discloses that our company owns 177 properties, which cover an area of 2,148,485.65 square meters. Property Ownership Certificates are being processed for houses in size of 65 square meters. So far, 34 applications have been approved, the area of which covers 1,058,757.02 square meters, accounting for 49.28% of total area; 28 applications are under process, the area of which covers 844,824.11 square meters,</p>



Continued

Undertaking	Party involved in undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking made in offering documents or shareholding alternation documents	Controlling shareholders Actual controller	<p>4. Undertaking of Midea Holding and the actual controller He Xiangjian towards the regulation of related transactions.</p> <p>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, He Xiangjian and Midea Holding have undertaken as follows:</p> <p>(1) They will regulate related transactions with Midea Group and its controlled companies with 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.</p> <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 He Xiangjian is identified as the actual controller of Midea Group, and Midea Holding the controlling shareholder, they shall not change or terminate this undertaking.</p> <p>(5) He Xiangjian and Midea Holding 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> <p>5. Related undertaking by He Xiangjian, the actual controller of Midea Group, on Midea Trade Union Committee transferring its limited equity of Midea Group.</p> <p>On 4 January , 2001, the Midea Trade Union Committee signed the "Equity Transfer Contract" with five people, i.e. He Xiangjian, Chen Dajiang, Feng Jingmei, Chen Kangning and Liang Jieyin, where it will transfer its all 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 for the fact that the Midea Trade Union Committee funded for the establishment of Midea Group Co., Ltd. What's more, the letter also confirmed that the council of Midea Trade Union Committee is entitled to dispose the property of the committee, and such property disposal needs not 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 of 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>	28 March, 2013	Apart from the first item of commitments whose valid duration continues 36 months from the day, 18 September, 2013, of Midea Group's listing to 18 September, 2016, other items are indefinite.	<p>accounting for 39.32% of total area, and the properties under process of ownership certificates has not brought about any controversy or dispute; remaining 115 properties, the area of which covers 244,904.52 square meters, account for 11.40% of total area, and there properties are all auxiliary facilities and their unit area is very small, such as gate booth, transformer room, power room, pump room, gas station and so on, for which property ownership certificates can't be applied for. So far these 115 properties has 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 is no violation of commitments.</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 can't get the property certificate of 100 leasing houses from the leasing party. So far the contracts of 30 of the 113 rental houses haven't been signed to extend the leasehold. The property certificates of 12 of the remaining 83 houses have been obtained while the other 71 certificates haven't been obtained. These 71 rental houses haven't rendered our company any economic loss or penalty caused by defective property rights, which result in removing to other rental houses.</p>

Continued

Undertaking	Party involved in undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
<p>Undertaking made in offering documents or shareholding alternation documents</p>	<p>Controlling shareholders Actual controller</p>	<p>6. Commitments on Issues about Payment of the Staff Social Insurance and the Housing Provident Fund involved in Midea Group's Overall Listing Midea Holding and He Hengjian: Midea Holding have undertaken to be liable for (1) paying such expenses and related expenses in time based on the requirements of relevant state departments if Midea Group is required to be liable for the payment of the staff social insurance and the housing provident fund and the payment required by relevant state authorities before this merger, (2) paying corresponding compensation for all direct and indirect losses of 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> <p>7. Commitments on issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries Midea Holding and He Hengjian have undertaken as follows: (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, house, trademark, patent and stock right, declared in related files of this merger. Midea Holding will be liable for all compensations of losses caused by issues about renaming procedures of related assets above to Midea Group. (2) Midea Holding shall do its utmost to assist Midea Group (including its subsidiaries) to apply for ownership certificates of land and house declared in related files of this merger. (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, left over from history, to apply for the ownership certificate. If the competent authorities requires Midea Group to dismantle buildings that can't have the re-application for real estate registration procedures, Midea Holding shall do its utmost to provide assistance and be liable for related expenses used for dismantling such buildings by Midea Group (including its subsidiaries). (4) Under the circumstances that Midea Group suffers from loss of no longer using or in the present way using the land or house above caused by failing to obtain or collect in time the ownership certificates of the land or house above or loss caused by other reasons, Midea Holding shall compensate any loss for these reasons in time and fully. Midea Holding shall compensate the actual loss Midea Group suffers from for that the circumstances above result in punishments of competent authorities or claims of any third party. (5) Based on the issues of defective house leasing declared in related files of this merger, Midea Holding shall provide sufficient compensations for all economic losses for Midea Group (including its subsidiaries) when leasehold relations above become invalid or other disputes occur, which is caused by a rights claim of the third party or a rights exercising of the administrative organ and results in economic losses of removing to other rental houses, penalty by competent government departments or recourse of related parties. (6) Based on the issues of defective land leasing declared in related files of this merger, when leasehold relations become invalid that is caused by defects of land leasing or other disputes occur, which results in economic losses Midea Group (including its subsidiaries) suffers from or penalty by competent government departments, meanwhile if the lessor can't compensate losses caused by such defective leasing, Midea Holding shall compensate Midea Group for losses caused by such defective land leasing Midea Holding will compensate any losses of Midea Group when a violation of guarantees and commitments above occurs or such guarantees and commitments are not consistent with the reality.</p>	<p>28 March, 2013</p>	<p>Apart from the first item of commitments whose valid duration continues 36 months from the day, 18 September, 2013, of Midea Group's listing to 18 September, 2016, other items are indefinite.</p>	<p>7.3 Land Use Rights of Leasing Use The "Report" discloses that as of 31 December, 2012, our company has had one case of using rental houses, the total area of which is 57,506.95 square meters. The lessor of the rental land mentioned above hasn't provided ownership files of owning access to this land. So far this rental land hasn't rendered our company any controversy or any loss caused by disputes. There is no violation of commitments.</p> <p>7.4 The Procedures of Renaming Land Owner Under Process Caused by the Alteration of the Company's Name The "Report" discloses that there are still 10 cases under process of renaming land owner caused by changing the company's name in our company and its subsidiaries. So far, four cases have been approved and the other six cases are still under process, which haven't rendered our company any loss. There is no violation of commitments.</p> <p>7.5 Processing the Renaming Procedures of Some Trademarks So far, 8 cases of the 62 trademarks involved in the "Report" should be applied for cancellation of the subjects of their owners and these trademarks shall be no longer in use. The company will no apply for the renaming procedures for those trademarks. The renaming procedures of the remaining 54 cases have been processed and this commitment has been fulfilled. There is no violation of commitments.</p>

## Continued

Undertaking	Party involved in undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking made in offering documents or shareholding alternation documents	Controlling Shareholders and 7 Natural Person Shareholders	According to the 2013 Pro-forma Earnings Forecast Report, verified by JTJS (2013) No. 3-100 Audit Report, pro-forma estimated net profit in 2013 will be RMB6.931 billion. If the realized pro-forma net profit of Midea Group that belongs to the owners of the parent company audited in 2013 is lower than the estimated one after this reconstruction, Midea Holding and seven natural person shareholders will compensate in cash the unrealized profit gap.	16 June, 2013	Within 30 days from the day when account's opinions on specific verification are issued	According to the authentication report issued by the accounting firm, the company realized the pro-forma net profit of RMB7.3 billion, surpassing RMB6.931 billion. Controlling shareholders and seven natural persons have no need for cash infusion. The commitment has been fulfilled.
	Shareholders (persons acting in concert of joint shareholding of more than 5%)	Zhuhai Rongrui and Jiazhao Holding are in a relation of persons acting in concert. Both jointly hold 7.9% shares of Midea Group. Commitments on Locked-up Shares: Since Midea Group was listed at Shenzhen Stock Exchange Center, transferring or delegating others to manage the shares with direct or indirect ownership of Midea Group issued before this time has been forbidden within 12 months. Midea Group is not allowed to buy back those shares either.	28 March, 2013	18 September, 2014	There is no violation of commitments.
Whether to fulfill the commitment in time					Yes
Specific reasons for failure of the commitment or next step (if available)					N/A

9.2. There exist earnings forecasts in company assets or projects and the reporting period is still in the middle of the earnings forecast period. The company will make explanations for achieving the original earnings forecast of assets or projects and its reasons.

Matters regarding the company merging Guangdong Midea Electric Appliance Co., Ltd. in the form of exchanging shares are issued by Tianjian Accounting Firm with TJS (2013) No. 3-100 Audit Report of the 2013 pro-forma earnings forecast report of Midea Group. The Company estimates that RMB6.931 billion of pro-forma net profit will be realized in 2013. According to "The Authentication Report of the Gap Between Actual Profits and Estimated Profits of Midea Group Co., Ltd." issued by Tianjian Accounting Firm, the company achieved RMB7.3 billion of pro-forma net profit, surpassing the goal of the earnings forecast.

## 10. Appointment and Dismissal of the Accounting Firm

### Name of the Present Appointed Accounting Firm

Name of the Domestic Accounting Firm	Tianjian Accounting Firm (special general partnership)
Remuneration of the Domestic Accounting Firm (RMB'0,000)	650
Successive Time Span of Audit Services of the Domestic Accounting Firm	Three years
Name of Certified Public Accountant of the Domestic Accounting Firm	Zhou Rongming and Huang Zhiheng
Name of the Overseas Accounting Firm	None
Remuneration of the Overseas Accounting Firm (RMB'0,000)	None
Successive Time Span of Audit Services of the Overseas Accounting Firm	None
Name of Certified Public Accountant of the Overseas Accounting Firm	None

Whether to change an accounting firm currently

Yes  No

Whether to change an accounting firm during an audit

Yes  No

Whether to change an accounting firm

Yes  No

Appointment of the accounting firm for internal control audit, financial consultants or sponsors

Applicable  N/A

The Company appointed Tianjian Accounting Firm for internal control audit. The remuneration in total paid by the company to the accounting firm for the 2013 annual audit and internal audit was RMB6.5 million.

It cost RMB35 million for appointing China International Trust and Investment Corporation Securities Co., Ltd. as the independent financial consultant of Midea Electric Appliance and the joint sponsor of Midea Group's listing and RMB25 million or appointing China International Capital Co., Ltd. as the financial consultant and joint sponsor for the listing of Midea Group for the significant asset reconstruction of merging Midea Electric Appliance in form of exchanging shares.

**11. Explanations for "Non-standard Audit Report" during this report of the Accounting Firm Made by Board of Supervisors and Independent Director (if applicable)**

Applicable  N/A

## 12. Punishment and Rectification

Being punished or being required to rectify within a deadline by China Securities Regulatory Commission and its resident agencies that adopt administrative supervision measures during the Company's reporting period doesn't exist.

Directors, supervisors, senior executives and shareholders holding more than 5% shares are suspected of selling and buying company shares illegally and the Company has disclosed to take back such earnings.

Applicable  N/A

## 13. Confronted with Suspending Listing and Ending Listing after the Annual Report's Disclosure

There is no circumstance of being confronted with suspending listing or ending listing.

## 14. Explanations for Other Significant Items: None

## 15. Significant Issues for Company's Subsidiaries: None

## 16. Corporate Bonds Issued by the Company

There is no circumstance of issuing corporate bonds during the Report Period.



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Section V Changes in Shares and Information on Shareholders

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## 1. Changes in Shares

	Before this alteration		Increase or decrease of this alteration (+, -)					After this alteration	
	Amount	Pro-portion (%)	Issuing new shares	Sending shares	Shares transferred from public accumulation fund	Others	Subtotal	Amount	Pro-portion (%)
1. Restricted Shares	1,000,000,000	100.00	5,480	0	0	0	5,480	1,000,005,480	59.30
1.1 State Shareholding	0	0.00	0	0	0	0	0	0	0.00
1.2 State-owned Corporate Shareholding	0	0.00	0	0	0	0	0	0	0.00
1.3 Other Domestic-funded Shareholdings	781,500,000	78.15	3,067	0	0	30,000,000	30,003,067	811,503,067	48.12
Where: Domestic Corporate Shareholding	781,500,000	78.15	0	0	0	0	0	781,500,000	46.34
Domestic Natural Persons' Shareholding		0.00	3,067	0	0	30,000,000	30,003,067	30,003,067	1.78
1.4 Overseas-funded Shareholding	58,500,000	5.85	0	0	0	0	0	58,500,000	3.47
Where: Overseas Corporate Shareholding	58,500,000	5.85	0	0	0	0	0	58,500,000	3.47
Overseas Natural Persons' Shareholding	0	0.00	0	0	0	0	0	0	0.00
1.5 Executive Shareholding	160,000,000	16.00	2,413	0	0	-30,000,000	-29,997,587	130,002,413	7.71
2. Non-restricted Shares	0	0.00	686,317,909	0	0	0	686,317,909	686,317,909	40.70
2.1 RMB Equity	0	0.00	686,317,909	0	0	0	686,317,909	686,317,909	40.70
2.2 Domestic Listed Overseas-funded Shares	0	0.00	0	0	0	0	0	0	0.00
2.3 Overseas Listed Overseas-funded Shares	0	0.00	0	0	0	0	0	0	0.00
2.4 Others	0	0.00	0	0	0	0	0	0	0.00
3. Total Shares	1,000,000,000	100.00	686,323,389	0	0	0	686,323,389	1,686,323,389	100.00

## Reasons for changes in shares

Applicable  N/A

The Company achieved overall listing through merging Guangdong Midea Electric Appliance Co., Ltd in form of exchanging shares on 18 September, 2013 and shares issued for exchanging shares were 686,323,389. After the listing, the former CEO, Mr. Huang Jian resigned due to a job change and his executive restricted shares were adjusted to domestic natural persons' restricted shares.

## Approval of shares alteration

Applicable  N/A

## Transferring ownership due to shares alteration

Applicable  N/A

The influences of shares alteration on financial indicators, such as basic earnings per share, diluted earnings per share and net assets per share that belong to shareholders of equities in the last year or period

Applicable  N/A

## Other items

Applicable  N/A

## 2. Issuance and Listing of Securities

### 2.1 Issuance of securities in the last three years at the end of the Reporting Period

Names of shares and its derivate securities	Issue date	Issue price (or interest rate)	Amount issued	Listing date	Amount approved for listed trading	Deadline of transaction
Shares						
Issuing A shares	18 September, 2013	44.56	686,323,389	18 September, 2013	686,323,389	-
Convertible corporate bonds, separate transaction convertible bonds and corporate bonds						
-						
Warrants						
-						

### 2.2 Explanations for the alteration of the total amount of shares, the shareholders structure, company assets and the liability structure

During the Reporting Period, there was no alteration of the total amount of shares, the shareholders structure, company assets and the liability structure because of sending shares, increasing shares by transfer, rights issue, issuing new shares, non-publicly issuing shares, warrant exercise, implementing a shareholding-based incentive plan, business merger, convertible corporate bonds to equity, reducing capital, listing employee shares, issuing bonds and so forth.

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## 2.3 Present employee shares

There are no employee shares at present.

## 3. Particulars of Shareholders and Actual Controllers

### 3.1 Total amount of shareholders and shareholdings

Total amount of shareholders during the Reporting Period:64,617.

Total numbers of shareholders at the end of the fifth trading day before the Annual Report was disclosed:74,338.

#### Information about shareholders holding over 5% shares (or top 10 shareholders)

Unit: Share

Name of shareholder	Nature of shareholder	Share holding percentage (%)	Amount of shares held at the end of the Reporting Period	Alteration (increase or decrease) during the Reporting Period	Amount of restricted shares	Amount of non-restricted shares	Shares pledged or locked-up	
							Shares Status	Amount
Midea Holding Co., Ltd.	Domestic non-state-owned legal persons	35.49%	598,500,000		598,500,000	0		
Rongrui Equity Investment (Zhuhai) Partnership (limited partnership)	Domestic non-state-owned legal persons	7.22%	121,800,000		121,800,000	0		
Fang Hongbo	Domestic Natural persons	2.13%	36,000,000		36,000,000	0		
Tianjin CDH Jiatai Equity Investment Partnership (limited partnership)	Domestic non-state-owned legal persons	1.85%	31,200,000		31,200,000	0		
Huang Jian	Domestic Natural persons	1.78%	30,000,000		30,000,000	0		
Ningbo Meisheng Equity Investment Partnership (limited partnership)	Domestic non-state-owned legal persons	1.78%	30,000,000		30,000,000	0		
Yuan Liqun	Domestic Natural persons	1.42%	24,000,000		24,000,000	0		
CDH M-Tech (HK) Co., Ltd.	Overseas legal persons	1.42%	24,000,000		24,000,000	0		
CDH Spark (HK) Co., Ltd.	Overseas legal persons	1.36%	23,000,000		23,000,000	0		
National Social Security Fund 104 Portfolio	State-owned legal persons	1.29%	21,688,888		0	21,688,888		
Strategic investors or general legal persons become top 10 shareholders because of allotting and selling new shares (if any)		None						
Explanations for association relations or concerted actions of shareholders above			Two natural person shareholders, Mr. Fang Hongbo and Ms. Yuan Liqun, serve as director and senior executive; CDH Jiatai, CDH M-Tech and CDH Spark that hold 4.63% shares of Midea Group have an association relation and are shareholders acting in concert.					



## Information about top 10 non-restricted shareholders

Unit: Share

Name of shareholder	Amount of non-restricted shares held at the end of the year	Classifications of shares and Amount	
		Classifications of shares	Amount
National Social Security Fund 104 Portfolio	21,688,888	RMB ordinary shares	21,688,888
Ningbo Kailian Industrial Development Co., Ltd.	19,380,697	RMB ordinary shares	19,380,697
CITIGROUP GLOBAL MARKETS LIMITED	17,881,086	RMB ordinary shares	17,881,086
MERRILL LYNCH INTERNATIONAL	16,437,808	RMB ordinary shares	16,437,808
Penghua Value Advantage Stock-based Securities Investment Fund	14,000,000	RMB ordinary shares	14,000,000
UBS AG	11,307,893	RMB ordinary shares	11,307,893
Huaxia Bonus Mixed Open-ended Securities Investment Fund	11,056,584	RMB ordinary shares	11,056,584
Gaoling Capital Management Co., Ltd.- HCM China Fund	10,878,089	RMB ordinary shares	10,878,089
Jingshun Great Wall Domestic Growth Stock-based Securities Fund	10,116,660	RMB ordinary shares	10,116,660
National Social Security Fund 108 Portfolio	9,803,861	RMB ordinary shares	9,803,861

Explanations for the association relation and concerted action among top 10 shareholders of non-restricted tradable shares and between top 10 shareholders of non-restricted tradable shares and top 10 shareholders

Ningbo Kailian Industrial Development Co., Ltd. acts in concert with Midea Holding Co., Ltd. The company hasn't confirmed that there exists association relations among other shareholders of tradable shares and whether other shareholders of tradable shares belongs to persons acting in concert specified in "Management of Information Disclosure for Shareholding Alteration in a Listed Company".

## 3.2 Controlling Shareholders of the Company

Name of controlling shareholders	Legal representative	Date of establishment	Organization code	Registered capital (RMB'0,000)	Principal management function
Midea Holding Co., Ltd.	He Xiangjian	5 August, 2002	74299897-3	33,000	Manufacture and commerce investment; domestic commerce and materials supply and marketing industry (excluding state-designated monopoly); CP software and hardware development; industrial product design; information technology consulting services, providing investment consultant and consulting services; installation, maintenance and after-sales service of electric appliances; real estate intermediary service and forwarding agent service.
Business performance, financial situation, cash flow, future development strategy and so on.					As of 31 December, 2012, based on the 2012 annual audit report of Midea Holding, total assets of Midea Holding were RMB115.112 billion and net assets were RMB46.675 billion; Midea Holding in 2012 achieved RMB 105.769 billion of gross revenue, RMB7.630 billion of operating profit and RMB6.321 billion of net profit. In 2012, net cash flow generated from operating activities of Midea Holding was RMB4.369 billion.
Share rights of other holding and joint-share listed companies home and abroad during the Reporting Period of controlling shareholders					Apart from our company of direct holdings, Midea Holding directly holding and joint-share listed companies home and abroad

## Alteration of controlling shareholders during the Reporting Period

 Applicable  N/A

### 3.3 Actual controllers of the company

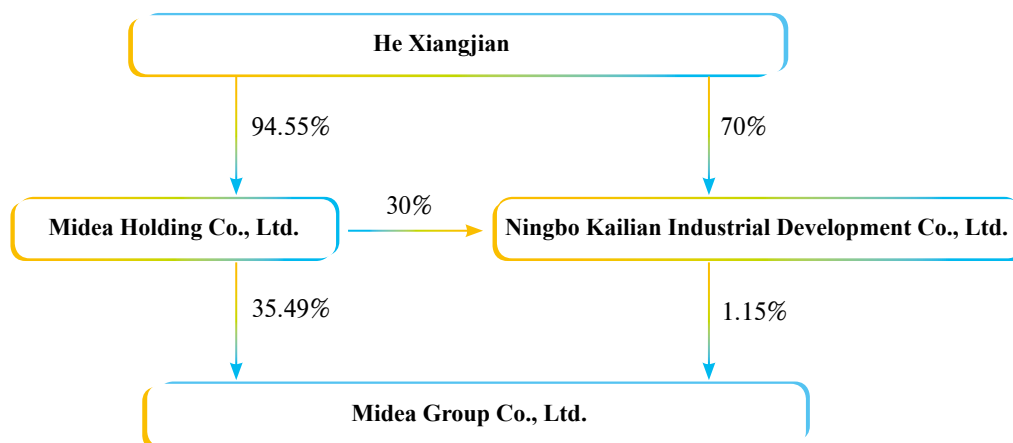
Natural person

Name of actual controller	Nationality	Whether acquiring the right of abode in other countries or regions
He Xiangjian	the People's Republic of China	No
Occupation and duty in the last 5 years	Former chairman of this company and incumbent chairman, who is a controlling shareholder, of Midea Holding Co., Ltd.	
Used-to-be-holding listed companies home and abroad in the last 10 years	At present listed companies home and abroad actually controlled include: Midea Group Co., Ltd. (000333.SZ ); Wuxi Cygnet Co., Ltd. (A: 000418.SZ; B:200418.SZ); Weiling Holding Co., Ltd. (00382.HK)	

Alteration of actual controllers during the Reporting Period

Applicable  N/A

Property right between the company and actual controllers and block diagram of control relation



Actual controllers control the company by the trust or other ways of asset management

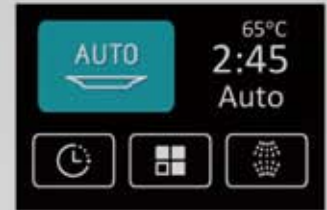
Applicable  N/A

### 3.4 Other legal person shareholders of holding over 10% shares

Applicable  N/A

## 4. Plans of increasing additional shares proposed or implemented by the shareholders of the company and persons acting in concert with them during the Reporting Period

During the Reporting Period, plans of increasing additional shares were not proposed or implemented by the shareholders of the company and persons acting in concert with them.



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## 1. Shareholding alteration of directors, supervisors, senior executives

Name	Duty	Employment Status	Gender	Age	Start Date of Tenure	End Date of Tenure	Amount of Shares Held at the Beginning of the Period (Shares in '0,000)	Amount of Shares Increased in the Current Period (Shares)	Amount of Shares Decreased in the Current Period (Shares)	Amount of Shares Held at the End of the Period (Shares in '0,000)
Fang Hongbo	Chairman and President	Incumbent	Male	47	25 August, 2012	24 August, 2015	3,600	0	0	3,600
Huang Jian	President	Outgoing	Male	47	25 August, 2012	15 October, 2013	3,000	0	0	3,000
Cai Qiwu	Director and Senior Vice President	Incumbent	Male	51	25 August, 2012	24 August, 2015	2,000	0	0	2,000
Yuan Liqun	Director and Senior Vice President and Chief Financial Officer	Incumbent	Female	45	25 August, 2012	24 August, 2015	2,400	0	0	2,400
Huang Xiaoming	Director and Senior Vice President	Incumbent	Male	43	25 August, 2012	24 August, 2015	2,000	0	0	2,000
Li Jianwei	Director	Incumbent	Male	48	25 August, 2012	24 August, 2015	2,000	0	0	2,000
He Jianfeng	Director	Incumbent	Male	47	25 August, 2012	24 August, 2015	0	0	0	0
Li Feide	Director	Incumbent	Male	37	31 August, 2012	24 August, 2015	0	0	0	0
	Board Secretary	Former			31 August, 2012	28 October, 2013				
Xu Hai	Director	Incumbent	Male	38	4 March, 2013	24 August, 2015	0	0	0	0
Chen Jinsong	Director	Former	Male	44	25 August, 2012	3 March, 2013				
Hu Xiaoling	Director	Incumbent	Female	44	25 August, 2012	24 August, 2015	0	0	0	0
Wu Shinong	Independent Director	Incumbent	Male	58	4 March, 2013	24 August, 2015	0	0	0	0
Fu Zhengping	Independent Director	Incumbent	Male	49	4 March, 2012	24 August, 2015	0	0	0	0
Zhu Guilong	Independent Director	Incumbent	Male	50	4 March, 2012	24 August, 2015	0	0	0	0
Guo Xuejin	Independent Director	Incumbent	Male	55	4 March, 2012	24 August, 2015	0	0	0	0
Li Wenjing	Independent Director	Incumbent	Male	35	4 March, 2012	24 August, 2015	0	0	0	0
Zeng Qiao	Chairman of the Supervisory Board	Incumbent	Female	41	25 August, 2012	24 August, 2015	0	0	0	0
Zheng Weikang	Supervisor	Incumbent	Male	45	25 August, 2012	24 August, 2015	1,000	0	0	1,000
Liao Wenjian	Supervisor of Employee Representatives	Incumbent	Male	39	25 August, 2012	7 January, 2014	0.2413	0	0	0.2413
Jiang Peng	Board Secretary	Incumbent	Male	41	29 October, 2013	24 August, 2015	0	0	0	0

Note: Mr. Liao Wenjian, Supervisor of Employee Representatives resigned on 7 January, 2014 and Mr. Jiang Deqing was appointed as his successor after being selected by the Congress of Employee Representatives.

## 2. Employment

Working experience of incumbent directors, supervisors and senior executives

Mr. Fang Hongbo, who has a master's degree, joined Midea in 1992 and has served as General Manager of Midea Air-conditioning Business Department, President of Midea Refrigeration Electric Appliances Group, Chairman and President of GD Midea Holding Co., Ltd. and so on, is Chairman and President of the Company. Mr. Fang Hongbo is also the chairman of the Company's subsidiary, Wuxi Little Swan Co., Ltd.

Mr. Cai Qiwu, who has a master's degree, joined Midea in 1992 and has served as General Manager of Midea Compressor Business Department, President of mechanical and electric equipment Group and held other roles, is a Company director and Senior Vice President and Director of Technology and Quality Management Department.

Ms. Yuan Liqun, who has a master's degree and is representative of the National People's Congress, joined Midea in 1992 and was Director of GD Midea Holding Co., Ltd. She is a company director, Senior Vice President and Financial Director. Ms. Yuan Liqun is also a director of Hong Kong listed company, Weiling Holding Co., Ltd. which is controlled by the company and Guangdong Shunde Rural Commercial Bank Co., Ltd. shared by the company.

Mr. Huang Xiaoming, who has a master's degree, joined Midea in 1996 and has served as Vice Chairman of GD Midea Holding Co., Ltd. He is a Company director, Senior Vice President and Director of Public Affairs and HR and so on.

Mr. Li Jianwei, who has a master's degree, joined Midea in 1994 and was Vice Chairman of GD Midea Holding Co., Ltd., Director of Company Strategy Business Department and so on. He is now a company director. Mr. Li Jianwei is also President of Midea Holding Co., Ltd. controlled by the company.

Mr. He Jianfeng, who has a degree, was President of Shunde Modern Industrial Co., Ltd., is one of the company's directors. Mr. He Jianfeng is also Chairman and President of Yingfeng Investment Holding Group Co., Ltd., Chairman of Zhejiang Shangfeng Industrial Co., Ltd. and so on.

Mr. Li Feide, who has a master's degree, joined Midea in 1999 and was Secretary of GD Midea Holding Co., Ltd. and the Company's Board and other roles. He is a Company director, Director of Strategy Business Department and so on. Mr. Li Deifei is also a director of Hong Kong listed company, Weiling Holding Co., Ltd. controlled by the company.

Mr. Xuhai, who has a bachelor's degree, was Executive Director of Goldman Sachs Gaohua Co., Ltd. He is Managing Director of ICBC International Holdings Ltd.

Ms. Hu Xiaoling, who has a master's degree, was a Senior Auditor for Arthur Andersen Accounting Firm and Senior Manager of Direct Investment Department in China International Capital Co., Ltd. She is a designated representative of Tianjin CDH Equity Investment and a director of Midea Group.

Mr. Wu Shinong, who has a doctoral degree, is Professor and Tutor for doctoral students of the Management School of Xiamen University, Independent Director of Midea Group, a member of Business Administration Subjects Consultative Group of the Academic Degrees Committee of the State Council, National Natural Science Foundation of China and other roles.

Mr. Fu Zhengping, who has a doctoral degree, is a professor of the Management School and Director of the Finance Section of Sun Yat-sen University and an independent director of Midea Group. He also holds a concurrent position as the vice president of Guangdong Province Enterprise Director Association Expert Committee, a member of China Quality Association Academic Committee and the managing director of Guangdong Province Economy Research Society for Young and Mid-Career Professionals.

Mr. Zhu Guilong, who has a doctoral degree, is a professor and doctoral supervisor. He is the president of South China University of Technology School of Business Administration, the director of Center for Technological Innovation and an independent director of Midea Group at present. He also holds a concurrent position as the vice president of Systems Engineering Society of China, the vice president of Systems Engineering Society of Guangdong Province, vice president of Guangdong Association for Search and Technology and so on.

Mr. Guo Xuejin, who has a master's degree, was born in 1959. He is the director of Guangdong Kings Law Firm, a member of the Guangzhou 14th People's Congress, a member of Guangzhou Law Committee of the NPC, the arbitrator of Guangzhou Arbitrator Committee, an expert consultant of Guangzhou Traffic Committee and an independent director of Midea Group at present.

Mr. Li Wenjing, who has a doctoral degree, is the vice director of Accounting Department, professor and doctoral supervisor of Accounting Department of the School of Management at Jinan University, and an independent director of Midea Group at present. He also holds a concurrent position as a member of Accounting Society of China, the director of Accounting Academy of Guangdong Province, the researcher of Managerial Accounting Research Center of Jinan University, and the researcher of Social Responsibility and Environmental Accounting Research Center of Jinan University.

Ms. Zeng Qiao, who has a master's degree, is the convener of the Company Supervisory Board. She joined Midea in 1999.

She is the chairman of the Company Supervisory Board and the director of Division of Auditing Supervision etc.

Mr. Zheng Weikang, who has a master's degree, joined Midea in 1986 and has served as the vice president of the company's Financial Department. He is currently a company supervisor. He also holds a concurrent position as vice-general manager in Midea Holdings Limited, which is the controlling shareholder of the Company.

Mr. Liao Wenjian, who has a master's degree, joined Midea in 2000 and was the vice president of the Company Administration and HR Department and the Company supervisor. He is the president of Midea Water Heater Operating Department and HR Department.

Mr. Jiang Peng, a master's candidate, joined Midea in 2007 and was the secretary of the Board of Star Lake Bioscience Co., Inc. Zhaoqing Guangdong. He is now the secretary of the Board of GD Midea Holding Co., Ltd and so on, is the secretary of the Company Board.



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## Information about posts in shareholding entities

Name	Name of Shareholding Entities	Position in Shareholding Entities	Date of Appointment	Date of Cessation	Receive the Allowance in Shareholding Entities
Li Jianwei	Midea Holdings Limited	President	2012-12-12	2015-12-11	Yes

## Position in other entities

Name	Name of Other Entities	Position in Other Entities	Date of Appointment	Date of Cessation	Receive the Allowance in Other Entities
Fang Hongbo	Wuxi Little Swan Co., Ltd.	President	2012-08	2015-08	No
Yuan Liquan	Welling Holding Limited	Director	2007-01	-	No
	Guangdong Shunde Rural Commercial Bank Co., Ltd.	Director	2013-03	-	No
Li Feide	Welling Holding Limited	Director	2012-12		No
He Jianfeng	Infore Holding Group Co., Ltd.	President, chairman	2002-04	-	Yes
	Zhejiang Shangfeng Industrial Holding Ltd.	President	2013-11	2016-11	No
Xu Hai	ICBC International Holdings Limited	Director, general manager	2012-01	-	Yes
	Lvneng Gaoke Group Co., Ltd.	Supervisor	2013-08	2016-08	No
Hu Xiaoling	Belle International Holdings Limited	Non-executive director	2005-09	-	No
	SYSWIN INC.	Non-executive director	2008-11	-	No
	Sunac China Holdings Limited	Non-executive director	2007-11	-	No
	Anhui Yingliu Electro Mechanical Co., Ltd.	Director	2006-04	-	No
	Beijing Xiron Book Co., Ltd.	Director	2010-07	-	No
	Baroque Japan Ltd	Non-executive director	2013-08	-	No
Wu Shinong	Tianjin Dinghui Jiatai Equity Investment Partnership (Limited Partnership)	Appointed representative	2011-08	-	No
	Fuyao Glass Industry Group Co., Ltd.	Director	2011-11	2014-11	Yes
Fu Zhengping	Xiamen Xiangyu Co., Ltd.	Independent director	2013-05	2016-05	Yes
	Guangzhou Shipyard International Co., Ltd.	Independent director	2011-05	2014-05	Yes
Zhu Guilong	Guangdong Rongtai Industrial Co., Ltd.	Independent director	2012-12	2015-12	Yes
	Guangdong Silver Age Sci & Tech Co., Ltd.	Independent director	2008-07	2014-07	Yes
	Guangzhou Green Oil Co., Ltd.	Independent director	2008-04	2014-04	Yes
	Guangdong Dahuanong Animal Health Products Co., Ltd.	Independent director	2009-04	2015-03	Yes
Guo Xuejin	Guangzhou Echom Science & Technology Co., Ltd.	Independent director	2013-10	2016-10	Yes
	Guangzhou Green Oil Co., Ltd.	Independent director	2008-04	2014-04	Yes
Li Wenjing	Guangdong Tiangao Mining Co., Ltd.	Independent director	2012-05	2015-04	Yes

### 3. Remuneration of directors, supervisors and senior executives

#### 3.1 The following describes the decision-making program, determination basis and actual remuneration payment of directors, supervisors and senior executives.

Decision-making program of remuneration of directors, supervisors and senior executives: The remuneration is proposed by the Board Compensation Committee and approved by the Board. It is conducted after the deliberation of shareholders' meeting.

The remuneration of directors, supervisors and senior executives are consisted of basic annual payment and performance-related annual payment according to Salary Management System for the Directors, Supervisors and Senior Executives approved by the Company. Basic payment is determined based on the responsibility, risk and pressure of directors, supervisors and senior executives. The basic annual payment remains stable.

Performance-related annual payment is related to the completion rate of corporate profit, the assessment result of target responsibility system and the performance evaluation structure of their own department. The remuneration system for directors, supervisors and senior executives serves the Company's strategy, and shall be adjusted with the Company's operation condition in order to meet the Company's development requirements. The basis for adjusting the remuneration of directors, supervisors and senior executives are as follows:

- (1) Wage growth in the industry
- (2) Inflation
- (3) Corporate earnings
- (4) Organizational structure adjustment
- (5) Individual adjustment due to the change in position

The allowance standard of independent directors is RMB150,000/year (including tax) according to Proposal on the Allowance Standard Adjustment of Independent Directors.





## 3.2 Remuneration of directors, supervisors and senior executives during the Reporting Period

Name	Position	Gender	Age	Status	Total Remuneration from the Company (RMB'0,000)	Total Remuneration from the Shareholding Entities (RMB'0,000)	Actual Remuneration at the End of Reporting Period (RMB'0,000)
Fang Hongbo	President, chairman	Male	47	Incumbent	680	0	680
Huang Jian	President	Male	47	Leave the position	480	0	480
Cai Qiwu	Director Senior vice president	Male	51	Incumbent	450	0	450
Yuan Liqun	Director Senior vice president Chief financial officer	Female	45	Incumbent	450	0	450
Huang Xiaoming	Director Senior vice president	Male	43	Incumbent	450	0	450
Li Jianwei	Director	Male	48	Incumbent	0	159	159
He Jianfeng	Director	Male	47	Incumbent	0	0	0
Li Feide	Director	male	37	Incumbent	197	0	197
Xu Hai	Director	Male	38	Incumbent	0	0	0
Chen Jinsong	Director	Male	44	Leave the position	0	0	0
Hu Xiaoling	Director	female	44	Incumbent	0	0	0
Wu Shinong	Independent Director	Male	58	Incumbent	15	0	15
Fu Zhengping	Independent Director	Male	49	Incumbent	15	0	15
Zhu Guilong	Independent Director	Male	50	Incumbent	15	0	15
Guo Xuejin	Independent Director	Male	55	Incumbent	15	0	15
Li Wenjing	Independent Director	Male	35	Incumbent	15	0	15
Zeng Qiao	The chairman of the supervisory board	Female	41	Incumbent	196	0	196
Zheng Weikang	Supervisor	Male	45	Incumbent	0	82	82
Liao Wenjian	Employee supervisor	Male	39	Incumbent	140	0	140
Jiang Peng	Secretary of the Board	Male	41	Incumbent	65	0	65
Total	--	--	--	--	3,183	241	3,424

Note: The above-mentioned remunerations of directors, supervisors and senior executives all include tax.

## 3.3 Share incentive system for directors, supervisors and senior executives in the Reporting Period

Applicable  N/A

## 4. Resignation and dismissal of directors, supervisors and senior executives

Name	Position	Type	Date	Reason
Huang Jian	President	Resignation	15 October, 2013	Changes in job
Li Feide	Secretary of the Board	Resignation	28 October, 2013	Changes in job

## 5. Personnel changes in the core technical team or the key technical staff in the Reporting Period (excluding directors, supervisors and senior executives)

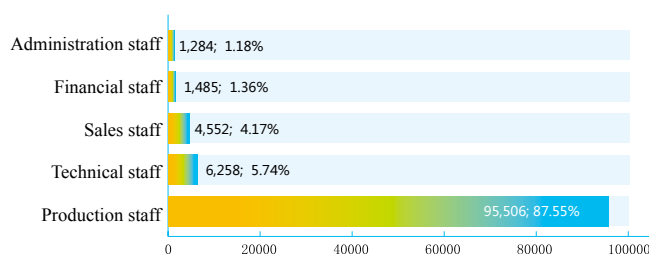
There are no significant changes in the core technical team or the key technical staff in the Reporting Period.

## 6. Staff in the Company

The total number of the staff in the Company is 109,085 by 31 December, 2013.

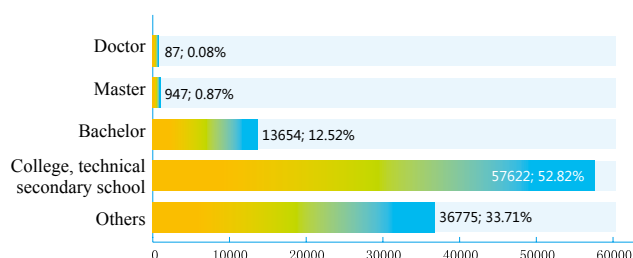
### (a) Professional structure of the staff

Profession	Quantity	Proportion
Administration staff	1,284	1.18%
Financial staff	1,485	1.36%
Sales staff	4,552	4.17%
Technical staff	6,258	5.74%
Production staff	95,506	87.55%



### (b) Educational background

Educational degree	Quantity	Proportion
Doctor	87	0.08%
Master	947	0.87%
Bachelor	13,654	12.52%
College, technical secondary school	57,622	52.82%
Others	36,775	33.71%



### (c) Retirees

There are 1,859 retirees in the Company in the Reporting Period, all of whom attend society endowment insurance according to related national regulations.

### (d) Staff remuneration policy

The remuneration of the staff shall be paid on time according to the Salary Management System. The Company decides the regular wage of the employees according to their position value and decides the variable wage according to the company's performance. The remuneration distribution shows more consideration for strategic talent and ensures the market competitiveness in the wages of core talent. The Company shall make dynamic adjustments on staff remuneration policy according to regional differences, number of employees, staff turnover, environment changes in the industry and paying ability of the company.

### (e) Staff training plan

There are 1,053,041 internal training staff in the Reporting Period among whom there are 122,753 executives, 109,741 technical and sales staff, and 820,547 operating staff. The training plan mainly:

- (i) Builds the Linghang Series leadership development program and reserve leaders training system and promotes reserve talents management and training. They have carried on 32 talent training programs and trained 782 reserve managerial staff.
- (ii) Builds the E-learning platform, which has become the significant supporting means of daily training in the business division. The training covers all the executives in the Midea Group. The total annual online learning time is 713,000 hours.
- (iii) Promotes organizational learning by cultivating 1,275 internal lecturers. The annual teaching time is 6,730 hours. There are totally 1,839 courses being developed in 2013, among which there are 185 new courses, 18 internal organized weekend lectures and 98 internal public courses
- (iv) Promotes the training of key skilled workers and working team leaders. The training time is 2.490370 million hours in total.

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Section VII Corporate Governance

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## 1. Basic situation of corporate governance

Midea Group issues convertible shares and is listed by merging GD Midea Holding. The actual governance by the corporate legal person of Midea Group meets the requirement of normative documents about governance of listed companies issued by China Securities Regulatory Commission.

The Company is constantly improving its corporate governance in strict accordance with Company Law, Securities Acts and related regulations of China Securities Regulatory Commission. There are four special committees under the Board: Strategy Committee, Auditing Committee, Nomination Committee and Remuneration And Appraisal Committee. They are designed to provide consultation and advice to the Board and make sure the specialization and efficiency of discussions and decision-making. The Company has established the system such as shareholders' meeting, the Board, Rule of Procedure at supervisory board, Rule of Procedure at the Board special committees and the Board

secretary etc. and established a set of normative documents including Funds Raising Management System, Connected Transaction Management System, Insider Registration System, External Guaranty Decision-making System, Foreign Investment Management System, Internal Auditing System etc. The shareholders' meeting, the Board, supervisory board and operations management departments has clear authority and responsibility. Each performs its own functions and keeps balance effectively. Their scientific decision-making and coordinated operations lay a firm foundation for the sustained, healthy and steady development of the Company.

The shareholders are the core high-level staff in the company. The Company also launches the core management team shareholding plan and equity incentive plan for core research staff, quality staff, technical staff, production and management staff, which builds up a fine shareholding structure for the future growth of the Company.

### Established and revised systems in the Company Reporting Period

No.	System Name	Newly Established/Amendment	Establishment Date
1	The Scope of Work of the Secretary to the Board of Directors	Newly established	2013-02-16
2	Working Rules for the Chairman	Newly established	2013-02-16
3	Internal Auditing System	Newly established	2013-02-16
4	Working Rules for the Strategy Committee	Newly established	2013-02-16
5	Working Rules for the Remuneration and Appraisal Committee	Newly established	2013-02-16
6	Working Rules for the Nomination Committee	Newly established	2013-02-16
7	Working Rules for the Audit Committee	Newly established	2013-02-16
8	Management System For Funds Flowing Among Related Parities	Newly established	2013-02-16
9	Working System For Independent Directors	Newly established	2013-03-04
10	Connected Transaction Management System	Newly established	2013-03-04
11	Foreign Investment Management System	Newly established	2013-03-04
12	External Guaranty Decision-making System	Newly established	2013-03-04
13	Amendments to the Articles of Association II	Amendment	2013-03-04
14	Information Disclosure Regulations	Newly established	2013-03-28
15	Funds Raising Management System	Newly established	2013-04-22
16	"Rules of Procedure" for the Board	Newly established	2013-04-22
17	"Rules of Procedure" for the Shareholders' Meeting	Newly established	2013-04-22
18	"Rules of Procedure" for the Supervisory Board	Newly established	2013-04-22
19	Shareholders' Return Plan for the Next Three Years	Newly established	2013-04-22
20	Articles of the Company (Draft)	Amendment	2013-04-22
21	Articles of the Company	Amendment	2013-10-31

In 2013, the Company has won the following awards:

"The Best Board of Directors" in the "Golden Round Table Prize" by The Board magazine in the fourth successive year.

"Top 100 Golden Bull Listed Companies" by China Securities Journal in the thirteenth successive year.

"Top 100 China's Listed Companies on the Main Board" by Securities Times.

"The Best Board of Directors of Listed Company on Main Board in China" by Moneyweek.

"The Best Invested Listed Company" by Hexun Net.

"China Companies Reputation Award" by National Business Daily.

"The Best Continuous Investment Value Award" by Chinese Securities Journal.

Any incompliance of Companies Law and relevant requirements of China Securities Regulatory Commission in respect of corporate governance

Yes  No

The following describes the progress of the corporate governance work and the formulation and implementation of Insider Registration System.

The Company actively complied with the inspection requirements of Guangdong Securities Regulatory Bureau,

attended the meetings about corporate governance for listed companies, and strictly regulated the acts and protected the benefit of investors.

In accordance with related requirements of relevant laws and regulations and the Articles of the Company to standardize the management of insider information, strengthen the confidentiality of its insider information and maintain information disclosure in a fair manner, the Company has set up an Insider Registration System. The system defined the scope of insider information, the persons acknowledged of insider information and their scope, registration and filing management, confidentiality and other liability accountabilities. The Company strengthened the registration and management systems of the supervision and examination work of insiders to standardize the internal circulation procedure of significant information, thus ensuring information disclosure in a fair manner and specifically preventing insider information leakage and insider transactions. In 2013, after self-examination, there were no instances of insiders using inside information to buy or sell the Company's shares before the publication of major sensitive information that would affect the share price, and therefore the Company had not been subjected to any regulatory measures or administrative punishments from regulatory authorities.



## 2. Annual general meeting and extraordinary general meeting convened during the Reporting Period

### 2.1 Annual general meeting convened during the Reporting Period

Meeting	Convened Date	Name of the Resolutions of the Meeting	Resolutions	Disclosure Date	Disclosure Index
2012 annual general meeting	2013-04-22	<ol style="list-style-type: none"> <li>1. Proposal on Midea Group Co., Ltd Merging GD Midea Holding Co., Ltd by Share Exchange</li> <li>2. Proposal on the Listing of Midea Group Co., Ltd by Issuing RMB Ordinary Shares</li> <li>3. Proposal on the Signing of "Merger Agreement" between Midea Group Co., Ltd and GD Midea Holding Co., Ltd</li> <li>4. Proposal on "Report of Midea Group Co., Ltd Merging GD Midea Holding Co., Ltd by Share Exchange (Draft)" and Its Abstract</li> <li>5. Proposal on the Financial Reports and Profit Forecast Reports of the Merger by Share Exchange</li> <li>6. Proposal on the Company Issuing Shares and "Articles of the Company" (Draft) and "Rules of Procedure for the Three Committees"(Draft) after Being Listed</li> <li>7. Proposal on Related Systems after the Company Issuing Shares and Being Listed</li> <li>8. Proposal on the Authorized Board Responsible for Merger through Share Exchange</li> <li>9. Proposal on Shareholders' Return Plan for the Next Three Years after Being Listed</li> <li>10. Proposal on Midea Group Related Transactions</li> <li>11. Proposal on 2012 Annual Profit Distribution</li> <li>12. Proposal on the 2012 Annual Working Report of the Board of Directors</li> <li>13. Proposal on 2012 Annual Final Account Report</li> <li>14. Proposal on Re-appointing the Accounting Firms</li> <li>15. Proposal on the 2012 Annual Working Report of the Board of Supervisors</li> </ol>	All were passed	-	-

### 2.2 Extraordinary general meeting convened during the Reporting Period

Meeting	Convened Date	Name of the Resolutions of the Meeting	Resolutions	Disclosure Date	Disclosure Index
2013 first extraordinary general meeting	2013-03-04	<ol style="list-style-type: none"> <li>1. Proposal on Selecting Independent Directors and the Directors Changing</li> <li>2. Proposal on Discussing Amendments to the Articles of Association II</li> <li>3. Proposal on the Allowance for Independent Directors</li> <li>4. Proposal on Establishing Related Company Systems</li> <li>5. Proposal on the Guarantee for the Subsidiaries</li> <li>6. Proposal on Appointing Auditing Offices</li> </ol>	All were passed	-	-
2013 second extraordinary general meeting	2013-06-16	<ol style="list-style-type: none"> <li>1. Proposal on Releasing the Notification Period of Midea Group Co., Ltd for 2013 Second Extraordinary General Meeting</li> <li>2. Proposal on the Signing of "Compensation Agreement on Profit Forecast" by Eight shareholders Including Midea Group and Midea Holdings</li> <li>3. Proposal on Midea Group Co., Ltd Guaranteeing for the subsidiaries</li> </ol>	All were passed	-	-
2013 third extraordinary general meeting	2013-08-26	<ol style="list-style-type: none"> <li>1. Proposal on the Company Carried on Trust Financing with the Idle Funds</li> <li>2. Proposal on Releasing the Notification Period of Midea Group Co., Ltd for 2013 Third Extraordinary General Meeting</li> </ol>	All were passed	-	-

### 3. Performance of independent directors during the Reporting Period

#### 3.1 Attendance of independent directors in Board meetings and general meetings

Attendance of Independent Directors in Board Meetings						
Name of Independent Directors	Number of Board Meetings Attended During the Period	Number of Attendance on Site	Number of Attendance via Communication Channels	Number of Appointed Attendance	Absence	Absence for Two Successive Times
Wu Shinong	9	6	3	0	0	No
Fu Zhengping	9	6	3	0	0	No
Zhu Guilong	9	6	3	0	0	No
Guo Xuejin	9	6	3	0	0	No
Li Wenjing	9	6	3	0	0	No
Number of General Meetings of Stockholders Presented by Independent Directors						4

#### 3.2 Objections from independent directors on related issues of the Company

Were there any objections on related issues of the Company from independent directors

Independent directors had no objections on related issues of the Company during the Reporting Period.

#### 3.3 Other details about the performance of duties by independent directors

Were there any suggestions from independent directors adopted by the Company

During the Reporting Period, independent directors strictly followed related rules, regulations and the Articles of Association. They focused on the Company operation, carried out their duties independently and gave lots of professional advice on perfecting the Company's systems and daily operation and decisions. They provided fair advice during the Reporting Period and played an effective role in perfecting the Company supervisory and systems and protecting the legal rights of the company and the whole shareholders.

### 4. Performance of duties by special committees under the Board during the Reporting Period

The Strategic Development Committee, Audit Committee,

Remuneration and Appraisal Committee and Nomination Committee have been set up under the Board of Directors of the company. Each special committee has played their roles under the rules of procedure established by the Board of Directors of the company, reviews the issues within their specified scopes and makes recommendation as a reference for decision-making on the board.

#### 4.1 Performance of duties by the Audit Committee under the Board of the Company

The main responsibilities of the Audit Committee under the Board of the Company are to take charge in the internal and external communication for audit in accordance with the Rules of Procedure of the Audit Committee Under the Board. In accordance with the working procedures for annual audit, the Audit Committee under the Board discharged of its duties with diligence during the audit process in 2013 and performed the following professional duties:

- (a) Negotiated and confirmed the general arrangement with the accounting firm for the 2013 annual audit and clarified the audit planning, staff arrangement, highlighted scope of audit and audit strategy, and risk appraisal of the annual audit.
- (b) Reviewed the preliminary financial statements of the Company, analyzed the change of each financial data and financial indicator on the Company's annual financial

statements by comparison, believed that the financial statements complied with the preparation requirements under the Corporate Accounting Standard, and agreed to commence the 2013 annual audit on the basis of these financial statements.

(c) During the period of on-site auditing conducted by the auditing team of the accounting firm, the Audit Committee issued Letters of Urging for Completion of Audit Work twice, urging the accounting firm to complete the audit work pursuant to the overall work plan and requiring the auditing institution to pay attention to the following questions:

(i) Whether the Company Accounting Reporting was made strictly according to the Corporate Accounting Standard, the Company financial system and related regulations and rules

(ii) Whether there are major omissions in the company's internal control.

(iii) Whether the auditing institution is able to provide required materials.

(d) After the CPA Firm in charge of annual audit issued the preliminary audit report for the financial statements of the Company with unqualified opinions, the Audit Committee reviewed the financial statements again and formed a written conclusion holding the view that the financial information provided in the financial statements reviewed by the CPA Firm truly reflected the financial position of the Company and the annual operation result and cash flow by 31 December 2013 and agreed to prepare 2013 annual report based on the reviewed financial statements.

(e) On 26 March, 2014, the Audit Committee issued 2013 Annual Audit Report, Reports of the Audit Committee about Concluding and Appraising the 2013 Annual Audit Work of the Pan-China Certified Public Accountants LLP, and Proposal on Reappointing Pan-China Certified Public Accountants as the Auditor for the 2014 Annual Result on a meeting. The Audit Committee concluded and appraised the annual audit work of the accounting firm and recommended to reappoint

Pan-China Certified Public Accountants LLP as the auditor for the 2014 annual result, and submitted the recommendation to the Company Board.

#### 4.2 Performance of duties by the Nomination Committee under the Board of the Company

The main responsibilities of the Nomination Committee under the Board are to provide advice on the selection of potential directors and senior management members of the Company, the selection criteria and procedure in accordance with the Rules of Procedure of the Nomination Committee under the Board. During the Reporting Period, the Nomination Committee under the Board reviewed the changes and adjustment of the directors and senior management members of the Company and examined the qualification of Fang Hongbo as the Company Chairman and Jiang Peng as the Secretary to the Board.

#### 4.3 Performance of duties by the Remuneration and Appraisal Committee under the Board of the Company

The main responsibilities of the Remuneration and Appraisal Committee under the Board of the Company are to establish and examine the Company's remuneration policies and plans for its directors and senior management members pursuant to the Rules of Procedure of the Remuneration and Appraisal Committee under the Board. The Remuneration and Appraisal Committee under the Board reviewed the remuneration of the directors and senior management members of the Company disclosed for the Reporting Period, and holding the view that the remuneration for the Reporting Period complied with the appraisal system established by the company based on the position based accountability system. The disclosed remuneration of the directors and senior members of the company complied with the remuneration management system of the company without any violation.



## 5. Performance of duties by the Supervisory Committee

Were there any risks to the Company identified by Supervisory Committee when performing its duties during the Reporting Period?

Yes  No

Meeting	Convened Date	Supervisors Present	Name of the Resolutions of the Meeting	Resolutions	Disclosure Index on the Specified Website for the Resolutions	Disclosure Date
First Supervisory Board meeting of the third session	2013-03-28	All supervisors	<ol style="list-style-type: none"> <li>1. Proposal on Midea Group Co., Ltd Merging GD Midea Holding Co., Ltd by Share Exchange</li> <li>2. Proposal on the Listing of Midea Group Co., Ltd by Issuing RMB Ordinary Shares;</li> <li>3. Proposal on the Signing of "Merger Agreement" between Midea Group Co., Ltd and GD Midea Holding Co., Ltd</li> <li>4. Proposal on "Report of Midea Group Co., Ltd Merging GD Midea Holding Co., Ltd by Share Exchange (Draft)" and Its Abstract</li> <li>5. Proposal on the Financial Reports and Profit Forecast Reports of the Merger by Share Exchange</li> <li>6. Proposal on the Company Issuing Shares and "Articles of the Company" (Draft) and "Rules of Procedure for the Three Committees"(Draft) after Being Listed</li> <li>7. Proposal on Shareholders' Return Plan for the Next Three Years after Being Listed</li> <li>8. Proposal on Midea Group Related Transactions</li> <li>9. Proposal on 2012 Annual Profit Distribution</li> <li>10. Proposal on the 2012 Annual Working Report of the Board of Supervisors;</li> <li>11. Proposal on 2012 Annual Final Account Report</li> <li>12. Proposal on Internal Control and Self-Evaluation Report</li> </ol>	All were passed	-	-
First Supervisory Board meeting of the fourth session	2013-04-26	All supervisors	Midea Group Co., Ltd 2013 First Financial Statement	All were passed	-	-
First Supervisory Board meeting of the fifth session	2013-08-26	All supervisors	Midea Group Co., Ltd 2013 Interim Financial Statement	All were passed	-	-
First Supervisory Board meeting of the sixth session	2013-10-29	All supervisors	<ol style="list-style-type: none"> <li>1. 2013 Third Quarterly Report</li> <li>2. Amendments to the Articles of Association</li> </ol>	All were passed	Cninfo Web The first Supervisory Board Meeting of the Sixth Session of the Supervisory Board Resolution Notice	2013-10-31
First Supervisory Board meeting of the seventh session	2013-12-20	All supervisors	<ol style="list-style-type: none"> <li>1. Proposal on 2014 Annual Daily Related Transactions</li> <li>2. Proposal on Related Transactions of Provide Shangfeng Industrial with Discounted Note.</li> </ol>	All were passed	Cninfo Web The first Supervisory Board Meeting of the Seventh Session of the Supervisory Board Resolution Notice	2013-12-21

The Supervisory Board of the Company had no objection to the matters of supervision during the Reporting Period. The following described specified details.

### 5.1 Legality of the Company operation

The Supervisory Board agreed that: The Board of the Company has complied with the Company Law, Securities Law, Articles of Association and other regulated laws to perform standardized operations. The Board strictly implemented the resolutions of the general meetings and properly performed its duties, assumed its authorities and followed scientific and legitimate decision-making procedures. The company has established a regulated and efficient legal personnel governance structure with clear authority and responsibility and optimized the management system. Besides, the company has established an all-round, reasonable and efficient internal control system, which can ensure the accuracy and completeness of information to better protect the interests of shareholders, especially minority shareholders. The senior management of the Company, including directors and managers carried out their duties honestly, discharged of their duties with diligence, ventured into development, complied with the laws and truthfully performed their duty, without violation of laws and regulations and Articles of Association or any act that would prejudice the interests of the Company or shareholders.

### 5.2 Examination of the financial position of the company

The Supervisory Board of the Company examined the financial system and financial position of the company in accordance with laws. The Supervisory Board agreed that 2013 Final Financial Accounts truly and fairly reflects the financial position and operation result of the Company and that the unqualified audit report issued by Pan-China Certified Public Accountants LLP for the 2013 financial report is objective and fair.

### 5.3 There were no funds raised during the Company Reporting Period.

5.4 During the Reporting Period, there were no major acquisitions and asset sales except that the Company issued convertible shares and was listed by merging GD Midea Holding.

There were no insider transactions, behaviors prejudicing the interests of the shareholders, or loss of assets.

5.5 During the Reporting Period there were connected transactions fairly and reasonably carried out with connected parties at fair pricing, which did not prejudice the interests of non-connected parties as well as other listed companies.

### 5.6 Opinions of the Supervisory Board of the company on the self-appraisal report on internal control

Pursuant to the relevant requirements of Basic Standard for Enterprise Internal Control jointly issued by the MOF and CSRC and the Standardize Operational Guidelines of Shenzhen Stock Exchange Concerning Main Board Listed Companies, the Supervisory Board of the Company has given the following opinions on the self-appraisal report on internal control of the company:

(a) The company has established a proper and strong internal control system to ensure smooth business operation and risk control and to protect the safety and completeness of the Company's assets in accordance with the Company Law, the Securities Law, relevant provisions of CSRC and Shenzhen Stock Exchange and other relevant laws and regulations of China, taking into account industry-specific factors as well as the operation mode, asset structure and other characteristics of the Company.

(b) The Company has established a more comprehensive internal organization structure and properly allocated internal audit departments and staff, which ensured the effective implementation and supervision on key internal control activities.

(c) During the Reporting Period, the Company did not violate the Standardize Operational Guidelines of Shenzhen Stock Exchange Concerning Main Board Listed Companies and the Internal Control System of the Company.

Taking into account the above-mentioned opinions, the Supervisory Board holds the view that the self-appraisal report

on internal control of the Company is complete, true and accurate, which reflects the Company's actual condition.

## 6. Integrity and independency of businesses, personnel, assets, organizations, and finance that are separate from the controlling shareholder

The Company is totally separate in businesses, personnel, assets, organizations, and finance from Midea Holdings Limited., the controlling shareholder of the Company, with integrity and independency in both business and operation.

### 6.1 Business independence:

The Company has a complete industrial chain for its manufacturing business, a completely independent purchase and sales system, and independent and complete business operation capability.

### 6.2 Personnel independence:

The Company was completely independent from the controlling shareholder in personnel. The labor, personnel and remuneration management of the company are fully independent. All senior management members received remuneration from the Company except that some of them hold only the director position in the controlling shareholder.

### 6.3 Asset integrity:

The company has its own independent production system as well as ancillary production system and facilities. Intangible assets such as industrial right, trademark ownership and non-patent technology are held by the Company.

### 6.4 Organization independence:

The company sets up independent organization structure and maintains its independent operation. The company has its own right for the appointment or removal of personnel and there is no overlapping with the controlling shareholder.

### 6.5 Financial independence:

The company's financial management is independent from the controlling shareholder. The Company has its own accounting

department, accounting system, financial management system, and bank accounts and independently makes financial decisions and pays its own taxes according to relevant laws.

## 7. Horizontal Competition

There are four kinds of business in Midea Group: large household electrical appliances, small household electrical appliances, electrical machinery and logistics. The shareholder of Midea Group, Midea Holdings is mainly engaged in investment management. Midea Holdings and other enterprises held by the actual shareholder except Midea Group are not engaged in operational activities which are the same as or similar to the main business of Midea Group, and there is no horizontal competition or potential competition between these enterprises' operation activities and the business of Midea Group.

Mr. He Xiangjian, actual controller of Midea Group, and Midea Holdings have sent the commitment letters about avoiding such horizontal competitions in order to avoid such competitions in the future. For details, refer to performance of the undertakings described in the Company Annual Report Section IV.

## 8. Assessment and incentive mechanism for the Senior Management

The Company established an appraisal system on the basis of its target-oriented responsibility system and adopted an appraisal agreement for senior management members, which determines the appraisal criterion, appraisal method and measures taken based on the appraisal result. During the Reporting Period, the Company has carried out appraisals of senior management members on the basis of its target-oriented responsibility system and the appraisal result was reflected in the annual performance-based incentive rewards. Meanwhile, the Company promoted the unification of interests between managers and shareholders through high-level staff's and core management teams' shareholding plans, laying a good foundation for the future growth of the Company.



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08

Section VIII Internal Control



## 1. Building of internal control

According to General Specifications of Company Internal Control and Practice Notes of Company Internal Control ("Specifications for Internal Control" for short), jointly issued by the Treasury, the Audit Office, CIRC, CBRC and CSRC, the company has established a fairly complete and effective internal control system which specifies a systematic internal control mechanism and necessary internal supervision mechanism for the company as well as all business processes, providing rational protection for the company's legitimate management, asset safety, and authenticity and integrity of financial reports and relevant information.

In 2013, the Company stuck to the risk-oriented principle with considerations of its actual management conditions to sustainably improve and optimize the company's internal control system for adapting to an ever-changing external environment and internal management requirements. In 2013, the Company reappointed Tianjian Accounting Firm to assist it in polishing internal control and listed 19 companies to the evaluation scope of internal control. Total assets and operation revenue listed to the evaluation scope accounted for over 70% of corresponding items on the financial report of the Company merger.

The Company Board authorized the internal control team to organize and implement evaluation of internal control of risk fields and companies covered in the evaluation scope in 2013. The internal control team includes a leading group and an executive group.

As the leading and decision-making body of the internal control project, the leading group is responsible for implementation strategy formulation, decision-making on significant items and project implementation supervision. Mr. Fang Hongbo, Chairman and President of the Company, is head of the leading group. The leading group reports general conditions about internal control project building and evaluation to the Board.

As the organization and implementation body of the internal control project, the group implements the project concretely, including:

Determining companies to be evaluated in 2013; Recording significant business divisions and processes and internal control of transactions; Evaluating the design of internal control and effectiveness of its execution Maintaining and upgrading evaluation files of internal control Supervising the discovery of internal control problems and determining whether rectification suggestions confirmed by the management team are performed as planned Regularly reporting project schedule, quality and significant problems to the leading group.

Persons in charge of processes of risk fields and companies listed to the evaluation scope are responsible for building and evaluating all internal control activities. These persons describe the business process, relevant control points and other information about related processes under the guide of the executive group, confirm files of process record, recognize significant control measures and rectify defects about internal control.

The company appoints Tianjian Accounting Firm (with specific general partnership) to independently and effectively audit its internal control.

For details about self-evaluation of the Company's internal control, see 2013 Annual Report of Self-evaluation for Internal Control.

## 2. Specifications for the responsibility of internal control from the Board

The Board has deliberated and adopted 2013 Annual Report of Self-evaluation for Internal Control. The Board and all directors of the company guarantee that there exist no false records, misleading statements or major omissions in this report and shall undertake direct and joint liabilities for the authenticity, accuracy and integrity of the report content.

Based on regulations of the standardized system of the company's internal control, establishing and effectively implementing internal control, evaluating its effectiveness, and honestly disclosing the evaluation report are liabilities of the Board. The supervisory board supervises the Board who establishes and implements internal control. Managers are liable for organizing and leading daily operations of the Company's internal control. The Company's Board, supervisory board, directors, supervisors and senior executives guarantee that there exist no false records, misleading statements or major omissions in this report and shall undertake direct and joint liabilities for the authenticity, accuracy and integrity of the report content.

The objective of the Company's internal control is to reasonably ensure legitimate management, asset safety, and authenticity and integrity of financial reports and relevant information, and to enhance management efficiency and effectiveness, facilitating development strategy implementation. Only reasonable guarantees can be ensured for realizing the objective due to inherent limitations of internal control. Furthermore, there exist certain risks if the effectiveness of future internal control results are speculated based on the evaluation result of the current internal control because when conditions change, internal control may become inappropriate or control policies and procedures may not be strictly complied with.

### 3. Basis for establishing internal control of the financial report

The basis for establishing internal control of the financial report includes: Corporation Law, Articles of Association, General Specifications of Company Internal Control and supporting guides jointly issued by the Treasury, CSRC and other three ministries, Internal Accounting Control Regulation issued by the Treasury, Guidelines of Standard Operation of Mainboard Listed Companies issued by Shenzhen Stock Exchange, and relevant notices and requirements for adopting regulations of internal control of listed companies issued by Guangdong Securities Regulatory Commission.

### 4. Self-evaluation report of internal control

Major defects of internal control discovered in the self-evaluation report

Based on the identification of major defects of internal control in the Company's financial report, on the base date of the evaluation report of internal control, there exist no major defects in the financial report. The Board believed that the Company maintained effective internal control of a financial report in all significant aspects based on requirements of the standardized system of the Company's internal control and relevant specifications.

Based on the identification of major defects of internal control in the Company's non-financial report, on the base date of the evaluation report of internal control, there exist no major defects in the non-financial report.

Elements that influence the effective evaluation result of internal control did not occur from the base date of the evaluation report of internal control to the date of issuing the evaluation report of internal control.

Date of Disclosing the Full Text of the Evaluation Report of Internal Control: 29 March, 2014

Index of Disclosing the Full Text of the Evaluation Report of Internal Control: The full text of the evaluation report of internal control has been disclosed on CNINF ([www.cninfo.com.cn](http://www.cninfo.com.cn)).

### 5. Audit report of internal control

Opinion paragraph in the audit report of internal control

On 31 December, 2013, Midea Group maintained effective internal control of a financial report in all significant aspects based on General Specifications of Company Internal Control and relevant specifications.

Date of Disclosing the Full Text of the Audit Report of Internal Control: 29 March, 2014

Index of Disclosing the Full Text of the Audit Report of Internal Control: The full text of the audit report of internal control has been disclosed on CNINF (www.cninfo.com.cn).

Whether modified opinions of the audit report of internal control are issued by the accounting firm

Yes  No

Whether the audit report of internal control issued by the accounting firm is consistent with the self-evaluation report of the board

Yes  No

## 6. Establishment and Execution of the Accountability System for Material Errors in the Annual Report

Having established the Accountability System for Material Errors Disclosed in the Annual Report to intensify the accountability of personnel responsible for annual report information disclosure, the Company was in strict accordance with relevant laws and regulations and regulations of the Management System of Information Disclosure, compiled the annual report carefully, improved quality and transparency of annual report information disclosure, and ensured information disclosure authenticity, accuracy and integrity.

During the reporting period, no rectification of major accounting errors or supplement or rectification of major information omission had occurred in the company.



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09

Section IX Financial Report



## I. Auditor's Report

Type of Audit Opinion	Standard & unqualified
Issuing Date of Auditor's Report	2014-3-27
Name of Auditor	Tianjian Accounting Firm (Special general partnership)
No. of Auditor's Report	TianJianShen (2014) No.3-80

### Auditor's Report

To all shareholders of Midea Group Co., Ltd.:

We have audited the accompanying financial statements of Midea Group Co., Ltd. (hereafter referred to as 'Midea Group'), which comprise the consolidated and the parent Company's balance sheets as of 31 December 2013, and the consolidated and the parent company's income statements, the consolidated and the parent company's cash flow statements, the consolidated and the parent company's statements of changes in equity for the year ending in 2013, and notes to these financial statements.

#### 1. Management's Responsibility for the Financial Statements

The management of the Company is responsible for the preparation and fair presentation of these financial statements. Those responsibilities include: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

#### 2. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### 3. Audit Opinion

In our opinion, the financial statements of Midea Group have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material respects and present fairly the consolidated and the company's financial position of the Company as at 31 December 2013, and of their consolidated and the company's financial performance and cash flows for the year ending in 2013.

Tianjian Accounting Firm (Special general partnership)

Chinese Certified Public Accountant: Zhou Rongming

China • Hangzhou

Chinese Certified Public Accountant: Huang Zhiheng

27 March, 2014

## I. Auditor's Report

Type of Audit Opinion	Standard & unqualified
Issuing Date of Auditor's Report	2014-3-27
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Tianjian Accounting Firm (Special general partnership)

Chinese Certified Public Accountant: Zhou Rongming

China • Hangzhou

Chinese Certified Public Accountant: Huang Zhiheng

27 March, 2014

## II. Financial Statements

## Consolidated Balance Sheet

Prepared by: Midea Group Co., Ltd.

2013-12-31

Unit: RMB '000

Assets	Notes	Ending Balance	Beginning Balance
Current Asset:			
Cash on hand and in bank	1	15,573,683.04	13,435,509.08
Deposit in Central Bank	2	923,632.22	517,142.87
Deposit in other banks	3	1,746,284.24	314,399.48
Loans to other banks			
Tradable financial asset	4	759,565.22	231,549.94
Derivative financial assets			
Financial assets buying back for sale			
Notes receivable	5	14,150,532.20	12,386,424.76
Account receivable	6	7,928,438.25	9,864,573.62
Advance payment	7	2,432,420.54	1,802,482.18
Premiums receivable			
Reinsurance accounts receivable			
Reserves for reinsurance accounts receivable			
Interest receivables			
Granting loans and advances	8	5,100,085.71	409,507.43
Dividend receivables	9	25,863.84	
Other receivables	10	1,025,395.19	1,121,345.63
Inventories	11	15,197,723.84	13,350,000.92
Non-current assets due within one year			
Other current assets	12	463,107.71	2,129,254.86
Total current assets		65,326,732.00	55,562,190.77
Non-current Assets:			
Financial assets available for sale	13	1,068.60	776.33
Held to maturity investments			
Long-term receivables			
Long-term equity investments	15	1,755,798.09	1,709,771.71
Investment properties	16	205,834.70	84,388.01
Fixed Assets	17	19,572,161.32	20,252,528.91
Construction in progress	18	612,601.28	1,600,696.10
Engineering materials and equipment			
Liquidation of fixed assets			
Productive biological assets			
Oil-and-gas assets			
Intangible assets	19	3,325,738.40	3,672,190.93
Research and development expenditures			
Goodwill	20	2,931,003.59	3,473,028.55
Long-term unamortized assets	21	647,882.34	588,742.25
Deferred income tax assets	22	2,567,204.45	792,213.42
Other non-current assets			
Total non-current assets		31,619,292.77	32,174,336.21
Total assets		96,946,024.77	87,736,526.98

Legal Representative: Fang Hongbo

Financial Head: Yuan Liqun

Prepared by: Chen Jianwu

## Consolidated Balance Sheet (continued)

Prepared by: Midea Group Co., Ltd.

2013-12-31

Unit: RMB '000

Liabilities and shareholders' equity	Notes	Ending Balance	Beginning Balance
<b>Current Liabilities:</b>			
Short-term loans	24	8,872,173.98	5,082,087.08
Borrowing from the central bank	25	89,708.03	
Accepting money deposits and deposits from other banks		61.00	624.80
Loans from other banks			
Financial liabilities held for trading	26	11,260.18	22,073.08
Derivative financial liabilities			
Financial assets sold for repurchase			
Accepting money deposits			
Note payables	27	6,308,478.45	9,243,386.65
Account payables	28	17,508,099.66	15,773,596.24
Advances from customers	29	4,983,346.26	3,570,152.79
Employee benefits payable	30	1,968,837.73	1,330,103.17
Taxes and expenses payables	31	1,028,015.10	917,644.57
Interest payables	32	69,823.87	190,137.57
Dividend payables	33	94,046.21	72,913.44
Other payables	34	1,487,781.02	2,469,318.48
Reinsurance accounts payable			
Reserves for insurance contracts			
Brokerage for trading securities			
Brokerage for consigning securities			
Non-current liabilities due within one year	35	1,617,370.17	3,944,828.25
Other current liabilities	36	12,608,380.03	8,193,297.74
<b>Total current liabilities</b>		<b>56,647,381.69</b>	<b>50,810,163.86</b>
<b>Non-current Liabilities:</b>			
Long-term loans	37	711,464.64	2,388,473.96
Bond payables	38	152,716.59	1,149,250.61
Long-term payables			
Special payables		52,073.96	12,594.55
Estimated liabilities	39	33,466.19	24,611.19
Deferred tax liabilities	22	123,797.62	86,157.80
Other non-current liabilities	40	144,561.80	99,789.67
<b>Total non-current liabilities</b>		<b>1,218,080.80</b>	<b>3,760,877.78</b>
<b>Total liabilities</b>		<b>57,865,462.49</b>	<b>54,571,041.64</b>
<b>Owner's Equity:</b>			
Capital stock	41	1,686,323.39	1,000,000.00
Capital reserve	42	15,620,790.78	3,037,311.98
Less: Treasury stock			
Special reserve			
Surplus reserve	43	569,544.32	66,439.07
General risk reserve			
Undistributed profits	44	15,304,989.21	10,490,636.40
Currency translation differences		-334,216.66	-280,856.59
<b>Total shareholder's equity attributable to the parent company</b>		<b>32,847,431.04</b>	<b>14,313,530.86</b>
Minority interests		6,233,131.24	18,851,954.48
<b>Total Shareholder' Equity</b>		<b>39,080,562.28</b>	<b>33,165,485.34</b>
<b>Total Liabilities and Shareholder' Equity</b>		<b>96,946,024.77</b>	<b>87,736,526.98</b>

Legal Representative: Fang Hongbo

Financial Head: Yuan Liqun

Prepared by: Chen Jianwu

## Consolidated Income Statement

Prepared by: Midea Group Co., Ltd.

Year 2013

Unit: RMB '000

Items	Notes	Balance of this Period	Balance of the same period of previous year
1. Total operating revenue		121,265,180.02	102,713,022.57
including: Operating income	1	120,975,003.14	102,598,110.49
Interest income		290,159.30	114,912.08
Fees and commissions income		17.58	
2. Total operating cost		113,485,774.13	96,260,434.04
including: Operating costs	1	92,818,063.06	79,449,035.94
Interest expense		203,826.84	60,484.85
Fees and commissions expense		1,215.41	1,426.68
Business tax and surcharges	2	609,932.61	577,913.06
Selling expenses	3	12,432,343.86	9,389,868.49
Administrative expense	4	6,733,456.28	5,925,780.78
Finance costs	5	564,220.53	807,047.80
Assets impairment losses	6	122,715.54	48,876.44
Add: Gain on changes in fair value (loss marked “-”)	7	546,265.97	17,752.89
Investment income (loss marked “-”)	8	997,978.95	534,518.15
including: Investment gains from associated enterprises and joint ventures		37,265.41	43,864.67
Exchange gain (loss marked “-”)			
3. Operating profit (loss marked “-”)		9,323,650.81	7,004,859.57
Add: Non-operating income	9	1,005,224.28	926,929.36
Less: Non-operating expenses	10	317,103.09	222,277.98
including: Disposal loss of non-current assets		198,119.54	134,545.85
4. Total profit (loss marked “-”)		10,011,772.00	7,709,510.95
Less: Income tax expenses	11	1,714,275.57	1,568,621.32
5. Net profit (loss marked “-”)		8,297,496.43	6,140,889.63
Including: Net profit of the merged party before merger			23.86
Net profits attributed to shareholders of the parent company		5,317,458.06	3,259,290.95
Non-controlling shareholders		2,980,038.37	2,881,598.68
6. Earnings per share:			
(I) Basic Earnings per Share	12	4.33	3.26
(II) Diluted Earnings per Share	12	4.33	3.26
7. Other comprehensive income	13	-167,401.33	-269,937.72
8. Total comprehensive income		8,130,095.10	5,870,951.91
Parent company		5,309,260.30	3,208,636.92
Non-controlling shareholders		2,820,834.80	2,662,314.99

Legal Representative: Fang Hongbo

Financial Head: Yuan Liquan

Prepared by: Chen Jianwu

## Consolidated Statement of Cash Flow

Prepared by: Midea Group Co., Ltd.

Year 2013

Unit: RMB '000

Items	Notes	Balance of this Period	Balance of the same period of previous year
<b>1. Cash flows from operating activities:</b>			
Receipts from sale of goods and rendering of services		77,338,957.34	71,852,982.22
Net increase of customer deposits and interbank deposit		-563.80	
Net increase in borrowing from the central bank		89,708.03	
Charge interest, fees and commissions		290,176.88	114,912.08
Taxes refund		3,794,588.68	3,900,191.90
Other cash received relating to operating activities	1	3,012,287.03	3,494,429.56
Subtotal of cash inflows from operating activities		84,525,154.16	79,362,515.76
Cash aid for goods and services		41,495,028.89	48,901,421.19
Net increase in loans and advances to customers		4,705,896.45	-531,788.59
Net increase of central banks and interbank deposits		407,408.54	381,803.99
Payment of interest, fees and commissions		205,042.25	61,911.53
Payments to and on behalf of employees		8,207,434.88	7,560,276.43
Taxes and Fees Paid		6,319,042.12	4,899,687.06
Other cash paid relating to operating activities	2	13,131,104.62	9,999,637.50
Subtotal of cash outflow from operating activities		74,470,957.75	71,272,949.11
Net cash flow from operating activities		10,054,196.41	8,089,566.65
<b>2. Cash flows from investing activities:</b>			
Proceeds from withdrawing capital		1,000.00	124,586.60
Cash receipts from Investment income		1,012,934.58	554,220.99
Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets		423,738.40	104,103.24
Net cash receipts from disposal of subsidiaries and other businesses		242,099.31	
Other cash received relating to investing activities	3	3,156.61	
Subtotal of cash inflows from investing activities		1,682,928.90	782,910.83
Cash paid to acquire fixed assets, intangible assets and other long-term assets		2,115,389.41	2,818,901.86
Investment payments		34,221.43	
Net cash paid for acquisition of subsidiaries and other business units			1,961,052.97
Other cash paid relating to investing activities			
Subtotal of cash outflows from investing activities		2,149,610.84	4,779,954.83
Net cash flows from investing activities		-466,681.94	-3,997,044.00
<b>3. Cash flows from financing activities:</b>			
Proceeds from investments		16,804.07	92,146.79
including: Cash received by minor shareholder's equity in subsidiaries		16,804.07	92,146.79
Cash Received from Borrowings		31,640,205.82	23,058,709.35
Cash received from medium-term notes issued			
Cash received from short-term financing bonds issued			1,000,000.00
Other cash received relating to financing activities			996,000.00
Subtotal of cash inflow from financing activities		31,657,009.89	25,146,856.14
Payments for debt redemption		29,133,403.33	23,951,308.87
Cash paid for medium-term notes		3,500,000.00	
Cash paid for short-term financing bonds		1,000,000.00	3,500,000.00
Payments of dividends, profits and interests		2,313,735.38	2,595,764.48
including: Dividends and profits paid by subsidiaries to minority shareholders		1,662,070.41	1,191,070.68
Other cash paid relating to financing activities		1,074,000.00	
Subtotal of cash outflows from financing activities		37,021,138.71	30,047,073.35
Net cash flows from financing activities		-5,364,128.82	-4,900,217.21
<b>4. Effect of changes in exchange rate on cash and cash equivalents</b>			
		-3,590.62	-2,321.20
<b>5. Net Increase in cash and cash equivalents</b>			
		4,219,795.03	-810,115.76
Add: the Beginning Balance of Cash and Cash Equivalents		12,544,078.77	13,354,094.53
<b>6. The Ending Balance of Cash and Cash Equivalents</b>			
		16,763,873.80	12,544,078.77

Legal Representative: Fang Hongbo

Financial Head: Yuan Liqun

Prepared by: Chen Jianwu

## Consolidated Statement of Changes in Equity

Prepared by: Midea Group Co., Ltd.

Year 2013

Unit: RMB '000

Items	Balance of this Period						
	Shareholder's equity attributable to the parent company					Minority interests	Total Shareholder' Equity
	Capital stock	Capital reserve	Surplus reserve	Undistributed profits	Others		
1. Ending balance of last period	1,000,000.00	3,037,311.98	66,439.07	10,490,636.40	-280,856.59	18,851,954.48	33,165,485.34
Add: Changes in accounting policies							
Corrections of Prior Period Errors							
Others							
2. Beginning balance of current period	1,000,000.00	3,037,311.98	66,439.07	10,490,636.40	-280,856.59	18,851,954.48	33,165,485.34
3. Increase and Decrease Amount of the Current Period (marked "-" for decrease)	686,323.39	12,583,478.80	503,105.25	4,814,352.81	-53,360.07	-12,618,823.24	5,915,076.94
(1) Net profit				5,317,458.06		2,980,038.37	8,297,496.43
(2) Other comprehensive income		45,162.31			-53,360.07	-159,203.57	-167,401.33
Sub-total of above (1) and (2)		45,162.31		5,317,458.06	-53,360.07	2,820,834.80	8,130,095.10
(3) Contribution and withdrawal of capital by shareholders							
1. Contribution of Capital							
2. Amounts of share-based payments recognized in shareholder's equity							
3. Others							
(4) Profit Distribution			503,105.25	-503,105.25		-1,683,090.79	-1,683,090.79
1. Appropriation of surplus reserves			503,105.25	-503,105.25			
2. Appropriation of general risk reserve							
3. Profits to shareholders						-1,683,090.79	-1,683,090.79
4. Others							
(5) Owner's equity carried forward internally	686,323.39	12,491,559.52				-13,177,882.91	
1. Increase of capital stock by capital reserves							
2. Increase of capital stock by surplus reserves							
3. Surplus reserves for covering up losses							
4. Others	686,323.39	12,491,559.52				-13,177,882.91	
(6) Special reserve							
1. Provision in current period							
2. Used in current period							
(7) Others		46,756.97				-578,684.34	-531,927.37
4. Ending Balance of the Current Period	1,686,323.39	15,620,790.78	569,544.32	15,304,989.21	-334,216.66	6,233,131.24	39,080,562.28

Legal Representative: Fang Hongbo

Financial Head: Yuan Liqun

Prepared by: Chen Jianwu

## Consolidated Statement of Changes in Equity (Continued)

Prepared by: Midea Group Co., Ltd.

Year 2013

Unit: RMB '000

Items	Balance of the same period of previous year						
	Shareholder's equity attributable to the parent company					Minority interests	Total Shareholder' Equity
	Capital stock	Capital reserve	Surplus reserve	Undistributed profits	Others		
1. Ending balance of last period	1,000,000.00	2,458,004.64	261,558.52	9,027,479.87	-221,579.12	17,650,289.42	30,175,753.33
Add: Changes in accounting policies							
Corrections of Prior Period Errors							
Others							
2. Beginning balance of current period	1,000,000.00	2,458,004.64	261,558.52	9,027,479.87	-221,579.12	17,650,289.42	30,175,753.33
3. Increase and Decrease Amount of the Current Period (marked "-" for decrease)		579,307.34	-195,119.45	1,463,156.53	-59,277.47	1,201,665.06	2,989,732.01
(1) Net profit				3,259,290.95		2,881,598.68	6,140,889.63
(2) Other comprehensive income		8,623.44			-59,277.47	-219,283.69	-269,937.72
Sub-total of above (1) and (2)		8,623.44		3,259,290.95	-59,277.47	2,662,314.99	5,870,951.91
(3) Contribution and withdrawal of capital by shareholders		914,174.42				-202,811.15	711,363.27
1. Contribution of Capital		584,253.31				-397,440.36	186,812.95
2. Amounts of share-based payments recognized in shareholder's equity		329,921.11				194,629.21	524,550.32
3. Others							
(4) Profit Distribution			66,439.07	-566,489.07		-1,257,838.78	-1,757,888.78
1. Appropriation of surplus reserves			66,439.07	-66,439.07			
2. Appropriation of general risk reserve							
3. Profits to shareholders				-500,000.00		-1,257,838.78	-1,757,838.78
4. Others				-50.00			-50.00
(5) Owner's equity carried forward internally		-343,490.52	-261,558.52	-1,229,645.35			-1,834,694.39
1. Increase of capital stock by capital reserves		-125,420.55					-125,420.55
2. Increase of capital stock by surplus reserves			-261,558.52				-261,558.52
3. Surplus reserves for covering up losses							
4. Others		-218,069.97		-1,229,645.35			-1,447,715.32
(6) Special reserve							
1. Provision in current period							
2. Used in current period							
(7) Others							
4. Ending Balance of the Current Period	1,000,000.00	3,037,311.98	66,439.07	10,490,636.40	-280,856.59	18,851,954.48	33,165,485.34

Legal Representative: Fang Hongbo

Financial Head: Yuan Liqun

Prepared by: Chen Jianwu



## Balance Sheet of Parent Company

Prepared by: Midea Group Co., Ltd.

2013-12-31

Unit: RMB '000

Assets	Notes	Ending Balance	Beginning Balance
Current Asset:			
Cash on hand and in bank		14,309,967.73	1,866,188.57
Tradable financial asset			
Notes receivable		2,176,916.60	167,659.24
Account receivable			
Advance payment		349,358.36	285,451.48
Interest receivables			
Dividend receivables		286,507.04	
Other receivables	1	3,519,029.46	5,610,955.62
Inventories			
Non-current assets due within one year			
Other current assets			1,000.00
Total current assets		20,641,779.19	7,931,254.91
Non-current Assets:			
Financial assets available for sale			
Held to maturity investments			
Long-term receivables			
Long-term equity investments	2	16,960,799.70	8,521,710.29
Investment properties		891,732.65	
Fixed Assets		788,783.72	14,833.45
Construction in progress		46,985.28	
Engineering materials and equipment			
Liquidation of fixed assets			
Productive biological assets			
Oil-and-gas assets			
Intangible assets		177,196.73	1,732.03
Research and development expenditures			
Goodwill			
Long-term unamortized assets		109,960.04	13,154.70
Deferred income tax assets		7,222.31	2,696.08
Other non-current assets			
Total non-current assets		18,982,680.43	8,554,126.55
Total assets		39,624,459.62	16,485,381.46

Legal Representative: Fang Hongbo

Financial Head: Yuan Liqun

Prepared by: Chen Jianwu

**Balance Sheet of Parent Company (Continued)**

Prepared by: Midea Group Co., Ltd.

2013-12-31

Unit: RMB '000

Liabilities and shareholders' equity	Notes	Ending Balance	Beginning Balance
<b>Current Liabilities:</b>			
Short-term loans		140,000.00	
Financial liabilities held for trading			
Note payables			
Account payables		7,831.48	
Advances from customers			
Employee benefits payable		21,717.74	9,892.88
Taxes and expenses payables		16,856.22	17,488.65
Interest payables		144,847.77	178,634.97
Dividend payables			
Other payables		23,082,573.69	8,491,177.25
Non-current liabilities due within one year		999,942.58	3,495,522.72
Other current liabilities		875.94	1,000,000.00
<b>Total current liabilities</b>		<b>24,414,645.42</b>	<b>13,192,716.47</b>
<b>Non-current Liabilities:</b>			
Long-term loans			
Bond payables			996,821.86
Long-term payables			
Special payables			
Estimated liabilities			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>			<b>996,821.86</b>
<b>Total liabilities</b>		<b>24,414,645.42</b>	<b>14,189,538.33</b>
<b>Shareholder' Equity:</b>			
Capital stock		1,686,323.39	1,000,000.00
Capital reserve		7,880,598.46	684,003.31
Less: Treasury stock			
Special reserve			
Surplus reserve		569,544.32	66,439.07
General risk reserve			
Undistributed profits		5,073,348.03	545,400.75
<b>Total Shareholder' Equity</b>		<b>15,209,814.20</b>	<b>2,295,843.13</b>
<b>Total Liabilities and Shareholder' Equity</b>		<b>39,624,459.62</b>	<b>16,485,381.46</b>

Legal Representative: Fang Hongbo

Financial Head: Yuan Liqun

Prepared by: Chen Jianwu

## Income Statement of Parent Company

Prepared by: Midea Group Co., Ltd.

Year 2013

Unit: RMB '000

Items	Notes	Balance of this Period	Balance of the same period of previous year
1. Operating Incomes	1	228,771.13	33,839.57
Less: Operating costs	1	12,037.27	
Business tax and surcharges		9,563.39	217.45
Selling expenses			
Administrative expense		143,843.06	175,400.96
Finance costs		95,093.54	253,523.25
Assets impairment losses		1,585.84	-1,360.69
Add: Gain on changes in fair value (loss marked "-")			
Investment income (loss marked "-")	2	4,945,841.28	1,429,064.39
including: Investment gains from associated enterprises and joint ventures		9,623.22	4,771.76
2. Operating profit (loss marked "-")		4,912,489.31	1,035,122.99
Add: Non-operating income		119,736.73	87,205.15
Less: Non-operating expenses		3,879.83	10.56
including: Disposal loss of non-current assets		3.37	
3. Total profit (loss marked "-")		5,028,346.21	1,122,317.58
Less: Income tax expenses		-2,706.32	10,477.77
4. Net profit (loss marked "-")		5,031,052.53	1,111,839.81
5. Earnings per share:			
(I) Basic Earnings per Share			
(II) Diluted Earnings per Share			
5. Other comprehensive income			
6. Total comprehensive income		5,031,052.53	1,111,839.81

Legal Representative: Fang Hongbo

Financial Head: Yuan Liqun

Prepared by: Chen Jianwu

## Cash Flows Statement of Parent Company

Prepared by: Midea Group Co., Ltd.

Year 2013

Unit: RMB '000

Items	Notes	Balance of this Period	Balance of the same period of previous year
1. Cash flows from operating activities:			
Receipts from sale of goods and rendering of services			
Taxes refund			
Other cash received relating to operating activities		19,094,474.74	3,178,444.76
Subtotal of cash inflows from operating activities		19,094,474.74	3,178,444.76
Cash aid for goods and services			
Payments to and on behalf of employees		64,531.14	24,986.59
Taxes and Fees Paid		15,055.40	9,028.37
Other cash paid relating to operating activities		2,165,932.74	242,232.58
Subtotal of cash outflow from operating activities		2,245,519.28	276,247.54
Net cash flow from operating activities		16,848,955.46	2,902,197.22
2. Cash flows from investing activities:			
Proceeds from withdrawing capital		483,939.11	183,283.23
Cash receipts from Investment income		1,025,599.29	1,427,989.96
Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets			
Net cash receipts from disposal of subsidiaries and other businesses			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		1,509,538.40	1,611,273.19
Cash paid to acquire fixed assets, intangible assets and other long-term assets		109,736.17	288,409.52
Investment payments		95,781.65	
Net cash paid for acquisition of subsidiaries and other business units			2,466,582.64
Other cash paid relating to investing activities			
Subtotal of cash outflows from investing activities		205,517.82	2,754,992.16
Net cash flows from investing activities		1,304,020.58	-1,143,718.97
3. Cash flows from financing activities:			
Proceeds from investments			
Cash Received from Borrowings		26,474,987.13	4,010,096.42
Cash received from short-term financing bonds issued			1,000,000.00
Other cash received relating to financing activities			2,154,963.05
Subtotal of cash inflow from financing activities		26,474,987.13	7,165,059.47
Payments for debt redemption			
Cash paid for medium-term notes		3,500,000.00	
Cash paid for short-term financing bonds		1,000,000.00	3,500,000.00
Payments of dividends, profits and interests		393,707.52	1,187,185.54
Other cash paid relating to financing activities		1,074,000.00	
Subtotal of cash outflows from financing activities		32,302,694.65	9,472,281.97
Net cash flows from financing activities		-5,827,707.52	-2,307,222.50
4. Effect of changes in exchange rate on cash and cash equivalents			
5. Net Increase in cash and cash equivalents		12,325,268.52	-548,744.25
Add: the Beginning Balance of Cash and Cash Equivalents		1,483,866.89	2,032,611.14
6. The Ending Balance of Cash and Cash Equivalents		13,809,135.41	1,483,866.89

Legal Representative: Fang Hongbo

Financial Head: Yuan Liqun

Prepared by: Chen Jianwu

## Statement of Changes in Equity

Prepared by: Midea Group Co., Ltd.

Year 2013

Unit: RMB '000

Items	Balance of this Period				
	Capital stock	Capital reserve	Surplus reserve	Undistributed profits	Total Shareholder' Equity
1. Ending balance of last period	1,000,000.00	684,003.31	66,439.07	545,400.75	2,295,843.13
Add: Changes in accounting policies					
Corrections of Prior Period Errors					
Others					
2. Beginning balance of current period	1,000,000.00	684,003.31	66,439.07	545,400.75	2,295,843.13
3. Increase and Decrease Amount of the Current Period (marked "-" for decrease)	686,323.39	7,196,595.15	503,105.25	4,527,947.28	12,913,971.07
(1) Net profit				5,031,052.53	5,031,052.53
(2) Other comprehensive income					
Sub-total of above (1) and (2)				5,031,052.53	5,031,052.53
(3) Contribution and withdrawal of capital by shareholders	686,323.39	7,196,595.15			7,882,918.54
1. Contribution of Capital	686,323.39	7,196,595.15			7,882,918.54
2. Amounts of share-based payments recognized in shareholder's equity					
3. Others					
(4) Profit Distribution			503,105.25	-503,105.25	
1. Appropriation of surplus reserves			503,105.25	-503,105.25	
2. Appropriation of general risk reserve					
3. Profits to shareholders					
4. Others					
(5) Owner's equity carried forward internally					
1. Increase of capital stock by capital reserves					
2. Increase of capital stock by surplus reserves					
3. Surplus reserves for covering up losses					
4. Others					
(6) Special reserve					
1. Provision in current period					
2. Used in current period					
(7) Others					
4. Ending Balance of the Current Period	1,686,323.39	7,880,598.46	569,544.32	5,073,348.03	15,209,814.20

Legal Representative: Fang Hongbo

Financial Head: Yuan Liquan

Prepared by: Chen Jianwu

## Statement of Changes in Equity (Continued)

Prepared by: Midea Group Co., Ltd.

Year 2013

Unit: RMB '000

Items	Balance of the same period of previous year				
	Capital stock	Capital reserve	Surplus reserve	Undistributed profits	Total Shareholder' Equity
1. Ending balance of last period	1,000,000.00	125,420.55	261,558.52	197,274.24	1,584,253.31
Add: Changes in accounting policies					
Corrections of Prior Period Errors					
Others					
2. Beginning balance of current period	1,000,000.00	125,420.55	261,558.52	197,274.24	1,584,253.31
3. Increase and Decrease Amount of the Current Period (marked "-" for decrease)		558,582.76	-195,119.45	348,126.51	711,589.82
(1) Net profit				1,111,839.82	1,111,839.82
(2) Other comprehensive income					
Sub-total of above (1) and (2)				1,111,839.82	1,111,839.82
(3) Contribution and withdrawal of capital by shareholders		684,003.31			684,003.31
1. Contribution of Capital		584,253.31			584,253.31
2. Amounts of share-based payments recognized in shareholder's equity		99,750.00			99,750.00
3. Others					
(4) Profit Distribution			66,439.07	-566,439.07	-500,000.00
1. Appropriation of surplus reserves			66,439.07	-66,439.07	
2. Appropriation of general risk reserve					
3. Profits to shareholders				-500,000.00	-500,000.00
4. Others					
(5) Owner's equity carried forward internally		-125,420.55	-261,558.52	-197,274.24	-584,253.31
1. Increase of capital stock by capital reserves		-125,420.55			-125,420.55
2. Increase of capital stock by surplus reserves			-261,558.52		-261,558.52
3. Surplus reserves for covering up losses					
4. Others				-197,274.24	-197,274.24
(6) Special reserve					
1. Provision in current period					
2. Used in current period					
(7) Others					
4. Ending Balance of the Current Period	1,000,000.00	684,003.31	66,439.07	545,400.75	2,295,843.13

Legal Representative: Fang Hongbo

Financial Head: Yuan Liqun

Prepared by: Chen Jianwu

### III. Notes to the Financial Statements

Midea Group Co., Ltd.

## Notes to the Financial Statements

Year 2013

Unit: RMB '000

#### I. Basic Information of Our Company

Midea Group Co. Ltd. (hereinafter referred to as “the Company”), formerly known as Shunde Meituo Investment Co. Ltd., was jointly invested in by the Council of Trade Unions of GD Midea Group Co. Ltd., He Hengjian and other 21 senior executives of the Company on 7 April, 2000 with the initial registered capital as RMB1,036,866,000, where the Council of Trade Unions of GD Midea Group Co. Ltd. held 22.90% of equity while He Hengjian and other 21 senior executives of the Company did 77.10%.

On the base date of 31 December, 2011, the Company was converted into a company limited by shares overall. On 30 August, 2012, it was registered with 440681000038581 as the registration number of Business License of Enterprise Legal Entity, RMB100,000,000,000 as the registered capital, and 1,000,000,000 of total shares (RMB1 of face value per share).

On 29 July, 2013, CSRC issued the “Reply on Approval of Merger of GD Midea Electric Appliance Co. Ltd. by Midea Group Co. Ltd.”, approving the Company’s issuance of 686,323,389 shares to merge GD Midea Electric Appliance Co. Ltd.

On 17 September, 2013, the Company issued RMB ordinary shares (A-shares) with the registered capital changed to RMB1,686,323,389.00.

On 18 September, 2013, the shares of the Company were listed in the SZSE after approval.

The Registered Address is 26th-28th Floor, Zone B, Midea Headquarters Building, Midea Street No.6, Beijiao Town, Shunde District, Foshan City and office address is located at Midea Headquarters Building, Midea Street No.6, Beijiao, Shunde District, Foshan. The Corporate Legal Representative is Mr. Fang Hongbo.

The Company's business scope: Production and business of home appliances, motors and their parts; import and export of home appliances, home appliances raw materials and parts (application is handled in accordance with relevant government regulations as products not involved in state-owned trade management, but involved in quota and license management); IT services; investment consultancy and management services for companies; development of computer software and hardware; installation, maintenance and after-sales service of home appliances; design of industrial products; management of hotels; agency of advertisements; property management; research, development, marketing and promotion of projects and technologies needed by companies. (Items of business scope covering administrative license should be run with valid license or certificate of approval).

The Company’s parent company is Midea Holdings Ltd., and its ultimate controller is Mr. He Xiangjian.

#### II. The Company’s main accounting policies, accounting estimates and prior period errors

##### (I) Preparation basis of the financial statements

The Company’s preparation of the financial statements is based on continuing operations.

##### (II) Declaration on compliance with the Accounting Standards for Enterprises

The Company’s financial statements meet the requirements of the Accounting Standards for Enterprises, truthfully and completely reflecting information on its financial condition, results of operations and cash flows.

##### (III) Accounting period

The accounting year starts on 1 January and ends on 31 December of Gregorian calendar.

#### (IV) Reporting currency

RMB is adopted as the reporting currency.

#### (V) Accounting treatment of business combination under common control and not under common control

##### 1. Accounting treatment of business combination under common control

The assets and liabilities that the Company obtains in a business combination are measured on the basis of their carrying amount of the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the Company and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital has been adjusted. If the additional paid-in capital is insufficient to be offset, the retained earnings are adjusted.

##### 2. Accounting treatment of business combination not under common control

The Company recognizes the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. For the balance between the combination costs and the fair value of the identifiable net assets the Company obtains from the acquiree, it first reexamines the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs; if, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it records the balance into the profits and losses of the current period.

#### (VI) Preparation method of the financial statements

The consolidated financial statements of the parent company involve all its subsidiaries. The consolidated financial statements is prepared by parent enterprise in accordance with the "Accounting Standard for Business Enterprises No 33 - Consolidated Financial Statements" based on the financial statement of parent enterprise and subsidiaries, in accordance with other relevant materials, as adjusted long term share investment by equity method.

#### (VII) Recognition criteria of cash and cash equivalents

The term "cash" listed in the cash flow statement refers to cash on hand and deposits that are readily available for payment. The term "cash equivalents" refers to short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### (VIII) Translation of foreign currency transactions and statements

##### 1. Translation of foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency is translated into RMB amount at the spot exchange rate of the transaction date. On the balance sheet date, the foreign currency monetary items are translated at the spot exchange rate of that day. The balance of exchange arising from the exchange rate difference, except the exchange balance of principal and interest of foreign currency borrowings used in acquisition and construction of assets eligible for capitalization, is recorded into the profits and losses at the current period.

##### 2. Translation of foreign currency statements

The asset and liability items in the balance sheets are translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except the ones as "undistributed profits", others are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements are translated at the spot exchange rate of the transaction date. The balance arisen from the translation of foreign currency financial statements in compliance with the aforesaid translation methods is presented separately under the owner's equity item of the balance sheets.

#### (IX) Financial instruments

##### 1. Classification of financial assets and liabilities

Financial assets are classified into the following four categories when they are initially recognized: Financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period



(including transactional financial assets and the financial assets which are measured at their fair values and of which the variation is included in the current profits and losses), the investments which will be held to their maturity, loans and the account receivables, and financial assets available for sale.

Financial liabilities are classified into the following two categories when they are initially recognized: Financial liabilities measured by fair value and their change is recorded in current profit and loss (including transactional financial liabilities and the financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses), and other financial liabilities.

## 2. Recognition, measurement and derecognition conditions of financial assets and liabilities

When the Company becomes a party to a financial instrument, it recognizes a financial asset or financial liability. Financial assets and liabilities are measured by fair value when they are initially recorded. For financial assets and liabilities measured by fair value and their change is recorded in current profit and loss, their related transaction expenses are directly recorded in current profit and loss. For financial assets and liabilities of other categories, their related transaction expenses are recorded in the initially recognized amount.

The Company makes subsequent measurement on its financial assets according to their fair values, and may not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) The investments held until their maturity, loans and accounts receivable are measured on the basis of the post-amortization costs by adopting the actual interest rate method; (2) The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument are measured on the basis of their costs.

The Company makes subsequent measurement on its financial liabilities on the basis of the post-amortization costs by adopting the actual interest rate method, with the exception of those under the following circumstances: (1) For the financial

liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, they are measured at their fair values, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) For the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by delivering the equity instrument, they are measured on the basis of their costs; (3) For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, and for the commitments to grant loans which are not designated to be measured at the fair value and of which the variation is recorded into the profits and losses of the current period and which will enjoy an interest rate lower than that of the market, a subsequent measurement is made after they are initially recognized according to the higher one of the following: i. the amount as determined according to the Accounting Standards for Enterprises No 13 - Contingencies.; ii. the surplus after accumulative amortization as determined according to the principles of the Accounting Standards for Enterprises No 14 - Revenues is subtracted from the initially recognized amount.

The profits and losses arising from the change in the fair value of a financial asset or financial liability are dealt with according to the following provisions, unless it is related to hedging: (1) The profits and losses, arising from the change in the fair value of the financial asset or financial liability which is measured at its fair value and of which the variation is recorded into the profits and losses of the current period, are recorded into the profits and losses on the changes in fair value. The interests or cash dividends obtained during the holding of assets are recognized as investment income. Upon disposal, the differences between actual amount received and the amount initially recorded are recognized as investment income, and the profits and losses on the changes in fair value account are adjusted into investment income. (2) The change in the fair value of a sellable financial asset is included in capital reserve. The interest calculated according to the actual interest rate method is recorded into investment income. The

cash dividends of the sellable equity instrument investments are recorded into investment income when the investee announces the distribution of dividends. Upon disposal, the differences between actual amount received and the carrying amount deducted of the accumulated amount of changes in the fair value that has been originally recorded in capital reserve are recognized as investment income.

Financial assets are derecognized as the rights to receive cash flows from the investments have expired, or all substantial risks and rewards to the ownership have been transferred. When all or part of the current obligation of the financial liability is discharged, the financial asset or part of it is derecognized subsequently.

### 3. Recognition and measurement methods of transfer of financial assets

Financial assets are derecognized when the Company has transferred all risks and rewards to the ownership to the transferee. When the Company still retains nearly all of the risks and rewards related to the ownership of the transferred financial asset, it continues to recognize the entire financial asset to be transferred and recognizes the consideration it receives as a financial liability. If the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of the financial assets, it deals with them under the following circumstances: (1) Financial assets are derecognized when the Company has waived its control; (2) If the Company does not waive its control over the financial asset, the relevant asset and liability are recognized according to the degree where it is continuously involved in the financial asset to be transferred.

If the transfer of an entire financial asset satisfies the conditions of derecognition, the difference between the amounts of the following 2 items is recorded in the profits and losses of the current period: (1) The carrying amount of the financial asset to be transferred; (2) The sum of consideration received from the transfer of financial assets and accumulated amount of changes in the fair value that has been originally recorded in owner's equity. If the transfer of partial financial asset satisfies the conditions of derecognition, the entire carrying amount of the financial asset to be transferred, between the portion who has been derecognized and the portion who has not been

derecognized, is apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items is included into the profits and losses of the current period: (1) The carrying amount of the financial asset to be transferred; (2) The sum of consideration received from the derecognition of partial financial assets and accumulated amount of changes in the fair value that has been originally recorded in owner's equity which corresponds to the portion who has been derecognized.

### 4. Determination of the fair value of major financial assets and financial liabilities

The fair value of financial assets and liabilities in active markets is determined according to the quoted price in the market. The fair value of financial assets and liabilities not in active markets is determined by valuation techniques (including the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.).

### 5. Impairment test and impairment provision methods of financial assets

(1) The Company carries out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision is made.

(2) An impairment test is made on the financial assets with significant single amount. With regard to the financial assets with insignificant single amount, an independent impairment test may be carried out, or they may be included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test. Where, upon independent testing, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it is included in a combination of financial assets with similar risk features so as to conduct another impairment test.

(3) For any financial asset measured on the basis of post-amortization costs, if there is any objective evidence showing that such a financial asset has been impaired at the end of the period, the impairment-related losses are recognized according to the difference between its carrying amount and present value of estimated future cash flow. Where an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the equity instrument and which must be settled by delivering the equity instrument, suffers from any impairment, the gap between the carrying amount of the equity instrument investment or the derivative financial asset and the current value of the future cash flow of similar financial assets capitalized according to the returns ratio of the market at the same time is recognized as impairment-related losses. Where the fair value of the sellable financial asset drops significantly, or such a trend is expected not to be contemporary after consideration of all relevant factors, impairment-related losses are recognized and transferred out with the accumulated losses of the fair value that have been originally recorded in owner's equity to be recorded in the impairment-related losses.

(4) Objective evidences that can prove the impairment of sellable financial asset

- i. Objective evidences that can prove the impairment of sellable debt instrument investment include:
  - a. A serious financial difficulty occurs to the debtor;
  - b. The debtor breaches any of the contractual stipulations, for

example, fails to pay or delays the payment of interests or the principal;

- c. The Company makes any concession to the debtor which is in financial difficulties due to economic or legal factors etc.;
- d. The debtor will probably become bankrupt or carry out other financial reorganizations;
- e. The debt instruments can no longer continue to be traded in the active market due to serious financial difficulties of the debtor;
- f. Other conditions showing the impairment of sellable debt instruments.
  - ii. Objective evidences that can prove the impairment of sellable equity instrument investment include that the fair value of the equity instrument investment drops significantly or not contemporarily.

Where the fair value of the sellable equity instrument investment drops, the accumulated losses of the fair value that have been originally recorded in owner's equity are transferred out and recorded in the impairment-related losses. As for the sellable debt instrument investment whose impairment-related losses have been recognized, if, after the accounting period, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment-related losses were recognized, the originally recognized impairment-related losses are reversed and be recorded into the profits and losses of the current period. As for the sellable debt instrument investment whose impairment-related losses have been recognized, the fair value increase is directly recorded into the owner's equity.

## (X) Receivables

### 1. Receivables single bad debt provision in significant single amount

Recognition criteria or amount standard of provision for bad debt in receivables of significant single amount	The Company recognizes accounts receivable of single amount, which is no less than RMB5,000,000 and other receivables of single amount, which is no less than RMB500,000 as receivables of significant single amount.
Method of provision for single bad debt in significant single amount	The Company takes individual impairment test for those significant receivable accounts to determine the impairment loss and makes provision for bad debts based on the difference between their future cash flow value and carrying amount.

## 2. Receivables characterized as portfolio for bad debt provision

### (1) Recognition and method of bad debt provision in portfolio of receivables

Recognition of bad debt provision in portfolio of receivables	
Receivables grouped by aging analysis method	Receivables of the same age have similar credit risk feature.
Receivables grouped by specific identification method	Receivables in the scope of consolidated financial statements
Method of bad debt provision in portfolio of receivables	
Receivables grouped by aging analysis method	Aging analysis method
Receivables grouped by specific identification method	The Company takes individual impairment test for those significant receivable accounts to determine the impairment loss and makes provision for bad debts based on the difference between their future cash flow value and carrying amount.

### (2) Aging analysis method

For those receivable portfolios, the Company classifies them as several groups of different credit risk levels by their age, and determines the proportional provision for bad debts based on the business characteristics.

Age \ Business characteristics	Within six months	Six months to one year	1-2 years	2-3 years	3-5 years	Over five years
Air conditioning and the parts	5%	5%	10%	30%	50%	100%
Refrigerator and the parts	5%	5%	10%	30%	50%	100%
Washing machine and the parts [Note]	5%	5%	10%	30%	50%	100%
Small home appliances	5%	5%	10%	30%	50%	100%
Logistics and transport		5%	10%	30%	50%	100%
Motor		5%	10%	30%	50%	100%
Others	5%	5%	10%	30%	50%	100%

[Note]: Wuxi Little Swan Co., Ltd., subsidiary of the Company, takes proportional provision for bad debts in accounts receivable of 2-3 years as 20.00%, for those of 3-5 years as 60.00%. Midea Carrier Co. Of Latin America, another subsidiary of the Company, takes no proportional provision for bad debts in accounts receivable of within 1 year, but for those of over 1 year as 100.00%, and no for other receivables.

### 3. Receivables without significant single amount but with single bad debt provision

Reason for single bad debt provision	There significant differences between the future cash flow value of receivables and that of receivables grouped by credit risk feature of age as well as of receivables grouped by specific identification method.
Method of bad debt provision	The Company takes individual impairment test for those significant receivable accounts to determine the impairment loss and makes provision for bad debts based on the difference between their future cash flow value and carrying amount.

Provision for bad debt is taken for notes receivable, prepayments, interest receivable, long-term receivables, etc. based on the difference between their future cash flow value and carrying amount.

### (XI) Method for accounting funds held under resale agreements as well as those sold under repurchase agreements

Transactions with resale agreements are transactions when the Company purchases related assets (including bonds and notes) at a fixed price from the counterparty according to the resale contracts or agreements, and sells the same financial products at the agreed price at the maturity of the contract or agreement. Considerations paid for financial assets held under resale agreements are recognized in the item of “financial assets held under resale agreements” in the balance sheet.

Transactions with repurchase agreements are transactions when the Company sells securities at a fixed price to the counterparty according to the repurchase contracts or agreements, and repurchases the same financial products at the agreed price at the maturity of the contract or agreement. Considerations received for financial assets sold under repurchase agreements are recognized in the item of “financial assets sold under repurchase agreements” in the balance sheet. Assets sold under agreements to repurchase are still presented in the balance sheet and accounted according to relevant accounting policy.

The interest income for resale agreements and interest expense for repurchase agreements are accrued over the life of the agreement. When there is small difference between the actual interest and the agreed one, the later one is adopted to calculate interest income and expenses.

### (XII) Inventories

#### 1. Classification of inventories

Inventories refer to the finished products or merchandise held by the company for sale in ordinary life, products in process or the materials to be consumed in the process of production or during rendering of labor services.

#### 2. Valuation method of dispatched inventories

The valuation method of dispatched inventories is determined by the method of weighted mean at the end of each month.

#### 3. Basis for recognizing the net realizable value of inventories and methods for counting and drawing inventory falling price reserves

On the balance sheet date, inventories are measured on the basis of the lower one of cost and net realizable value. The excess of the cost over the net realizable value of each item of inventories or inventory categories is recognized as the basis for counting and drawing inventory falling price reserves. For inventories directly for sale, net realizable value is measured on the basis of the estimated selling price less the estimated costs and the relevant taxes in the ordinary course of business production and operation. For inventories that need processing, net realizable value is measured on the basis of the estimated selling price of the finished goods less the estimated costs during processing and the relevant taxes in the ordinary course of business production and operation. On the balance sheet date, net realizable values are determined by different condition of each item of inventories, where some portions have the contractual price agreement while the others have not. Net realizable values are then compared with their corresponding costs to determine the basis for counting and drawing inventory falling price reserves or the amount of reversal respectively for different proportions.

#### 4. Inventory system

The Company adopts the perpetual inventory system.

#### 5. Amortization methods of low-value consumables and packaging materials

##### (1) Low-value consumables

Low-value consumables are amortized at a time.

##### (2) Packaging materials

Low-value consumables are amortized at a time.

### (XIII) Long-term equity investment

#### 1. Determination of investment cost

The initial investment cost is the obtained share of carrying amounts of shareholders' equity of the party combined at the combination date, on the condition that a business combination involves entities under common control, and that the consideration for combination is settled in cash, by way of transfer of non-cash assets, assumption of liabilities or issuance of equity securities. Capital reserve is adjusted based on the difference between the initial investment cost of the long-term equity investment and the carrying amounts of the

consideration paid or the total nominal value of shares issued. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits.

In individual financial statements and consolidated financial statements, the initial investment cost is the Company's share of carrying amounts of shareholders' equity of the party combined at the combination date based on the shareholding percentage, on the condition that a business combination involves entities under common control and is realized by multiple transactions. Capital reserve is adjusted based on the difference between the equity carrying amounts of the combined party before the combination date plus the investment cost increased at the combination date and the initial investment cost of the long-term equity investment. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits.

(2) If the long-term equity investment is obtained through a business combination involving entities under different control, the initial investment cost is the fair value of the consideration paid for combination at the acquisition date.

Accounting respectively to individual financial statements and consolidated financial statements when the company obtained the long-term equity investment through a business combination involving entities under different control:

1) In the individual financial statements, the initial investment cost is determined by the combination of the equity carrying amount of the combining party before the combination date and the new investment cost at the combination date. If the equity shared by the combining party relates to other comprehensive income before the acquisition date, the comprehensive income shall be transferred into the current investment income when dealing with the investment.

2) In the consolidated financial statements, the equity shared by the combined party before the acquisition date shall be re-measured according to the fair value at the acquisition date. The difference between the fair value and the carrying amount shall be included into the current investment income. If the equity shared by the combined party relates to other comprehensive income before the acquisition date, the related comprehensive income shall be transferred into the current investment income at the acquisition date.

If the long-term equity investment is obtained through means other than a business combination, the initial investment cost is the actual consideration paid if the investment is obtained by cash, the fair value of the equity securities issued if the investment is obtained by issuing equity securities, or the value stipulated in the investment contract or agreement if the investment is contributed by shareholders (unless the value stipulated is deemed unfair).

#### 2. Subsequent measurement and the profit and loss determination

When the Company controls the investment, a long-term equity investment is calculated using the cost method and adjusted using equity method during consolidated financial statement compilation. When the Company does not jointly control or has significant influence over the investment, and the long term equity investment is not quoted in an active market with reliably measurable fair values, the cost method is used. When the Company has joint control or significant influence over the long-term equity investment, the equity method is used.

Basis for determining joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control where significant financial and operating decision-making about the investee require unanimous consent of parties sharing control under the contract. Significant influence is the power to participate in making financial and operating policies for the investee, which cannot exert control or joint control over those policies.

#### 4. Impairment test and impairment provision methods

For an investment in subsidiaries, associates, and jointly controlled entities, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is objective evidence that the investment is impaired on the balance sheet date. For a long-term equity investment without joint control or significant influence over the investment and not quoted in an active market with reliably measurable fair values, an impairment is provided for based on ASBE 22—Recognition and measurement of financial instruments.

#### 5. Method of using multiple transactions to deal with loss of control over the subsidiary investment

The method of using multiple transactions to deal with loss of control over the subsidiary investment is applicable, unless all transactions are taken as a package deal.

##### 1) Method of dealing with part of investment before losing control power over the subsidiary

The Company deals with the investment of the subsidiary under control respectively in individual financial statements and consolidated financial statements. In individual financial statements, the disposition profit and loss is defined as the difference between the disposed cost and the carried over carrying amount of the long-term equity investment corresponding to the disposed equity. In the consolidated financial statements, capital reserve (capital premium) is adjusted by the balance that shared net assets of the subsidiary corresponding to disposed cost and investment. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits.

##### 2) The company deals with the investment of the subsidiary partially out of control respectively in the individual financial statements and consolidated financial statements.

In the individual financial statements, the disposition profit and loss is defined as the difference between the disposed cost and the carried over carrying amount of the long-term equity investment corresponding to the disposed equity. Meanwhile, on the basis of its carrying amount, the remaining equity is defined as long-term equity investment or other financial assets. If disposed remaining equity can exert joint control or significant influence over the original subsidiary, accounting method should be conducted according to relevant provisions about converting from the cost method to the equity method.

In the consolidated financial statements, the remaining equity should be re-measured according to the fair value at the date of losing control. The difference should be included into the investment income in the period of losing control (deducted relevant goodwill, if any), which is defined as the value of equity disposal consideration plus the remaining equity fair value and less the share of assets of the original subsidiary calculated by the original ownership share since the acquisition day. Other comprehensive income related to the equity investment of the original subsidiary should transfer into the current investment income when the control power is lost.

##### (2) The same method applies in individual financial statements

when multiple transactions conducted to deal with the subsidiary investment until losing power are taken as a package deal. In the consolidated financial statements, each transaction should be regarded as a transaction conducted to deal with a subsidiary out of control power. However, the balance of shared net assets of the subsidiary corresponding to each disposal cost and investment before control power loss should be defined as other comprehensive income in the consolidated financial statements, and should be transferred into the current investment income when the control power is lost.

If the disposition terms, conditions and economical influence of all transactions of the subsidiary conform to one or more of the following conditions, these transactions are usually taken as a package deal for accounting disposition:

- 1) These transactions are made simultaneously or in consideration of mutual influence.
- 2) These transactions should be a whole to achieve a complete business result.
- 3) The occurrence of a deal depends on at least one other transaction.
- 4) A deal alone is not economic, but it can be economic combined with other transactions.

#### (XIV) Investment property

1. Investment property includes land use rights let out, land use rights held for sale, and buildings let out.

2. Investment property is measured initially based on cost and subsequently based on the cost pattern, and depreciated or amortized using the same methods for depreciating or amortizing fixed assets and intangible assets. On the balance sheet date, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence of investment property impairment.

#### (XV) Fixed assets

1. Recognition, measurement and depreciation of fixed assets  
Fixed assets represent the tangible assets held for production or supply of goods or services, rental or for administrative purposes with useful life of over one accounting year.

Fixed assets are recorded in the account book at the actual cost on acquisition and depreciated using the straight-line method from the month after they are ready for intended use.

## 2. Depreciation methods for different types of fixed assets

(1) The Company and subsidiaries (excluding Wuxi Little Swan Company Limited and Midea-Carrier Latin American Company Limited)

Fixed Asset Type	Useful Life (Years)	Residual Value Rate (%)	Annual Depreciation Rate(%)
Plant and buildings	20-40	5.00	5.00-2.38
Machinery and equipment	10-18	5.00	10.00-5.28
Motor vehicles	4-12	5.00	25.00-7.92
Electronics and other equipment	3-8	5.00	33.33-11.88

(2) Wuxi Little Swan Co., Ltd., a holding subsidiary of the Company

Fixed Asset Type	Estimated Useful Life(Years)	Estimated Residual Value Rate (%)	Annual Depreciation Rate (%)
Plant and buildings	30-40	5.00	2.38-3.17
Machinery and equipment	10-18	5.00	5.28-9.50
Electronics equipment	3-8	5.00	11.88-31.67
Motor vehicles	4-12	5.00	7.92-23.75
Other equipment	8	5.00	11.88

(3) Midea-Carrier Latin American Company Limited

Fixed Asset Type	Estimated Useful Life(Years)	Estimated Residual Value Rate (%)	Annual depreciation Rate (%)
Plant and buildings	25		4.00
Machinery and other equipment	8		12.50

## 3. Impairment test methods and impairment provision methods for fixed assets

On the balance sheet date, impairment provision is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence of impaired fixed assets.

### (XVI) Construction-in-progress

1. Construction-in-progress is recognized when the inflow of economic benefits is probable and the cost can be reliably measured, and is measured by the actual cost incurred before it is ready for intended use.

2. Construction-in-progress is transferred into fixed assets when it is ready for intended use based on the actual cost. For a completed project ready for intended use but with final account unsettled, the asset is transferred into fixed assets

based on estimated value. After the final account of the project has been settled, the Company shall make adjustment on the previous estimated value based on actual cost, but do not need to adjust the depreciation retrospectively.

3. On the balance sheet date, impairment provision is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the construction-in-progress is impaired.

### (XVII) Borrowing costs

#### 1. Capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalization are capitalized as part of the cost of those assets. Other borrowing costs are expensed and charged to current profit or loss when incurred.



## 2. Timing of borrowing costs capitalization

(1) Borrowing costs shall be capitalized if the following conditions are met at the same time:

- 1) Capital expenditures and borrowing costs have been incurred.
- 2) Construction or production activities that are necessary to prepare the asset for intended use or sale have commenced.

(2) Capitalization of borrowing costs should be suspended during periods in which abnormal interruption has lasted for more than three months during the process of construction or production of assets qualified for capitalization. The borrowing cost incurred during interruption is recognized as current expenses until the construction or production activities resume.

(3) The capitalization of borrowing costs ceases when the assets qualified for capitalization are constructed or produced and ready for intended use or sale.

## 3. Capitalized amount of borrowing costs

For specific borrowings used to acquire, construct or produce assets qualified for capitalization, the amount of interest costs (including amortization of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalized after deducting any interest earned from depositing the unused borrowings in the bank or any investment income arising from the temporary investment of those borrowings during the capitalization period. For general borrowings used to construct or produce assets qualified for capitalization, the capitalized amount of interests on general borrowings shall be determined on the basis that the weighted average (of the excess of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings).

## (XVIII) Intangible asset

1. Intangible assets, including land use rights, non-patented technologies etc., are initially measured based on cost.

2. Intangible assets with definite useful lives are reasonably amortized over their useful lives based on the anticipated realization pattern of related economic benefits. Intangible assets whose economic benefits realization pattern cannot be reliably anticipated are amortized using the straight-line

method over the useful life specified in the following table.

Intangible Asset Type	Useful Life (Year)
Land use right	Beneficial period
Non-patent technologies	Period specified in the contract or beneficial period

3. For intangible assets with definite useful lives, impairment provision is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence on the balance sheet date that the intangible assets are impaired. For intangible assets with indefinite useful lives and those not ready for use, an impairment test must be performed each year, no matter whether there is evidence of impairment.

4. The research expenditures for internal research and development projects are recorded into the profits and losses of the current period in which they are incurred; the development expenditures for internal research and development projects can be recognized as intangible assets when they satisfy all the following conditions:

- (1) It is feasible technically to finish intangible assets for use or sale.
- (2) It is intended to finish and use or sell the intangible assets,
- (3) Methods for intangible assets to generate economic benefits is proved useful, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or for the intangible assets itself, or that the intangible assets will be used internally.
- (4) With the support of sufficient technology, financial resources and other resources, intangible assets can be developed and used or sold.
- (5) Expenditures attributable to intangible asset development can be reliably measured.

## (XIX) Long-term prepaid expenses

Long-term prepaid expenses are recorded in the account book at actual amount and amortized evenly over the beneficial or required period. If the long-term prepaid expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to current profit or loss.

## (XX) Estimated liabilities

1. Estimated liabilities are recognized when the Company has a present obligation as a result of contingencies such as provision of external guarantee, litigation, quality warranty, or onerous contract, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation expenditure can be reliably measured.

2. Estimated liabilities are initially measured at the best estimate of the expenditure required to settle the present obligation. Carrying amounts of all estimated liabilities are reviewed at each balance sheet date.

## (XXI) Share-based payments and equity instruments

### 1. Types of share-based payments

It includes equity-settled share-based payment and cash-settled share-based payment.

### 2. Determination of fair value of equity instruments

(1) If an active market is available, the fair value of the equity instrument is determined based on the quoted price in the active market.

(2) If an active market is unavailable, the fair value of the equity is estimated using valuation techniques, including reference to the price adopted in recent market transactions between knowledgeable and willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, and option pricing models.

### 3. Basis for determining the best estimate of fair value of exercisable equity instruments

The estimation is conducted based on the latest subsequent information such as changes in the number of employees with exercisable rights.

### 4. Accounting for implementation, amendment and termination of share-based payments

#### (1) Equity-settled share-based payment

For equity-settled share-based payment made in return for the rendering of employee services that may be exercised immediately after the grant, the fair value of such instrument shall, on the date of the grant, be recognized in relevant

costs or expenses with the adjustment in the capital reserve accordingly. For equity-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully rendered during vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the capital reserves shall be adjusted accordingly at the fair value of such instruments on the date of the grant.

For equity-settled share-based payment made in return of other parties' services and the fair value of the other parties' services can be reliably measured, it will be measured based on the fair value of the other parties' services on the date of grant; if the fair value of the other parties' services cannot be reliably measured but the fair value of equity instruments can be reliably measured, it will be recognized in relevant costs or expenses and the capital reserves shall be adjusted accordingly at the fair value of such instruments on the date of the grant.

#### (2) Cash-settled share-based payment

For the cash-settled share-based payment made in return for the rendering of employee services that may be exercised immediately after the grant, the fair value of the liability incurred by the Company shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully provided during the vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the corresponding liabilities at the fair value of the liability incurred by the Company.

#### (3) Revision and termination of share-based payment plans

If the revision results in an increase in the fair value of the equity instruments granted, the Company shall recognize the increase in the services rendered accordingly at the increased fair value of the equity instruments. If the revision results in an increase in the number of equity instruments granted, the Company will recognize the increase in the services rendered

accordingly at the fair value of the increased number of equity instruments. If the Company revises the vesting conditions on terms favorable to the employees, the Company will take into consideration of the revised vesting conditions when dealing with the vesting conditions.

If the revision results in a decrease in the fair value of the equity instruments granted, the Company shall continue recognize the amount of services rendered accordingly at the fair value of the equity instruments on the date of grant without considering the decrease in the fair value of the equity instruments. If the revision results in a decrease in the number of equity instruments granted, the Company will account for such decrease by reducing part of the cancellation of equity instruments granted. If the Company revises the vesting conditions on terms not favorable to the employees, the Company will not take into consideration of the revised vesting conditions when dealing with the vesting conditions.

If the Company cancels the equity instruments granted or settles the equity instruments granted during the vesting period (other than cancellation as a result of failure to satisfy the vesting conditions), such cancellation or settlement will be treated as accelerated exercisable rights and the original amount in the remaining vesting period will be recognized immediately.

## (XXII) Revenue

### 1. Revenue recognition principles

#### (1) Sales of goods

Revenue from sales of goods is recognized when all the following conditions are satisfied:

- 1) The significant risks and rewards of product ownership have been transferred to the buyer.
- 2) The Company maintains neither managerial right usually associated with ownership nor effective control over products sold.
- 3) The amount of revenue can be measured reliably.
- 4) It is probable that the economic benefits will flow to the Company.
- 5) Relevant costs incurred or to be incurred can be measured reliably.

#### (2) Rendering of services

For the revenue of rendering of services that may be measured reliably on the balance sheet date (at the same time, the

amount of revenue can be measured reliably; it is probable that related economic benefits will flow to the Company; the completion schedule may be identified reliably; and related costs incurred or to be incurred can be measured reliably), it will be recognized upon completion of service. For the revenue of rendering of services that may not be measured On the balance sheet date, if related service costs incurred are estimated to be compensated, it will be confirmed as the service costs incurred and be transferred to service costs based on the same amounts; if related service costs incurred are estimated to be uncompensated, it will be recorded into the profit and loss of the current period and cannot be recognized.

#### (3) Transfer of asset use rights

Revenue from transfer of asset use rights is recognized when the relevant economic benefits will probably flow to the Company, and the amount of revenue can be measured reliably. Interest income is recognized based on the length of time for which the Company's monetary funds are used by others and the effective interest rate. Income from usage fee is recognized based on timing and method agreed under relevant contracts or agreements.

### 2. Revenue recognition methods

#### (1) Sales of goods

The Company mainly sells household appliances and mechanical productions. The recognition of products for domestic sale shall meet the following requirements: the Company has transferred the goods to buyers according to agreed contracts; the revenue of sales of goods has been confirmed; the Company has received payments or receipt vouchers; and the associated economic benefits may flow in and costs related to the product can be measured in a reliable way. The recognition of products for export shall meet the following requirements: the Company has complete customs declaration, transportation and receipt of bill of lading, and determined the sales revenues of the product; and the Company has received the payment or receipt vouchers, and the associated economic benefits may flow in and costs related to the product can be measured in a reliable way.

#### (2) Rendering of services

The Company provides the costumers with various services and the revenue is received after the services have been finished. The revenue includes repairing revenue, installment revenue, transportation service revenue, warehousing services

revenue and distribution revenue.

- 1) The revenue of repairing and installment services is received after being finished.
- 2) Transportation services mean that the Company provides customers with long-distance road transportation of goods and arranges for the transportation teams to carry goods based on customer requirements. The revenue is counted according to contracts and received after the Company reconciles with the customers at the end of each month.
- 3) Warehousing services include warehousing services for general goods, capital and goods circulation and spare parts. In addition, the company also provides value-added services such as inventory and warehouse age analysis, bar code and returns management and so on. The revenue is counted according to contracts and received after the Company reconciles with the customers at the end of each month.
- 4) Distribution services mean that the Company provides the customers with goods loading and unloading, short-distance distribution. The revenue is counted according to contracts and received after the Company reconciles with the customers at the end of each month.

#### (XXIII) Government grants

1. Government grants include asset-related government grants and income-related government grants. Long-term assets used for construction and production or formed in other ways are recognized as asset-related government grants. Other grants are income-related government grants.
2. If there is evidence that the Company shall receive financial support in accordance with related conditions and fiscal supportive policies, the government grants are measured as the amount receivable. In addition, the grants should be measured when actually received.
3. The grant is measured as the amount received or receivable when it takes the form of cash asset, or at fair value when it is not cash asset. When the fair value cannot be reliably obtained, the grant should be measured at the nominal value.
4. Asset-related government grants are recognized as a deferred income and allocated to current profit or loss over the expected useful life of the relevant asset by equal annual installments. Income-related government grants are applied to reimbursement of related costs or losses in subsequent periods

are recognized as deferred income and taken to current profit or loss for the period when the related costs are recognized. Government grants applied to reimbursement of related costs or losses already incurred are directly recognized in current profit or loss.

#### (XXIV) Deferred tax assets or deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated based on the difference between the carrying amounts of the assets or liabilities and their tax bases (or the difference between the tax base and the carrying amount for items which cannot be recognized as assets or liabilities but whose tax base can be determined under tax laws), and are calculated at the tax rates expected to apply to the period when assets are recovered or liabilities are settled.
2. Deferred tax assets are recognized for all deductible temporary differences if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. On the balance sheet date, deferred tax assets unrecognized in prior periods are recognized if there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilized.
3. The carrying amount of deferred tax assets is reviewed On the balance sheet date and written down if it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be utilized. Such amount is written back if it has become probable that sufficient taxable profit will be available.
4. The Company's current and deferred income taxes are recognized in current profit or loss as tax expense or profit, excluding income tax arising from business combination or transactions or items directly recognized in equity.

#### (XXV) Operating leases

When the company acts as the lessee, rental expenses under operating leases are recognized as relevant asset costs or in current profit or loss using the straight-line method over the lease term, with any initial direct cost incurred directly recognized to current profit or loss. Contingent rental is charged to current profit or loss when incurred.

When the company acts as the lessor, rental under operating leases are recognized in current profit or loss using the straight-line method over the lease term, with any initial direct cost incurred directly charged to current profit or loss, excepting for significant amount which will be capitalized and included in profit or loss in installments. Contingent rental is charged to current profit or loss when incurred.

#### (XXVI) Hedge accounting

1. Hedges include cash flow hedges.

2. Hedge accounting is applied to hedges that meet the following conditions: (1) At the beginning of a hedge, the Company formally designates the hedge relationship (the relationship between the hedging instrument and the hedged project) and documents regarding the hedge relationship, risk management objectives and its hedging strategy; (2) Such hedges are expected to be highly effective and comply with the initial risk management strategy set by the Company for the hedge relationship; (3) For cash flow hedges for expected transactions, such expected transactions will probably take place and must expose the Company to risks of movement in cash flows that will eventually affect the profit or loss; (4) The hedge effectiveness can be reliably measured; (5) The hedge effectiveness is evaluated on an ongoing basis, ensuring the hedge is highly effective in the period in which the hedge relationship is designated.

A hedge is deemed highly effective if it meets the following

conditions at the same time: (1) It is expected at the inception or for subsequent periods to effectively offset movement in fair value or cash flows arising from the hedged risks in the period in which the hedge is designated; (2) The actual offset result of the hedge ranges from 80% to 125%.

#### 3. Hedge accounting treatment

(1) The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in current profit or loss.

(2) If the hedged item is an expected transaction for which the Company subsequently recognizes a financial asset or financial liability, the gain or loss directly recognized in equity is transferred to current profit or loss in the same period in which the financial asset or financial liability affects the profit or loss. If the Company subsequently recognizes a non-financial asset or non-financial liability due to the expected transaction, the gain or loss directly recognized in equity is transferred to the amount initially recognized on the non-financial asset or non-financial liability. If the Company subsequently recognizes an asset or liability due to the expected transaction, the gain or loss directly recognized in equity is transferred to current profit or loss in the same period in which the asset or liability affects the profit or loss.

For other cash flow hedges, the gain or loss on the hedging instrument directly recognized in equity is transferred to current profit or loss in the same period in which the hedged, expected transaction affects the profit or loss.

### III. Taxation

#### (I) Main Tax Types and Tax Rates

Tax type	Basis of taxation	Tax rate
Value added tax	Sales of goods or provision of services	17%, 6%, 11%, 3%
Business tax	Taxation turnover	3%, 5%
Property tax	Price-based property is subject to 1.2% tax rate after a 30% cut in original price. Rent-based is subject to 12% tax rate for the rental income.	1.2%, 12%
Urban maintenance and construction tax	Turnover tax payables	5%, 7%
Educational surcharges	Turnover tax payables	3%
Local educational surcharges	Turnover tax payables	1%, 2%
Enterprise income tax	Taxable income	12.5%, 15%, 25%

## (II) Tax preferential treatments

1. On 23 August, 2011, Guangdong GMCC Refrigeration Equipment Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201144000601. The subsidiary was subject to 15% corporate income tax rate in 2013.
2. On 12 September, 2012, Guangdong GMCC Precision Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201244000087. The subsidiary was subject to 15% corporate income tax rate in 2013.
3. On 26 November, 2012, Guangdong Midea Heating & Ventilation Equipment Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201244000708. The subsidiary was subject to 15% corporate income tax rate in 2013.
4. On 5 November, 2010, Anhui GMCC Refrigeration Equipment Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. On 14 October, 2013, Anhui GMCC Refrigeration Equipment Co., Ltd. was informed by Anhui Department of Science and Technology that it passed the review of new and high technology application. The subsidiary was subject to 15% corporate income tax rate in 2013.
5. On 3 July, 2012, Anhui GMCC Precision Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR2012234000097. The subsidiary was subject to 15% corporate income tax rate in 2013.
6. On 13 October, 2011, Guangdong Midea Refrigeration Equipment Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201144001038. The subsidiary was subject to 15% corporate income tax rate in 2013.
7. On 14 October, 2011, Hefei Midea Refrigerator Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201134000330. The subsidiary was subject to 15% corporate income tax rate in 2013.
8. On 11 October, 2011, Chongqing Midea General Refrigeration Equipment Co, Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201151100035. The subsidiary was subject to 15% corporate income tax rate in 2013.
9. On 14 October, 2011, Hefei Hualing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201134000498. The subsidiary was subject to 15% corporate income tax rate in 2013.
10. On 14 October, 2011, Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201134000548. The subsidiary was subject to 15% corporate income tax rate in 2013.
11. On 24 November, 2011, Hubei Midea Refrigerator Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201142000163. The subsidiary was subject to 15% corporate income tax rate in 2013.

12. On 21 May, 2012, Wuxi Little Swan Holding Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201232000096. The subsidiary was subject to 15% corporate income tax rate in 2013.

13. On 13 October, 2011, Foshan Shunde Midea Washing Appliance Manufacturing Co., Ltd., a wholly owned subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201144000872. The subsidiary was subject to 15% corporate income tax rate in 2013.

14. On 13 October, 2011, Guangdong Witt Vacuum Electronics Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201144001082. The subsidiary was subject to 15% corporate income tax rate in 2013.

15. On 9 October, 2011, Jiangxi Midea Guiya Lighting Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201144001082. The subsidiary was subject to 15% corporate income tax rate in 2013.

16. On 15 November, 2011, Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201134000282. The subsidiary was subject to 15% corporate income tax rate in 2013.

17. On 15 November, 2012, Wuhu Midea Washing Appliance Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201234000405. The subsidiary was subject to 15% corporate income tax rate in 2013.

18. On 29 June, 2012, Annto Logistics, a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201234000055. The subsidiary was subject to 15% corporate income tax rate in 2013.

19. On 26 November, 2012, Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd., a wholly owned subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201244000587. The subsidiary was subject to 15% corporate income tax rate in 2013.

20. On 13 October, 2011, Foshan Welling Washer Motor Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201144001085. The subsidiary was subject to 15% corporate income tax rate in 2013.

21. On 23 August, 2011, Guangdong Welling Motor Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201144000222. The subsidiary was subject to 15% corporate income tax rate in 2013.

22. On 13 December, 2010, Huaian Welling Motor Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201032000815. On 22 September, 2013, the subsidiary was confirmed as new and high technology enterprise and the certificate approval process was in progress. The subsidiary was subject to 15% corporate income tax rate in 2013.

23. On 14 October, 2011, Welling (Wuhu) Motor Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201134000472. The

subsidiary was subject to 15% corporate income tax rate in 2013.

24. On 2 August, 2011, Jiangsu Midea Chunhua Electric Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201132000028. The subsidiary was subject to 15% corporate income tax rate in 2013.

25. On 14 October, 2011, Hefei Midea Refrigerator Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF20113400043. The subsidiary was subject to 15% corporate income tax rate in 2013.

26. On 6 August, 2012, Wuxi Feiling Electronics Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201232000673. The subsidiary was subject to 15% corporate income tax rate in 2013.

27. On 24 November, 2011, Little Swan (Jingzhou) Sanjin Electric Appliance Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201142000211. The subsidiary was subject to 15% corporate income tax rate in 2013.

28. On 21 May, 2012, Wuxi Little Swan Electric Appliance Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201232000077. The subsidiary was subject to 15% corporate income tax rate in 2013.

29. On 15 November, 2011, Wuhu Midea Solar Energy Science & Technology Co., Ltd., a controlled subsidiary of the

Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201134000348. The subsidiary was subject to 15% corporate income tax rate in 2013.

30. On 13 October, 2011, Foshan Shunde Midea Drinking Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201144000643. The subsidiary was subject to 15% corporate income tax rate in 2013.

31. On 16 June, 2013, Hefei Midea Heating & Ventilation Equipment Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201334000033. The subsidiary was subject to 15% corporate income tax rate in 2013.

32. Foshan Shunde Midea Electronic and Science & Technology Co., Ltd., a controlled subsidiary of the Company, enjoyed the preferential treatments in enterprise income tax approved by Foshan Shunde Municipal Office, SAT in accordance with the Cai Shui (2012) No. 27. The grace period was calculated from the profit-making year before 31 December, 2017. The enterprise income tax will be exempted in the first and second year. The tax will be exempted by half of 25% of statutory rates in the third to fifth year until by the end of the grace period. It is the third profit-marketing year in 2013. The subsidiary was subject to 12.5% corporate income tax rate.

33. On 12 September, 2012, Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201244000221. The subsidiary was subject to 15% corporate income tax rate in 2013.



#### IV. Enterprise Merger and Consolidated Financial Statements

##### (I) Subsidiary Companies

Our company has more subsidiaries, and the financial statements only indicate basic information of main subsidiaries.

##### 1. Subsidiary acquired through establishing or investing

Full name of subsidiary	Type of Subsidiary	Place of Registration	Nature of Business	Registered Capital	Scope of Business	Organization Code
Midea International Corporation Limited Company	Wholly-owned subsidiary	Hong Kong	Trade and investment	USD 23,800.00	Trade agency and investment	
Foshan City Midea Household Appliances Group Co., Ltd.	Wholly-owned subsidiary	Foshan City	Household appliance manufacturing	RMB 2,000,000.00	Household appliance manufacturing and sales	70807992-2
Midea Group Finance Co., Ltd.	Wholly-owned subsidiary	Foshan City	Financing guarantee and other financial business	RMB 1,500,000.00	Capital operations between member companies	55912326-3
Guangdong Midea Refrigeration Equipment Co., Ltd.	Majority-owned subsidiary	Foshan City	Air conditioning manufacturing	RMB 854,000.00	Production and Sales of Refrigeration Equipment	72547107-X
Guangdong Midea Environmental Electric Appliance Manufacturing Co., Ltd.	Wholly-owned subsidiary	Zhongshan City	Household appliance manufacturing	RMB 200,000.00	Production and sales of fans and electric heaters	75561454-5
Midea Electric Appliance (Singapore) Trade Co., Ltd.	Wholly-owned subsidiary	Singapore	Sales of air conditioners	SGD 64,760.00	Import & Export	
Guangdong Midea HVAC Equipment Co., Ltd.	Wholly-owned subsidiary	Foshan City	Manufacturer and installation of air-conditioning equipment	RMB 100,000.00	Manufacturer and installation of HVAC equipment	78115339-1
Midea Electric Investment (BVI) Limited	Wholly-owned subsidiary	British Virgin Islands	Investment	USD 33,000.00	Import and export trade, and overseas investment	
Foshan City Shunde District Midea Electric Equipment Manufacturing Co., Ltd.	Wholly-owned subsidiary	Foshan City	Household appliance manufacturing	USD 2,200.00	Production and sales of rice cookers and electric ovens	78489659-6
Foshan City Shunde District Midea Washing Appliance Manufacturing Co., Ltd.	Wholly-owned subsidiary	Foshan City	Manufacturing of dishwashers	USD 16,000.00	Production and sales of dishwashers	72111214-1
Anhui GMCC Precision Manufacturing Co., Ltd.	Wholly-owned subsidiary	Wuhu City	Manufacturing of compressors	RMB 842,105.26	Production and sales of compressors	56342212-7
Anhui GMCC Compressor Sales Co., Ltd.	Wholly-owned subsidiary	Wuhu City	Sales of compressors	RMB 100,000.00	Sales of compressors	57178941-2
Wuhu GMCC Air-Conditioning Equipment Co., Ltd.	Wholly-owned subsidiary	Wuhu City	Air conditioning manufacturing	RMB 830,000.00	Production and Sales of Refrigeration Equipment	55458322-8

(Continued)

Full name of subsidiary	Actual Capital Contribution at end of period	Balance of other items that substantially constitute net investment in subsidiary	Shareholding percentage (%)	Voting Right (%)	Consolidate or not
Midea International Corporation Limited Company	176,974.50		100.00	100.00	Yes
Foshan City Midea Household Appliances Group Co., Ltd.	2,000,000.00		100.00	100.00	Yes
Midea Group Finance Co., Ltd.	1,500,000.00		98.45	100.00	Yes
Guangdong Midea Refrigeration Equipment Co., Ltd.	819,091.81		80.00	80.00	Yes
Guangdong Midea Environmental Electric Appliance Manufacturing Co., Ltd.	200,000.00		100.00	100.00	Yes
Midea Electric Appliance (Singapore) Trade Co., Ltd.	SGD700.00		100.00	100.00	Yes
Guangdong Midea HVAC Equipment Co., Ltd.	100,000.00		100.00	100.00	Yes
Midea Electric Investment (BVI) Limited	236,542.62		100.00	100.00	Yes
Foshan City Shunde District Midea Electric Equipment Manufacturing Co., Ltd.	142,870.00		100.00	100.00	Yes
Foshan City Shunde District Midea Washing Appliance Manufacturing Co., Ltd.	130,899.03		100.00	100.00	Yes
Anhui GMCC Precision Manufacturing Co., Ltd.	842,105.26		100.00	100.00	Yes
Anhui GMCC Compressor Sales Co., Ltd.	100,000.00		100.00	100.00	Yes
Wuhu GMCC Air-Conditioning Equipment Co., Ltd.	830,000.00		100.00	100.00	Yes

(Continued)

Full name of subsidiary	Minority interests	Minority interests for writing down the profit & loss attributable to minority shareholders	Balance of shareholder's equity attributable to the parent company after deducting the loss of subsidiary's controlling shareholders less owner's equity at beginning of period
Midea International Corporation Limited Company			
Foshan City Midea Household Appliances Group Co., Ltd.			
Midea Group Finance Co., Ltd.			
Guangdong Midea Refrigeration Equipment Co., Ltd.	551,668.82		
Guangdong Midea Environmental Electric Appliance Manufacturing Co., Ltd.			
Midea Electric Appliance (Singapore) Trade Co., Ltd.			
Guangdong Midea HVAC Equipment Co., Ltd.			
Midea Electric Investment (BVI) Limited			
Foshan City Shunde District Midea Electric Equipment Manufacturing Co., Ltd.			
Foshan City Shunde District Midea Washing Appliance Manufacturing Co., Ltd.			
Anhui GMCC Precision Manufacturing Co., Ltd.			
Anhui GMCC Compressor Sales Co., Ltd.			
Wuhu GMCC Air-Conditioning Equipment Co., Ltd.			

## 2.Subsidiaries acquired through merger of entities under common control

Full name of subsidiary	Type of Subsidiary	Place of Registration	Nature of Business	Registered Capital	Scope of Business	Organization Code
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Majority-owned subsidiary	Wuhu City	Air conditioning manufacturing	USD 6,928.00	Manufacturing and sales of air-conditioners	70490853-5
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	Majority-owned subsidiary	Wuhan	Air conditioning manufacturing	USD 8,000.00	Manufacturing and sales of air-conditioners	75817991-3
Annto Logistics Company Limited	Wholly-owned subsidiary	Wuhu City	Modern logistics	RMB 676,500.00	Warehousing, logistics and transportation	71992943-5
Guangdong Midea Kitchen Appliance Manufacturing Co., Ltd.	Wholly-owned subsidiary	Foshan City	Manufacturing of microwave ovens	USD 42,000.00	Production and operation of microwave ovens	79291724-6

(Continued)

Full name of subsidiary	Actual Capital Contribution at end of period	Balance of other items that substantially constitute net investment in subsidiary	Shareholding ratio (%)	Voting Right (%)	Consolidate or not
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	377,030.09		80.00	80.00	Yes
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	79,504.33		80.00	80.00	Yes
Annto Logistics Company Limited	676,500.00		100.00	100.00	Yes
Guangdong Midea Kitchen Appliance Manufacturing Co., Ltd.	305,621.40		100.00	100.00	Yes

(Continued)

Full name of subsidiary	Minority interests	Minority interests for writing down the profit & loss attributable to minority shareholders	Balance of shareholder's equity attributable to the parent company after deducting the loss of subsidiary's controlling shareholders less owner's equity at beginning of period
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	241,401.19		
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	124,606.30		
Annto Logistics Company Limited			
Guangdong Midea Kitchen Appliance Manufacturing Co., Ltd.			

## 3. Subsidiaries acquired through merger of entities not under common control

Full name of subsidiary	Type of Subsidiary	Place of Registration	Nature of Business	Registered Capital	Scope of Business	Organization Code
Hefei Midea Refrigerator Co., Ltd.	Wholly-owned subsidiary	Hefei City	Refrigerator Manufacturing	USD 92,109.87	Production and sales of electrical appliances	14906759-6
Wuxi Little Swan Company Limited	Majority-owned subsidiary	Wuxi City	Manufacturing of electrical machinery	RMB 632,487.76	Production and sales of electrical machinery and equipment	70404676-0
Guangdong GMCC Compressor Co., Ltd.	Majority-owned subsidiary	Foshan City	Manufacturing of compressors	USD 55,270.00	Production and installation of compressors	61741137-9
Welling Holding Limited	Majority-owned subsidiary	Hong Kong	Manufacturing of motors	HKD 1,424,603.00	Manufacturing and sales of household electrical appliances, motors and electronic appliances	
Midea Malaysia Joint Venture	Majority-owned subsidiary	Malaysia	Sales of air conditioners	MYR12,000.00	Sales and repair of air-conditioners	194517-X

(Continued)

Full name of subsidiary	Actual Capital Contribution at end of period	Balance of other items that substantially constitute net investment in subsidiary	Shareholding ratio (%)	Voting Right (%)	Consolidate or not
Hefei Midea Refrigerator Co., Ltd.	711,276.22		100.00	100.00	Yes
Wuxi Little Swan Company Limited	2,615,431.77		40.08	40.08	Yes
Guangdong GMCC Compressor Co., Ltd.	89,787.77		60.00	60.00	Yes
Welling Holding Limited	656,644.14		68.99	68.99	Yes
Midea Malaysia Joint Venture	702.68		72.86	72.86	Yes

(Continued)

Full name of subsidiary	Minority interests	Minority interests for writing down the profit & loss attributable to minority shareholders	Balance of shareholder's equity attributable to the parent company after deducting the loss of subsidiary's controlling shareholders less owner's equity at beginning of period
Hefei Midea Refrigerator Co., Ltd.			
Wuxi Little Swan Company Limited	2,281,337.56		
Guangdong GMCC Compressor Co., Ltd.	627,364.83		
Welling Holding Limited	949,074.57		
Midea Malaysia Joint Venture	1,182.42		

#### 4. Others

(1) For subsidiaries whose half or less than half of voting rights are held by our company and included in the consolidated financial statements, specify the reason.

Wuxi Little Swan Company Limited is a majority-owned subsidiary of our company, and we have real control over its financial and operating decision-making, therefore it's included in the consolidated financial statements.

(2) For subsidiaries that we have more than half of its voting rights but fail to control over its operations, specify the reason. Our company holds PT. Midea Planet Indonesia 51.00% shares, but we have no decision-making rights and real control over its financial and operating matters, therefore it's not included in the consolidated financial statements.

#### (II) Change in the range of consolidation

##### 1. Subsidiaries newly included in the consolidated financial statements in the reporting period

Subsidiaries acquired through merger of entities not under common control.

According to the Equity Transfer Agreement signed by Midea Refrigeration Equipment (Hong Kong) Co., Ltd., Hicom Holdings Bhd., and Eastern Trinity Sdn. Bhd. on 26 June, 2013, Hicom Holdings Bhd. transferred its 21.86% equity of Midea Malaysia Joint Venture to Midea Refrigeration (Hong Kong) Co., Ltd. at the price of MYR 681,940, which is equal to USD 224,950 or RMB 1,370,010. After the transfer, the shareholding ratio was increased from 51% to 72.86%. Midea Refrigeration Equipment (Hong Kong) Co., Ltd. has paid the equity transfer price of RMB 1,370,010 on 30 November, 2013 and completed relevant property rights transfer procedures. Therefore, it's included in the consolidated financial statements from December 2013.

##### 2. Subsidiaries no longer included in the consolidated financial statements in the reporting period

(1) Subsidiaries not included due to equity transfer

1) According to the Equity Transfer Agreement signed by

and between Wuhu Annto Investment Co., Ltd. and Wuhan Zhenwei Economic Development Co., Ltd. on 7 February, 2013, Wuhu Annto Investment Co., Ltd. transferred its 100% equity in Wuhan Meian Storage and Transportation Co., Ltd. 100% to Wuhan Zhenwei Economic Development Co., Ltd. at the price of RMB 69,750,000. Wuhu Annto Investment Co., Ltd. has received the transfer price of RMB 69,750,000 in February 2013, and completed relevant property rights transfer procedures. Therefore, this subsidiary is not included in the consolidated financial statements from February 2013.

2) According to the Equity Transfer Agreement signed by Annto Logistics Co., Ltd., Wuhu Annto Investment Co., Ltd. and Huangshi City Huaxing Huachang Electric Appliance Co., Ltd. on 22 November, 2013, Annto Logistics Co., Ltd. and Wuhu Annto Investment Co., Ltd. respectively transferred their equity in Ezhou Annto Logistics Co., Ltd., namely 80% and 20% shares, at the price of RMB 11,976,420 to Huangshi City Huaxing Huachang Electric Appliance Co., Ltd. Annto Logistics Co., Ltd. and Wuhu Annto Investment Co., Ltd. has received the transfer price of RMB 9,170,350 in December 2013, and completed relevant property rights transfer procedures. Therefore, this subsidiary is not included in the consolidated financial statements from December 2013.

3) According to the Equity Transfer Agreement signed by Annto Logistics Co., Ltd., Wuhu Annto Investment Co., Ltd. and Dongguan Shide Industrial Investment Co., Ltd., Xinjiang Jinchi Electric Appliance Co., Ltd. on 3 March, 2013, Annto Logistics Co., Ltd. and Wuhu Annto Investment Co., Ltd. respectively transferred their equity in Xinjiang Annto Logistics Co., Ltd., namely 80% and 20% shares, at the price of RMB 21,802,750 to two new shareholders, Dongguan Shide Industrial Investment Co., Ltd. and Xinjiang Jinchi Electric Appliance Co., Ltd., each holding 50% equity. Annto Logistics Co., Ltd. and Wuhu Annto Investment Co., Ltd. have received the transfer price of RMB 21,802,750 on 20 June, 2013, and completed relevant property rights transfer procedures. Therefore, this subsidiary is not included in the consolidated financial statements from June 2013.

4) According to the Equity Transfer Agreement signed by Midea Group Co., Ltd., Midea International Corporation

Limited Company and Hong Kong Wolong Holding Group Co., Ltd. on 31 July, 2013, Midea Group Co., Ltd. and Midea International Corporation Limited Company respectively transferred their 100% equity in Jiangsu Qingjiang Motor Manufacturing Co., Ltd. and its subsidiary Jiangsu Huaiyin Huaida Electrical Industry Co., Ltd. at the price of RMB 155,730,000 to Hong Kong Wolong Holding Group Co., Ltd. Midea Group Co., Ltd. has respectively received the transfer price of RMB 29,999,990 on 25 October, 2013, RMB 30,000,020 on 29 October, 2013, RMB 30,000,000 on 30 October, 2013, RMB 26,797,500 on 31 October, 2013, and Midea International Corporation Limited Company received the transfer price of RMB 38,932,500, and completed relevant property rights transfer procedures. Therefore, this subsidiary is not included in the consolidated financial statements from November 2013.

5) According to the Equity Transfer Agreement signed by and between Midea Group Co., Ltd. and Zhejiang Kaishan Compressor Co., Ltd. on 31 July, 2013, Midea Group Co., Ltd. transferred its 93% equity in Guangdong Ganey Precision Machinery Co., Ltd. at the price of RMB 20,000,000 to Zhejiang Kaishan Compressor Co., Ltd. Midea Group Co., Ltd. has received the transfer price of RMB 20,000,000 on 5 August, 2013, and completed relevant property rights transfer procedures. Therefore, this subsidiary is not included in the consolidated financial statements from August 2013.

6) According to the Equity Transfer Agreement signed by and between Midea Group Co., Ltd. and Suqian City Kelu Maintenance Technology Co., Ltd. on 8 November, 2013, Midea Group Co., Ltd. transferred its 100% equity in Jiangsu Huaian Weituo Road Maintenance Equipment Co., Ltd. and its subsidiary Foshan City Weite Road and Bridge Maintenance Machinery System Integration Co., Ltd. at the price of RMB 300,000 to Suqian City Kelu Maintenance Technology Co., Ltd. Midea Group Co., Ltd. has received the transfer price of RMB 300,000 on 15 November, 2013, and completed relevant property rights transfer procedures. Therefore, this subsidiary is not included in the consolidated financial statements from December 2013.

7) According to the Equity Transfer Agreement signed by and between Midea Group Co., Ltd. and Deng Yiwei on 31 October, 2013, Midea Group Co., Ltd. transferred its 100% equity in Guangdong Shunde Midea Science and Technology Incubator Co., Ltd. at the price of RMB 8,616,000 to Deng Yiwei. The Company has received the transfer price of RMB 8,616,000 on 27 December, 2013, and completed relevant property rights transfer procedures. Therefore, this subsidiary is not included in the consolidated financial statements from December 2013.

(2) Subsidiaries not included for other reasons

1) January 2013: Guangdong Midea Automatic Control Technology Co., Ltd. deregistered.

2) February 2013: Midea Latin America Co., Ltd. deregistered.

3) March 2013: Zhongshan Sunying Electric Appliance Manufacturing Co., Ltd. deregistered.

4) August 2013: Beijing Midea Commercial Air Conditioning Sales Co., Ltd. deregistered.

5) November 2013: Foshan City Shunde District Bowen Investment Co., Ltd. deregistered.

6) November 2013: Midea Group Refrigerator Manufacturing (Hefei) Co., Ltd. deregistered.

7) December 2013: Suzhou Midea Clean and Healthy Electric Appliance Manufacturing Co., Ltd. deregistered.

8) December 2013: Guangdong Midea Group Wuhu Property Construction and Management Co., Ltd. deregistered.

9) December 2013: Guangdong Midea Building Technology Co., Ltd. deregistered.

10) December 2013: Wuxi Little Swan Drive and Control Technology Development Co., Ltd. deregistered.

11) November 2013: Wuxi Little Swan Huayin Electric Appliance Co., Ltd. deregistered.

## (III) Entities newly included and not included in the consolidation in this period

## 1. Subsidiaries newly included

Company Name	Net Assets at end of period	Net profit of the Period
Midea Malaysia Joint Venture	4,356.74	336.78

## 2. Subsidiaries not included

Company Name	Net Assets at the Date of Disposal	Net Profits From Beginning of the Period to the Date of Disposal
Wuhan Meian Storage and Transportation Co., Ltd.	69,754.74	53.59
Ezhou Annto Logistics Co., Ltd.	9,989.31	-0.15
Xinjiang Annto Logistics Co., Ltd.	20,003.17	0.43
Jiangsu Qingjiang Motor Manufacturing Co., Ltd.	79,882.43	54,805.39
Jiangsu Huaiyin Huaida Electrical Industry Co., Ltd.	6,571.40	
Guangdong Ganey Precision Machinery Co., Ltd.	12,826.42	-1,255.16
Jiangsu Huaian Weituo Road Maintenance Equipment Co., Ltd.	1,190.75	-9,889.81
Foshan City Weite Road and Bridge Maintenance Machinery System Integration Co., Ltd.	27.39	-1,920.89
Guangdong Shunde Midea Science and Technology Incubator Co., Ltd.	8,616.09	866.84
Guangdong Midea Automatic Control Technology Co., Ltd.	0.66	-2,770.91
Midea Latin America Co., Ltd. (Miami)	100.76	5.22
Zhongshan Shunying Electric Appliance Manufacturing Co., Ltd.	77.72	
Beijing Midea Commercial Air Conditioning Sales Co., Ltd.	508.86	-3,163.35
Foshan City Shunde District Bowen Investment Co., Ltd.	7,785.81	30.47
Midea Group Refrigerator Manufacturing (Hefei) Co., Ltd.	30,866.34	866.34
Suzhou Midea Clean and Healthy Electric Appliance Manufacturing Co., Ltd.	150,078.92	13.00
Guangdong Midea Group Wuhu Property Construction and Management Co., Ltd.	21,642.78	317.45
Guangdong Midea Building Technology Co., Ltd.		7,380.02
Wuxi Little Swan Drive and Control Technology Development Co., Ltd.	11,424.80	-223.87
Wuxi Little Swan Huayin Electric Appliance Co., Ltd.	52,220.48	889.48

## (IV) Exchange Rates for Main Items in the Financial Statements of Overseas Entities

The exchange rate used for converting main items in the financial statements of overseas entities included in the consolidated financial statements of this period is: for the assets and liabilities items in the balance sheets, use the spot exchange rate on the date of balance sheet, that is, 1 USD = 6.0969 CNY; for owner's equity items (except for those with undistributed profits), use the spot exchange rate on the day of occurrence, and for income statements and cash flow statements, use approximate exchange rate on the day of occurrence, that is 1 USD = 6.1896 CNY.

## V. Notes to the Items in the Consolidated Financial Statements

## (I) Notes to the Consolidated Balance Sheet

## 1. Cash on hand and in bank

## (1) Detailed Information

Items	Ending Balance		
	Original Currency Amount	Exchange Rate	RMB Amount
Cash in Stock			
RMB			138.78
USD	11.09	6.0969	67.60
JPY	3,631.89	0.0578	209.82
HKD	15.54	0.7862	12.22
EUR	7.61	8.4189	64.08
BRL	573.72	2.5629	1,470.39
VND	521,398.29	0.0003	149.69
INR	1.02	0.0978	0.10
MYR	7.00	1.8470	12.93
Subtotal			2,125.61
Cash in Bank			
RMB			12,909,463.55
USD	157,338.30	6.0969	959,275.93
JPY	3,040.49	0.0578	175.65
HKD	400,475.02	0.7862	314,854.79
EUR	13,590.32	8.4189	114,415.58
VND	157,572,098.01	0.0003	45,238.95
INR	552,296.02	0.0978	54,014.55
SGD	293.32	4.7845	1,403.38
BRL	211,180.85	2.5629	541,235.41
MYR	3,722.83	1.8470	6,876.17
Subtotal			14,946,953.96
Other Currency Fund			
RMB			620,957.31
USD	598.04	6.0969	3,646.16
Subtotal			624,603.47
Total			15,573,683.04



(Continued)

Items	Beginning Balance		
	Original Currency Amount	Exchange Rate	RMB Amount
Cash in Stock			
RMB			1,060.13
USD	501.45	6.2855	3,151.88
JPY	242.33	0.0730	17.70
HKD	25.20	0.8108	20.44
EUR	0.02	8.3176	0.17
BRL	122.49	3.0426	372.67
VND	2,158.00	0.0003	0.65
Subtotal			4,623.64
Cash in Bank			
RMB			8,202,782.38
USD	370,044.39	6.2855	2,325,914.01
JPY	132,321.13	0.0730	9,665.98
HKD	108,658.20	0.8108	88,100.07
EUR	69,962.02	8.3176	581,916.08
VND	25,545,298.72	0.0003	7,709.09
SGD	1,495.11	5.0929	7,614.43
BRL	79,496.22	3.0426	241,875.20
Subtotal			11,465,577.24
Other Currency Fund			
RMB			1,964,145.19
USD	185.03	6.2855	1,163.01
Subtotal			1,965,308.20
Total			13,435,509.08

(2) Notes on the funds with restriction on use due to mortgage, pledge or freezing, or deposited overseas, or with potential risk of capital recovery.

Ending balance of other monetary fund mainly refers to bank acceptance deposits.

## 2. Deposit in Central Bank

### (1) Detailed Information

Items	Ending Balance	Beginning Balance
Statutory reserves deposited in the central bank	919,725.16	512,316.62
Excess deposit reserve deposited in the central bank	3,907.06	4,826.25
Total	923,632.22	517,142.87

(2) Notes on the funds with restriction on use, deposited overseas, or with potential risk of capital recovery

Statutory reserves deposited in the central bank refer to the statutory reserves deposited in the People's Bank of China in accordance with relevant regulations, which shall not be used for daily operations.

### 3. Deposit in other banks

Items	Ending Balance	Beginning Balance
Deposited in domestic banks	1,746,284.24	314,399.48
Subtotal	1,746,284.24	314,399.48
Less: Provision for bad account		
Total	1,746,284.24	314,399.48

### 4. Tradable financial asset

Items	Ending Balance	Beginning Balance
Derivative financial assets	759,565.22	231,549.94
Total	759,565.22	231,549.94

Ending balance of derivative financial assets mainly refers to the changes in fair value of forward foreign exchange contracts not yet settled.

### 5. Notes receivable

(1) Detailed Information

Classification	Ending Balance			Beginning Balance		
	Book Balance	Provision for bad account	Book Value	Book Balance	Provision for bad account	Book Value
Bank Acceptance Bill	14,150,532.20		14,150,532.20	12,386,424.76		12,386,424.76
Total	14,150,532.20		14,150,532.20	12,386,424.76		12,386,424.76

(2) Notes receivable pledged by end of period (Top 5 sorted by amount)

Drawer	Date of Draft	Due Date	Amount
Jinhua City Aoteng Tools Co., Ltd.	2013-07-22	2014-01-22	9,690.00
Zhongshan City Fengyao Commercial Co., Ltd.	2013-08-21	2014-02-21	5,000.00
Nantong Banqiu Home Appliance Co., Ltd.	2013-08-07	2014-02-07	2,700.00
Zhongshan City Fengyao Commercial Co., Ltd.	2013-10-24	2014-04-24	2,600.00
Chongqing Huaqing Business Company	2013-09-11	2014-03-10	2,000.00
Subtotal			21,990.00

(3) Notes that have been endorsed to others but not yet due by the end of period (Top 5 sorted by amount)

Drawer	Date of Draft	Due Date	Amount
Shandong Midea HVAC Equipment Sales Co., Ltd.	2013-08-26	2014-02-26	42,500.00
Suning Commerce Group Co., Ltd. Suning Procurement Center	2013-09-05	2014-03-05	40,929.60
Nanchang Aux Electric Manufacturing Co., Ltd.	2013-10-30	2014-04-30	35,000.00
Nanchang Aux Electric Manufacturing Co., Ltd.	2013-09-27	2014-03-27	30,000.00
Shaanxi Midea Refrigeration Product Sales Co., Ltd.	2013-08-29	2014-02-28	29,600.00
Subtotal			178,029.60

## 6. Account receivable

(1) Detailed Information

1) Category details

Classification	Ending Balance			
	Book Balance		Provision for bad account	
	Amount	Proportion (%)	Amount	Proportion (%)
Significant single amount and individual provision for bad debts				
Provision for bad debts as per combination method				
Combination of aging analysis methods	8,449,751.68	99.78	521,313.43	6.17
Combination of specific identification methods				
Subtotal	8,449,751.68	99.78	521,313.43	6.17
Non-significant single amount and individual provision for bad debts	18,523.58	0.22	18,523.58	100.00
Total	8,468,275.26	100.00	539,837.01	6.37

(Continued)

Classification	Beginning Balance			
	Book Balance		Provision for bad account	
	Amount	Proportion (%)	Amount	Proportion (%)
Significant single amount and individual provision for bad debts				
Provision for bad debts as per combination method				
Combination of aging analysis methods	10,479,345.40	99.99	614,771.78	5.87
Combination of specific identification methods				
Subtotal	10,479,345.40	99.99	614,771.78	5.87
Non-significant single amount and individual provision for bad debts	1,384.79	0.01	1,384.79	100.00
Total	10,480,730.19	100.00	616,156.57	5.88

## 2) Accounts receivable in the combination which adopts aging analysis method to determine provision for bad debt

Age	Ending Balance		
	Book Amount		Provision for bad account
	Amount	Proportion (%)	
Within 1 Year	8,165,585.24	96.63	328,930.69
1-2 Years	225,698.43	2.67	144,855.73
2-3 years	17,330.36	0.21	8,428.37
3-5 years	41,137.65	0.49	39,098.64
Subtotal	8,449,751.68	100.00	521,313.43

(Continued)

Age	Beginning Balance		
	Book Amount		Provision for bad account
	Amount	Proportion (%)	
Within 1 Year	10,156,683.07	96.92	393,135.38
1-2 Years	146,154.75	1.40	59,762.51
2-3 years	74,656.44	0.71	64,090.48
3-5 years	101,851.14	0.97	97,783.41
Subtotal	10,479,345.40	100.00	614,771.78

## 3) Accounts receivable with no significant single amount but with provision for bad debts by period en

Accounts Receivable	Book Balance	Provision for bad account	Provision Ratio (%)	Reason
CGNPC Engineering Co., Ltd.	2,367.59	2,367.59	100.00	Difficult to recover the debt
Chongqing Taizheng (Group) Co., Ltd.	1,851.50	1,851.50	100.00	Difficult to recover the debt
Chongqing Fuli Real Estate Development Co., Ltd.	1,675.80	1,675.80	100.00	Difficult to recover the debt
Chongqing Zhongcheng Property Development Co., Ltd.	1,655.00	1,655.00	100.00	Difficult to recover the debt
Headquarters of Hangzhou Xihu District XiXi Wetland Comprehensive Protection Project	1,427.00	1,427.00	100.00	Difficult to recover the debt
63 customers including Hunan Huitang Hotspring Huatiancheg Property Co., Ltd.	8,264.64	8,264.64	100.00	Difficult to recover the debt
Fuzhou Xinghongda Highway Engineering Co., Ltd.	1,282.05	1,282.05	100.00	Difficult to recover the debt
Subtotal	18,523.58	18,523.58		

## (2) Accounts receivable recovered in this period

Accounts Receivable	Way of Recovery	Original Basis for Provision for Bad Debts	Accumulative amount of provision for bad debts before recovery	Recovered amount
Huagao Technology (Suzhou) Co., Ltd.	Recover the debt by continuing to conduct business	Difficult to recover	12.15	12.15
Wuxi City Shengchao Petrochemical Metallurgical Equipment Fittings Factory	Civil mediation by Jiangsu Province Wuxi High-tech Industrial Development Area People's Court	Difficult to recover	861.08	721.00
Subtotal			873.23	733.15

## (3) Account receivable with large amount actually written off in this period

Enterprise Name	Nature of account	Write-off Amount	Write-off Reason	Whether due to associated transactions
Guangzhou Meiqing Water Purification Equipment Co., Ltd.	Payment for goods	2,777.41	Estimated to be uncollectible	No
Luoyang Meiyu Household Appliances Sales Co., Ltd.	Payment for goods	2,538.97	Estimated to be uncollectible	No
Shenzhen City Meiqing Water Purification Equipment Technology Co., Ltd.	Payment for goods	2,288.89	Estimated to be uncollectible	No
Subtotal		7,605.27		

(4) There are no accounts receivable from the shareholding companies that hold more than 5% (including 5%) voting shares of our company.

## (5) Top 5 sorted by accounts receivable

Enterprise Name	Relationship with our Company	Book Balance	Age	Proportion in Balance (%)
Customer 1	Non-associated party	357,040.63	Within 1 Year	4.22
Customer 2	Non-associated party	197,961.93	Within 1 Year	2.34
Customer 3	Non-associated party	140,564.93	Within 1 Year	1.66
Customer 4	Non-associated party	144,228.97	Within 1 Year	1.70
Customer 5	Non-associated party	123,411.38	Within 1 Year	1.46
Subtotal		963,207.84		11.38

## (6) Accounts receivable from associated parties

Enterprise Name	Relationship with our Company	Book Balance	Proportion in Balance (%)
PT. MIDEA PLANET INDONESIA	Associated Party	2,507.86	0.03
Subtotal		2,507.86	0.03

## 7. Advance payment

## (1) Aging Analysis

Age	Ending Balance			
	Book Balance	Proportion (%)	Provision for bad account	Book Value
Within 1 Year	2,095,908.40	86.16		2,095,908.40
1-2 Years	316,635.12	13.02		316,635.12
2-3 years	19,877.02	0.82		19,877.02
Total	2,432,420.54	100.00		2,432,420.54

(Continued)

Age	Beginning Balance			
	Book Balance	Proportion (%)	Provision for bad account	Book Value
Within 1 Year	1,672,290.78	92.78		1,672,290.78
1-2 Years	130,191.40	7.22		130,191.40
Total	1,802,482.18	100.00		1,802,482.18

## (2) Top 5 sorted by advanced payment

Enterprise Name	Relationship with our Company	Ending Balance	Age	Reason of outstanding payment
Chongqing City Bureau of Finance	Non-associated party	611,200.00	Within 1 Year	Assets not settled
Foshan City Midea Real Estate Development Co., Ltd.	Associated Party	348,000.00	Within 1 Year, and 1-2 Years	Advanced payment for affordable house not settled
Beijing Zhongtian Riyue Advertising Co., Ltd.	Non-associated party	97,338.59	Within 1 Year	Advertising payment not settled
Ningbo Lejin Yongxing Chemical Industry Co., Ltd.	Non-associated party	59,092.75	Within 1 Year	Materials payment not settled
Guangzhou WISCO South China Sales Co., Ltd.	Non-associated party	54,255.08	Within 1 Year	Materials payment not settled
Subtotal		1,169,886.42		

(3) There are no advanced payments from the shareholding companies that hold more than 5% (including 5%) voting shares of our company.

(4) Reason for not timely settling advanced payments aged more than 1 year and with significant amount

Enterprise Name	Ending Balance	Reason of outstanding payment
Foshan City Midea Real Estate Development Co., Ltd.	348,000.00	Advanced payment for affordable house not settled
Shanxi Suihua Aojie Technology Co., Ltd.	12,000.00	Equipment not accepted
Guangzhou Borch Machinery Co., Ltd.	1,360.00	Equipment not accepted
Subtotal	361,360.00	

### 8. Granting loans and advances

#### (1) Classified by individual and enterprise distribution

Items	Ending Balance	Beginning Balance
Individual loans and advances		
Company loans and advances	5,145,903.95	440,007.50
including: Loan	760,893.85	160,000.00
Notes discount	4,385,010.10	280,007.50
Total loans and advances	5,145,903.95	440,007.50
Less: Provision for loan loss	45,818.24	30,500.07
Total	5,100,085.71	409,507.43

#### (2) Loans and advances classified by guaranty method

Items	Ending Balance	Beginning Balance
Credit loans	189,500.00	
Guaranteed loans	263,000.00	160,000.00
including: collateral loans		
Pledge loans	4,693,403.95	280,007.50
Subtotal	5,145,903.95	440,007.50
Less: Provision for loan loss	45,818.24	30,500.07
Total	5,100,085.71	409,507.43

#### (3) Changes in loan loss reserves

Items	Ending Balance	Beginning Balance
Beginning Balance	30,500.07	16,881.34
Provision in this period	15,318.17	13,618.73
Transfer-in in this period		
Write-off in this period		
Transfer-out in this period		
Balance at Year End	45,818.24	30,500.07

(4) There are no loans and advances from the shareholding companies that hold more than 5% (including 5%) voting shares of our company.

#### (5) Other notes discount interests charged from associated parties

Enterprise Name	Relationship with our Company	Book Balance
Guangdong Wellkey Electric Material Co., Ltd.	Associated Party	6,592.68
Anhui Wellkey Electric Material Co., Ltd.	Associated Party	2,075.52
Foshan Micro Midea Filter Co., Ltd.	Associated Party	9.28
Subtotal		8,677.48

## 9. Dividend receivables

Items	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance	Reason for not recovered	Whether impaired
Dividend receivables		25,863.84		25,863.84	Payment in progress	No
Total		25,863.84		25,863.84		

## 10. Other receivables

## (1) Detailed Information

## 1) Category details

Classification	Ending Balance			
	Book Balance		Provision for bad account	
	Amount	Proportion (%)	Amount	Proportion (%)
Significant single amount and individual provision for bad debts	150,000.00	14.15		
Provision for bad debts as per combination method				
Combination of aging analysis methods	909,948.21	85.85	34,553.02	3.80
Combination of specific identification methods				
Subtotals	909,948.21	85.85	34,553.02	3.80
Non-significant single amount and individual provision for bad debts				
Total	1,059,948.21	100.00	34,553.02	3.26

(Continued)

Classification	Beginning Balance			
	Book Balance		Provision for bad account	
	Amount	Proportion (%)	Amount	Proportion (%)
Significant single amount and individual provision for bad debts				
Provision for bad debts as per combination method				
Combination of aging analysis methods	1,176,705.45	99.98	55,359.82	4.70
Combination of specific identification methods				
Subtotals	1,176,705.45	99.98	55,359.82	4.70
Non-significant single amount and individual provision for bad debts	221.07	0.02	221.07	100.00
Total	1,176,926.52	100.00	55,580.89	4.72

## 2) Other accounts receivable with significant single amount and provision for bad debts

Other Accounts Receivable	Book Balance	Provision for bad account	Provision Ratio	Reason for Provision
Intercourse funds	150,000.00			
Subtotal	150,000.00			



3) Other accounts receivable in the combination which use aging analysis method to determine provisions for bad debts

Account Age Structure	Ending Balance			Beginning Balance		
	Book Balance		Provision for bad account	Book Balance		Provision for bad account
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 Year	821,527.61	90.28	15,132.24	1,047,052.40	88.98	10,247.04
1-2 Years	50,128.18	5.51	4,503.90	73,885.12	6.28	5,821.32
2-3 years	27,802.75	3.06	8,316.94	20,253.53	1.72	7,009.80
3-5 years	10,489.67	1.15	6,599.94	35,514.40	3.02	32,281.66
Total	909,948.21	100.00	34,553.02	1,176,705.45	100.00	55,359.82

(2) Other accounts receivable with large amount actually written-off in this period

Enterprise Name	Nature of other accounts receivable	Write-off amount	Write-off reason	Whether due to associated transactions
Guangzhou Seebon Human Resources Co., Ltd.	Intercourse funds	399.27	Unable to recover after collection	No
Xiongshi Agricultural, Industrial and Trade Development Company	Intercourse funds	173.65	Unable to recover after collection	No
Subtotal		572.92		

(3) Top 5 of other accounts receivable sorted by amount

Enterprise Name	Relationship with our Company	Book Balance	Age	Proportion in balance (%)	Description
Foshan City Shunde District State Administration of Taxation	Non-associated party	179,331.79	Within 1 Year	16.92	Export tax rebates
Wuhu City Economic-Technological Development Area Construction Investment Co., Ltd.	Non-associated party	154,562.50	Within 1 Year	14.58	Land security deposit
Foshan City Bureau of Finance	Non-associated party	27,534.30	Within 1 Year	2.60	Energy-saving subsidies
Hefei High-tech Industrial Development Zone National Treasury Payment Center	Non-associated party	14,745.49	Within 1 Year	1.39	Construction project security deposit
The Ministry of Industry and Information Technology	Non-associated party	13,162.52	Within 1 Year	1.24	Energy-saving subsidies
Subtotal		389,336.60		36.73	

(4) There are no accounts receivable from the shareholding companies or other associated parties that hold more than 5% (including 5%) voting shares of our company.

## 11. Inventories

### (1) Detailed Information

Items	Ending Balance			Beginning Balance		
	Book Balance	Price Fall Preparation	Book Value	Book Balance	Price Fall Preparation	Book Value
Raw Materials	2,819,288.28	10,706.46	2,808,581.82	2,285,425.14	5,360.31	2,280,064.83
Materials under consigned processing	477,996.30		477,996.30	380,407.30		380,407.30
Low-value Consumables	3,411.32		3,411.32	10,810.86		10,810.86
Work in process	778,214.07		778,214.07	661,877.29		661,877.29
Goods in Stock	11,228,305.12	98,784.79	11,129,520.33	10,102,735.71	85,895.07	10,016,840.64
Total	15,307,215.09	109,491.25	15,197,723.84	13,441,256.30	91,255.38	13,350,000.92

### (2) Inventory Falling Price Reserves

#### (1) Detailed Information

Items	Beginning Balance	Increase in current period	Decrease in current period		Ending Balance
			Carried Back	Write-off	
Raw Materials	5,360.31	8,222.90		2,876.75	10,706.46
Goods in Stock	85,895.07	34,945.84		22,056.12	98,784.79
Total	91,255.38	43,168.74		24,932.87	109,491.25

2) Basis and Reason for Provision for and Carrying-back of Inventory Falling Price Reserves in this period, and the proportion of carried-back amount in the balance

Items	Basis of Provision for Inventory Falling Price Reserves	Reason for Carrying back Inventory Falling Price Reserves	Proportion of Carried Back Amount in Period-End Inventory Balance
Raw Materials	Lower of Cost or Net Realizable Value Method		
Goods in Stock	Lower of Cost or Net Realizable Value Method		

## 12. Other current assets

Items	Ending Balance	Beginning Balance
Fees to be Apportioned	407,792.26	290,439.31
Hedging instrument	55,315.45	30,225.95
Hedging margins		201,340.38
Taxes		1,607,249.22
Total	463,107.71	2,129,254.86

## 13. Financial assets available for sale

Items	Ending Balance	Beginning Balance
The Equity Instruments Available for Sales	1,068.60	776.33
Less: Provision for Impairment of Available-for-sale Financial Assets		
Net value	1,068.60	776.33

## 14. Investment on affiliated enterprises

Invested Entity	Shareholding Proportion (%)	Voting Right Proportion (%)	Period-End Total Assets	Period-End Total Liabilities	Period-End Total Net Assets	Current-Period Total Operating Incomes	Current-Period Net profit
Golden Eagle Asset Management Co., Ltd.	20.00	20.00	172,064.30	33,264.13	138,800.16	120,023.18	-43,001.65
Guangzhou Antaida Logistics Co., Ltd.	20.00	20.00	21,900.05	6,054.31	15,845.74	8,782.97	-583.51
PT. MIDEA PLANET INDONESIA	51.00	51.00	79,462.72	116,473.00	-37,010.28	124,041.21	-22,064.88
MIDEA ELECTRIC TRADING THAILAND CO., LTD.	49.00	49.00	13,428.30	7,798.95	5,629.35	28,117.26	-7,448.80
Misr Refrigeration And Air Conditioning Manufacturing Co.	32.50	32.50	586,260.02	201,120.36	385,139.66	934,524.61	85,833.03
Foshan City Shunde District Midea Micro-Credit Inc.	30.00	30.00	432,170.73	197,641.56	234,529.17	60,427.93	28,508.86
Midea Micro-Credit Inc.	45.00	45.00	362,047.75	160,131.90	201,915.84	36,374.94	1,296.21
Hefei Royalstar Motor Co., Ltd.	49.50	49.50	176,136.55	12,825.80	163,310.75		25.12
Shanxi Huaxiang Group Co., Ltd.	49.00	49.00	1,477,050.54	985,508.28	491,542.26	1,124,432.42	39,014.70
Linkgo-HK Limited	49.00	49.00	34,818.26	134.97	34,683.29	10,567.90	8,657.19
Foshan Micro Midea Filter Co., Ltd.	40.00	40.00	65,765.70	17,215.94	48,549.76	122,348.72	14,027.81
(Philippines) CONCEPCION MIDEA INC	48.00	48.00	27,834.29	4,943.98	22,890.31		-5,186.83
MIDEA TRADING (THAILAND) CO., LTD.	30.00	30.00	763.70	9,696.70	-8,933.00	1,729.89	-211.25

## 15. Long-term equity investments

Name of Invested Entity	Accounting Method	Investment Cost	Beginning Balance	Decrease and Increase Changes	Ending Balance
Golden Eagle Asset Management Co., Ltd.	Equity method	50,000.00	36,360.36	-8,600.33	27,760.03
Midea Malaysia Joint Venture	Cost Method	7,186.32	413.32	-413.32	
Guangzhou Antaida Logistics Co., Ltd.	Equity method	2,000.00	3,285.85	-116.70	3,169.15
Bank of Jiangsu Co., Ltd.	Cost Method	13,220.45	4,240.11	9,090.34	13,330.45
(Malaysia) Midaqi Little Swan Industry Co., Ltd.	Cost Method	4,224.74	4,224.74	-4,224.74	
Hubei Bank Co., Ltd.	Cost Method	5,000.00	5,000.00		5,000.00
Inner Mongolia Baotou Department Store Co., Ltd.	Cost Method	50.00	50.00		50.00
Suzhou People's Shopping Centre	Cost Method	150.00	150.00		150.00
Hengtai Insurance Brokers Co., Ltd.	Cost Method	1,000.00	1,000.00	-1,000.00	
Misr Refrigeration And Air Conditioning Manufacturing Co.	Equity method	380,880.56	372,138.32	-11,758.90	360,379.42
PT. MIDEA PLANET INDONESIA	Equity method	6,755.15	-7,152.38	7,152.38	
MIDEA ELECTRIC TRADING THAILAND CO., LTD.	Equity method	5,282.32	5,371.12	-2,612.74	2,758.38
Shanxi Huaxiang Group Co., Ltd.	Equity method	85,100.15	205,105.16	13,594.25	218,699.41
Linkgo-HK Limited	Equity method	0.08	28,191.02	-972.23	27,218.79

(Continued)

Name of Invested Entity	Accounting Method	Investment Cost	Beginning Balance	Decrease and Increase Changes	Ending Balance
Foshan Micro Midea Filter Co., Ltd.	Equity method	6,130.89	13,819.25	5,611.13	19,430.38
(Philippines) CONCEPCION MIDEA INC	Equity method	13,432.95		10,987.35	10,987.35
Hefei Royalstar Motor Co., Ltd.	Equity method	8,478.02	80,826.39	12.43	80,838.82
Foshan Shunde Rural Commercial Bank Company Limited	Cost Method	452,840.00	452,840.00		452,840.00
Zhangshu City Shunyin Rural Bank Co., Ltd.	Cost Method	6,000.00	6,000.00		6,000.00
Fengcheng Shunyin Rural Bank Co., Ltd.	Cost Method	6,000.00	6,000.00		6,000.00
Wanjiang Financial Leasing Co., Ltd.	Cost Method	360,000.00	360,000.00		360,000.00
Foshan City Shunde District Midea Micro-Credit Inc.	Equity method	60,781.65	45,889.31	24,469.44	70,358.75
Midea Micro-Credit Inc.	Equity method	80,088.96	90,243.88	583.28	90,827.16
MIDEA TRADING (THAILAND) CO., LTD.	Equity method	115.15			
Total		1,554,717.39	1,713,996.45	41,801.64	1,755,798.09

(Continued)

Name of Invested Entity	Shareholding ratio (%)	Voting Right (%)	Explanation on inconsistency	Amount of impairment provision	Impairment Provision of Current Period	Cash dividends of this period
Golden Eagle Asset Management Co., Ltd.	20.00	20.00				
Guangzhou Antaida Logistics Co. Ltd.	20.00	20.00				
Bank of Jiangsu Co., Ltd.						123.40
(Malaysia) Midaqi Little Swan Industry Co., Ltd.						
Hubei Bank Co., Ltd.						1,015.56
Inner Mongolia Baotou Department Store Co., Ltd.						
Suzhou People's Shopping Centre						50.00
Hengtai Insurance Brokers Co., Ltd.						
Misr Refrigeration And Air Conditioning Manufacturing Co.	32.50	32.50				
PT. MIDEA PLANET INDONESIA	51.00	51.00				
MIDEA ELECTRIC TRADING THAILAND CO., LTD.	49.00	49.00				
Shanxi Huaxiang Group Co., Ltd.	49.00	49.00				
Linkgo-HK Limited	49.00	49.00				
Foshan Micro Midea Filter Co., Ltd.	40.00	40.00				
(Philippines) CONCEPCION MIDEA INC	48.00	48.00				
Hefei Royalstar Motor Co., Ltd.	49.50	49.50				
Foshan Shunde Rural Commercial Bank Company Limited	6.33	6.33				29,607.48
Zhangshu City Shunyin Rural Bank Co., Ltd.	6.00	6.00				60.00
Fengcheng Shunyin Rural Bank Co., Ltd.	6.00	6.00				
Wanjiang Financial Leasing Co., Ltd.						21,600.00
Foshan City Shunde District Midea Micro-Credit Inc.	30.00	30.00				4,864.86
Midea Micro-Credit Inc.	45.00	45.00				
MIDEA TRADING (THAILAND) CO., LTD.	30.00	30.00				
Total						57,321.30

## 16. Investment properties

Items	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance
1) Subtotal of Original Book Value	123,219.48	262,878.63		386,098.11
Housing and Buildings	113,044.58	227,086.96		340,131.54
Land Use Right	10,174.90	35,791.67		45,966.57
2) Subtotal of Accumulated Depreciation and Amortization Summation	38,831.47	128,855.87		167,687.34
Housing and Buildings	36,710.46	117,823.20		154,533.66
Land Use Right	2,121.01	11,032.67		13,153.68
3) Subtotal of Book Net-Value	84,388.01			218,410.77
Housing and Buildings	76,334.12			185,597.88
Land Use Right	8,053.89			32,812.89
4) Subtotal of accumulated provisions for impairment		12,576.07		12,576.07
Housing and Buildings		12,576.07		12,576.07
Land Use Right				
5) Total of Book Value	84,388.01			205,834.70
Housing and Buildings	76,334.12			173,021.81
Land Use Right	8,053.89			32,812.89

Depreciation and amortization of this period is increased by RMB 128,855,870.

## 17. Fixed Assets

## (1) Detailed Information

Items	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance
1) Subtotal of Original Book Value	28,826,502.93	2,594,507.30	1,766,663.81	29,654,346.42
Housing and Buildings	13,066,779.17	1,392,182.46	555,906.36	13,903,055.27
Machinery equipment	12,910,164.10	909,937.28	1,033,329.52	12,786,771.86
Transporting Tools	864,097.75	68,744.17	39,765.95	893,075.97
Electric equipment and others	1,985,461.91	223,643.39	137,661.98	2,071,443.32
		Transfer into in this period	Provision in this period	
2) Subtotal of Accumulated Depreciation	8,557,660.68	4,743.76	2,287,844.72	10,056,715.42
Housing and Buildings	2,386,497.99		690,433.28	2,911,240.00
Machinery equipment	4,598,305.38		1,135,073.95	5,222,779.17
Transporting Tools	322,343.76		89,231.69	386,332.70
Electric equipment and others	1,250,513.55	4,743.76	373,105.80	1,536,363.55

(Continued)

Items	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance
3) Subtotal of Book Net-Value	20,268,842.25			19,597,631.00
Housing and Buildings	10,680,281.18			10,991,815.27
Machinery equipment	8,311,858.72			7,563,992.69
Transporting Tools	541,753.99			506,743.27
Electric equipment and others	734,948.36			535,079.77
4) Subtotal of impairment provision	16,313.34	22,344.86	13,188.52	25,469.68
Housing and Buildings	15,098.71	2,027.91	12,576.07	4,550.55
Machinery equipment	776.59	18,802.60	446.03	19,133.16
Transporting Tools	24.35	269.62		293.97
Electric equipment and others	413.69	1,244.73	166.42	1,492.00
5) Total of book value	20,252,528.91			19,572,161.32
Housing and Buildings	10,665,182.47			10,987,264.72
Machinery equipment	8,311,082.13			7,544,859.53
Transporting Tools	541,729.64			506,449.30
Electric equipment and others	734,534.67			533,587.77

The depreciation of this period is RMB 2,287,844,720, and construction in progress transferred into fixed assets in this period is RMB 1,693,990,540.

(2) Significant fixed assets without issued title certificate

Items	Why title certificate not issued	Estimated issuing time of title certificate
Wuhu Washing canteen land use and house property certificate	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Wuhu Home Appliance canteen, and power station	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Wuhu Kitchen and Toilet 6# Plant	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Jiangxi Guiya Newly-Built Plant and Office Building	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Hefei HVAC 1, 2, 3, 4, 5 & 6# Plants	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Hefei HVAC 1, 4, 5, 6 & 7# dorms and 1 & 2# canteen	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Hefei HVAC 35KV/10KV Substation	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014

(Continued)

Items	Why title certificate not issued	Estimated issuing time of title certificate
Hefei 1, 2 & 3 warehouses and 3, 4, 7 & 8 warehouses of Hefei Logistics Park	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Hefei 4# complex building, and 11# complex building of Hefei Logistics Park	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Jingzhou Logistics Park	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Wuhu Comprehensive Logistics Park (East Area 150 mu), Wuhu Meian Logistics Park (500 mu)	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Shenyang Logistics Park	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Tianjin Logistics Park	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Qihe Logistics Park	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Hefei 141 mu & 500 mu warehouses	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Wuhan Logistics Park	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Zhengzhou Logistics Park	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Guiyang Logistics Park	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Chongqing, Nanjing and Shanghai Logistics Park	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Chongqing Refrigeration 4 & 5# plants	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Wuhu Cutting plants	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014
Chongqing Refrigeration 1 & 2# plants	Documents have been submitted to relevant government department, and are going through necessary procedures.	Year 2014

## 18. Construction in progress

## (1) Detailed Information

Projects Name	Ending Balance			Beginning Balance		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
GMCC Compressor Engineering	25,116.39		25,116.39	25,199.65		25,199.65
Household Air-conditioner (Chongqing)Project	82,162.33		82,162.33	316,537.63		316,537.63
Shenyang Meian Project				142,391.41		142,391.41
Central Air-Conditioning (Hefei) Project				1,036.80		1,036.80
Nanjing Annto Engineering				93,885.54		93,885.54
Handan Air-Conditioner Expansion Project	9,972.51		9,972.51	2,472.00		2,472.00
Compressor (Anhui)Project	47,117.24		47,117.24	136,187.78		136,187.78
Wuhu Living Base Project				4,074.89		4,074.89
Guangdong Welling Construction in Progress	91,917.30		91,917.30	122,872.43		122,872.43
Hefei Annto Logistics Park				72,323.66		72,323.66
Qihe Meian Project	94,826.46		94,826.46	71,685.62		71,685.62
Zhengzhou Annto	6,456.65		6,456.65	45,320.49		45,320.49
Jingzhou Meian				34,769.38		34,769.38
Refrigerator (Hefei) Project	322.00		322.00	82,947.33		82,947.33
Other projects	254,710.40		254,710.40	454,524.78	5,533.29	448,991.49
Total	612,601.28		612,601.28	1,606,229.39	5,533.29	1,600,696.10

## (2) Increase/Decrease

Projects Name	Beginning Balance	Increase in current period	Conversion into Fixed Assets	Other Decreases
GMCC Compressor Engineering	25,199.65	42,198.22	42,281.49	
Household Air-conditioner (Chongqing)Project	316,537.63	60,540.40	294,915.70	
Shenyang Meian Project	142,391.41	226,595.42	368,986.83	
Central Air-Conditioning (Hefei) Project	1,036.80	10,170.17	11,206.97	
Nanjing Annto Engineering	93,885.54	26,008.57	119,894.11	
Handan Air-Conditioner Expansion Project	2,472.00	11,399.71	3,899.20	
Compressor (Anhui)Project	136,187.78	20,300.72	109,371.26	
Wuhu Living Base Project	4,074.89		4,074.89	
Guangdong Welling Construction in Progress	122,872.43	10,996.35	41,951.48	
Hefei Annto Logistics Park	72,323.66	8,657.27	80,980.93	
Qihe Meian Project	71,685.62	23,140.84		
Zhengzhou Annto	45,320.49	57,754.03	96,617.87	
Jingzhou Meian	34,769.38	30,023.36	64,792.74	
Refrigerator (Hefei) Project	82,947.33	8,395.66	91,020.99	
Other projects	454,524.77	164,181.71	363,996.07	
Total	1,606,229.39	700,362.43	1,693,990.54	



(Continued)

Projects Name	Accumulative amount of interest capitalization	Amount of interest capitalization in this period	Annual interest capitalization rate in this period (%)	Source of Funds	Ending Balance
GMCC Compressor Engineering				Self-financing and Raised funds	25,116.39
Household Air-conditioner (Chongqing)Project				Self-financing	82,162.33
Shenyang Meian Project	10,021.26	5,954.82	6.00	Loan	
Central Air-Conditioning (Hefei) Project				Self-financing and Raised funds	
Nanjing Annto Engineering	1,439.40	1,396.47	6.00	Loan	
Handan Air-Conditioner Expansion Project				Self-financing	9,972.51
Compressor (Anhui)Project				Self-financing	47,117.24
Wuhu Living Base Project	5,058.56		4.27	Loan	
Guangdong Welling Construction in Progress				Self-financing	91,917.30
Hefei Annto Logistics Park				Self-financing	
Qihe Meian Project	5,138.04	3,944.09	6.00	Loan	94,826.46
Zhengzhou Annto	2,009.64	1,919.05	6.00	Loan	6,456.65
Jingzhou Meian	3,114.56	2,259.36	6.00	Loan	
Refrigerator (Hefei) Project				Self-financing and Raised funds	322.00
Other projects				Self-financing	254,710.41
Total	26,781.47	15,473.79			612,601.28

## (3) Impairment provision for construction in progress

Projects Name	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance	Reason for provision
Other projects	5,533.29		5,533.29		Land and buildings on land have been returned to the local government as per original land transfer amount
Subtotal	5,533.29		5,533.29		

## 19. Intangible assets

Items	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance
1) Subtotal of Original Book Value	4,186,955.74	239,877.83	585,138.21	3,841,695.36
Land Use Right	3,935,227.07	199,732.67	486,808.05	3,648,151.69
Non-patent technology	186,756.77	16,552.37	53,234.01	150,075.13
Others	64,971.90	23,592.79	45,096.15	43,468.54
2) Subtotal of Accumulative Amortization	514,298.38	97,914.88	96,256.30	515,956.96
Land Use Right	375,657.94	82,120.58	41,553.40	416,225.12
Non-patent technology	122,371.47	13,134.93	52,967.14	82,539.26
Others	16,268.97	2,659.37	1,735.76	17,192.58

(Continued)

Items	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance
3) Subtotal of Book Net-Value	3,672,657.36			3,325,738.40
Land Use Right	3,559,569.13			3,231,926.57
Non-patent technology	64,385.30			67,535.87
Others	48,702.93			26,275.96
4) Subtotal of impairment provision	466.43		466.43	
Land Use Right	466.43		466.43	
Non-patent technology				
Others				
5) Total of book value	3,672,190.93			3,325,738.40
Land Use Right	3,559,102.70			3,231,926.57
Non-patent technology	64,385.30			67,535.87
Others	48,702.93			26,275.96

The amortization of this period is RMB 97,914,880.

## 20. Goodwill

### (1) Changes of goodwill

Name of Invested Entity	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance	Impairment at End of Period
Wuhu Lexiang Electric Appliance Co., Ltd.	4,817.20			4,817.20	
Guangdong GMCC Compressor Co., Ltd.	13,732.33			13,732.33	
Guangdong Midea Wuhu Refrigeration Equipment Co., Ltd.	46,787.54			46,787.54	
Guangdong Midea Refrigeration Equipment Co., Ltd.	11,436.08			11,436.08	
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	10,160.73			10,160.73	
Guangdong Midea Commercial Air Conditioning Equipment Co., Ltd.	4,107.14			4,107.14	
Hefei Midea Royalstar Refrigerator Co., Ltd.	5,259.68			5,259.68	
Hefei Royalstar Midea Appliance Marketing Co., Ltd.	9,008.52			9,008.52	
Hefei Royalstar Washing Equipment Manufacturing Co., Ltd.	34,373.76			34,373.76	
Chongqing Midea General Refrigeration Equipment Co., Ltd.	8,210.30			8,210.30	
Wuxi Little Swan Company Limited	1,326,932.45			1,326,932.45	
Midea Carrier Latin American Company	1,037,366.70			1,037,366.70	
Jiangxi Midea Elegant Lighting Co., Ltd.	54,427.28			54,427.28	
Guangdong Midea Electric Appliance Co., Ltd.	470,306.70		470,306.70		
Guangdong Ganey Precision Machinery Co., Ltd.	71,718.26		71,718.26		
Calpore Macao Commercial Offshore Ltd.	329,956.93			329,956.93	
Kim Eng Enterprise Co., Ltd.	29,467.39			29,467.39	
Ningbo Meijia Investment Management Co., Ltd.	320.53			320.53	
Changzhou Honglu Huate Electric Co., Ltd.	4,639.03			4,639.03	
Total	3,473,028.55		542,024.96	2,931,003.59	

## (2) Goodwill impairment testing method and method of impairment provision

Our company tests impairment of goodwill based on cash flows, discount rate, and other indicators. After testing and calculation, the book value of the goodwill which is corresponding to relevant asset groups or combination of assets groups is not depreciated; therefore it's unnecessary to prepare provision for goodwill impairment.

## (3) Decrease in goodwill

Our equity in Guangdong Ganey Precision Machinery Co., Ltd. has been transferred, and relevant goodwill has been written off at the same time.

On 18 September, 2013, the stock issued by our company consolidates and merges the stock of GD Midea Holding Co., Ltd., and GD Midea Holding Co., Ltd. was deregistered in December 2013. Our company integrated the business of formerly GD Midea Holding Co., Ltd., and integrated the small home appliance business with the large home appliance business such as air-conditioners, refrigerators and washing machine. As assets business corresponding to the goodwill has been changed, our company will write off the goodwill of GD Midea Holding Co., Ltd.

*21. Long-term unamortized assets*

Items	Beginning Balance	Increase in current period	Amortized of the Current Period	Other Decreases	Ending Balance
IT software and consulting fees	137,628.33	96,146.11	61,651.89	8,844.46	163,278.09
Mould fees	254,104.82	313,361.49	194,038.09	10,104.61	363,323.61
Technical getting-started fees	4,416.11		4,113.76		302.35
Expenses on improvement of assets under operating lease	5,515.88	1,248.68	3,024.97	1,353.43	2,386.16
Others	187,077.11	329,261.28	382,122.74	15,623.52	118,592.13
Total	588,742.25	740,017.56	644,951.45	35,926.02	647,882.34

*22. Deferred income tax assets and deferred tax liabilities*

## (1) Determined deferred income tax assets and deferred tax liabilities

Items	Ending Balance	Beginning Balance
Deferred income tax assets		
Losses for covering up	173,762.25	181,811.86
Provision for assets impairment	80,589.81	85,683.45
Workers compensation and dismissal costs	256,213.48	123,510.74
Accrued Expenses	1,971,118.75	339,760.51
Internal unrealized profits	51,569.61	36,710.63
Change of Fair Value	356.83	
Estimated liabilities	3,552.51	3,691.68
Deferred Revenue	23,611.69	18,650.01
Others	6,429.52	2,394.54
Total	2,567,204.45	792,213.42
Deferred tax liabilities		
Change of Fair Value	120,556.06	86,157.80
Others	3,241.56	
Total	123,797.62	86,157.80

## (2) Details of taxable differences and deductible differences

Items	Ending Balance	Beginning Balance
Deductible temporary differences		
Losses for covering up	560,386.53	817,081.47
Provision for assets impairment	347,182.70	554,558.93
Workers compensation and dismissal costs	1,506,604.78	755,668.41
Accrued Expenses	12,134,601.69	1,753,494.83
Internal unrealized profits	312,395.59	227,746.45
Change of Fair Value	2,378.28	
Estimated liabilities	23,683.42	24,611.19
Deferred Revenue	144,561.80	80,300.34
Others	27,323.36	15,783.50
Total	15,059,118.15	4,229,245.12
Taxable temporary differences		
Change of Fair Value	647,354.18	531,606.14
Others	19,340.65	
Total	666,694.83	531,606.14

## 23. Provision for assets impairment

Items	Beginning Balance	Increase in current period	Decrease in current period		Ending Balance
			Carried Back	Write-off	
Provision for bad account	671,737.46	2,114.32		99,461.75	574,390.03
Inventory Falling Price Reserves	91,255.38	43,168.74		24,932.87	109,491.25
Impairment provision for construction in progress	5,533.29			5,533.29	
Provision for Loss on Intangible Assets	466.43			466.43	
Impairment Reserves for Long-term Equity Investment	4,224.74			4,224.74	
Provision for Loss on Fixed Assets	16,313.34	22,344.86		13,188.52	25,469.68
Impairment provision for investment real estate		12,576.07			12,576.07
Provision for loan loss	30,500.07	15,318.17			45,818.24
Total	820,030.71	95,522.16		147,807.60	767,745.27

## 24. Short-term loans

Items	Ending Balance	Beginning Balance
Credit Loans	456,476.16	365,634.28
Pledged Loans		101,736.41
Hypothecated Loans	448,603.78	1,169,751.78
Guaranteed Loans	2,844,038.20	1,315,341.00
Trade financing	5,123,055.84	2,129,623.61
Total	8,872,173.98	5,082,087.08

## 25. Borrowing from the central bank

Items	Ending Balance	Beginning Balance
Rediscount	89,708.03	
Total	89,708.03	

## 26. Financial liabilities held for trading

Items	Ending Balance	Beginning Balance
Derivative Financial Tools	11,260.18	22,073.08
Total	11,260.18	22,073.08

## 27. Note payables

Classification	Ending Balance	Beginning Balance
Bank Acceptance Bill	6,308,478.45	9,073,386.65
Commercial Acceptance Draft		170,000.00
Total	6,308,478.45	9,243,386.65

The amount to be due in next accounting period is RMB 6,308,478,450.

## 28. Account payables

## (1) Aging Analysis

Age	Ending Balance	Beginning Balance
Within 1 Year	15,627,789.98	14,561,442.82
1-2 Years	1,366,968.81	840,124.99
2-3 years	236,466.05	322,654.89
3-5 years	276,874.82	49,373.54
Total	17,508,099.66	15,773,596.24

(2) Accounts payable to shareholding companies and other associated parties that hold more than 5% (including 5%) voting shares of our company

Enterprise Name	Ending Balance	Beginning Balance
Hefei City Bainian Molding Technology Co., Ltd.	202.08	17,449.99
Hefei Orinko New Material Co., Ltd.		9,411.40
Guangdong Wellkey Electric Material Co., Ltd.	99,197.47	88,679.93
Anhui Wellkey Electric Material Co., Ltd.	48,775.65	
Foshan Micro Midea Filter Co., Ltd.	15,938.35	7,942.24
Foshan City Shunde District Yuanrong New Material Co., Ltd.		1,740.49

(Continued)

Enterprise Name	Ending Balance	Beginning Balance
Shanxi Huaxiang Group Co., Ltd.	44,554.69	8,259.30
Shanxi Huaxiang Tongchuang Casting Co., Ltd.	16,559.88	28,284.98
Guangdong Yingke Electronics Co., Ltd.	17,626.97	279.12
Subtotal	242,855.09	162,047.45

### 29. Advances from customers

#### (1) Aging Analysis

Age	Ending Balance	Beginning Balance
Within 1 Year	4,834,477.76	3,453,849.26
1-2 Years	85,771.38	58,939.89
2-3 years	15,689.17	23,966.82
3-5 years	47,407.95	33,396.82
Total	4,983,346.26	3,570,152.79

(2) There are no advanced payments from shareholding companies and other associated parties that hold more than 5% (including 5%) voting shares of our company at the end of period.

### 30. Employee benefits payable

#### (1) Detailed Information

Items	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance
Wages, Bonuses, Allowances and Subsidies	1,117,163.33	7,109,604.09	6,504,902.95	1,721,864.47
Employee Welfare Fund	43,540.17	621,065.37	602,782.76	61,822.78
Social Security Charges	42,767.05	845,654.25	825,560.18	62,861.12
including: Medical Insurance Premium	18,955.26	309,361.16	309,149.54	19,166.88
Basic Pension Insurance	21,425.97	456,930.20	438,265.08	40,091.09
Unemployment Insurance Premium	1,262.81	29,431.52	29,117.18	1,577.15
Premium on Work Injury	715.44	29,726.46	29,344.46	1,097.44
Premium on Birth	407.57	20,204.91	19,683.92	928.56
Housing Fund	8,033.25	133,017.16	127,182.13	13,868.28
Labor Union Funds and Education Funds	18,251.25	46,633.05	45,567.82	19,316.48
Non-monetary welfare		3,844.72	3,844.72	
Welfare Refunded	97,140.11	44,100.55	53,875.77	87,364.89
Others	3,208.01	42,250.25	43,718.55	1,739.71
Total	1,330,103.17	8,846,169.44	8,207,434.88	1,968,837.73

## (2) Estimated date and amount of payment of employee compensation

As of the date when the financial statements are approved to be issued, our company has paid off the employee compensation.

*31. Taxes and expenses payables*

## (1) Detailed Information

Items	Ending Balance	Beginning Balance
Added-value tax	-759,078.82	214,155.00
Business tax	7,169.44	35,412.35
Corporate income tax	1,636,321.57	590,904.38
Personal Income Tax Deduction and Withholding	21,670.27	33,259.96
Housing property tax	34,240.35	12,896.11
Land Use Tax	16,043.00	5,852.64
City maintenance Construction Tax	30,274.72	7,856.00
Education Surcharge	20,325.75	5,171.49
Others	21,048.82	12,136.64
Total	1,028,015.10	917,644.57

*32. Interests payable*

Items	Ending Balance	Beginning Balance
Enterprise bond interest	2,716.59	127,009.16
Short-term loan interests payable	67,107.28	24,564.35
Short-term financing bond interests payable		38,564.06
Total	69,823.87	190,137.57

*33. Dividend payables*

Enterprise Name	Ending Balance	Beginning Balance	Reason for not Paying after 1 Year from Date Due
Shareholders of the subsidiaries	94,046.21	72,913.44	No
Total	94,046.21	72,913.44	

*34. Other payables*

## (1) Aging Analysis

Age	Ending Balance	Beginning Balance
Within 1 year	1,062,796.67	2,031,420.86
1-2 years	182,120.75	340,854.06
2-3 years	192,594.58	55,040.94
3-5 years	50,269.02	42,002.62
Total	1,487,781.02	2,469,318.48

(2) There are no accounts payable to shareholding companies and other associated parties that hold more than 5% (including 5%) voting shares of the Company at the period end.

(3) Explanation on other payables with significant amount and aged over 1 year

Other payables at period end with significant amount and aged over 1 year which was mainly due to advance received and delinquent payment not yet settled.

(4) Explanation on the nature and content of other payables with significant amount

Enterprise Name	Ending Balance	Nature and Content of the Payables
Hefei City National Treasury Payment Center	153,283.39	Energy-saving subsidies
Foshan City Hanyu Investment Development Co., Ltd.	10,000.00	Cash deposit
Wuhu Qiangkun Material Recycling Co., Ltd.	6,317.17	Cash deposit
Wang Kai	5,733.45	Advance received
Guangxi Huayu Construction Co., Ltd.	5,380.58	Cash deposit
Subtotal	180,714.59	

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

(1) Detailed Information

Items	Ending Balance	Beginning Balance
Long-term Loans within One Year	617,427.59	449,305.53
Bonds payable due within one year	999,942.58	3,495,522.72
Total	1,617,370.17	3,944,828.25

(2) Long-term loans due within one year

1) Detailed Information

Items	Ending Balance	Beginning Balance
Credit Loans		10,829.05
Guaranteed Loans	617,427.59	438,476.48
Subtotal	617,427.59	449,305.53



## 2) Long-term loans due within one year with significant amount

Loaning Unit	Borrowing Starting Date	Borrowing Due Date	Currency	Annual Interest Rate	Ending Balance		Beginning Balance	
					Original Currency Amount	RMB Amount	Original Currency Amount	RMB Amount
Syndications (including BNP PARIBAS, Bank of China, HSBC Bank, Mitsui Sumitomo, Hang Seng Bank, Bank of Ayudhya, Woori Bank and Yogyakarta)	2011-08-31	2014-08-31	USD	2.15%+LIBOR (3 months)	39,000.00	239,162.04	91,000.00	554,817.90
Syndications (including BNP PARIBAS, Bank of China, HSBC Bank, Mitsui Sumitomo, Hang Seng Bank, Bank of Ayudhya, Woori Bank and Yogyakarta)	2011-08-31	2014-08-16	USD	LIBOR+ 2.15%p. a.	36,194.89	220,676.65	84,517.72	531,236.16
Syndications (including BNP PARIBAS, Bank of China, Natixis)	2011-08-31	2014-08-31	USD	2.15%+LIBOR (3 months)	13,360.00	81,928.33	31,200.00	190,223.28
Syndications (including BNP PARIBAS, Bank of China, Natixis)	2011-08-31	2014-08-16	HKD	HIBOR+ 2.15%p. a.	96,235.78	75,660.57	224,612.30	182,138.11
Subtotal						617,427.59		1,458,415.45

## (3) Bonds payable due within one year

Bond Name	Par Value	Issue Date	Bonds Period	Amount	Interest Payable at the Beginning of the Period
10 Midea MTN1	100.00	12 March, 2010	3 years	1,500,000.00	68,850.00
10 Midea MTN2	100.00	19 April, 2010	3 years	500,000.00	22,950.00
10 Midea MTN3	100.00	24 November, 2010	3 years	1,500,000.00	74,700.00
11 Midea MTN1	100.00	21 January, 2011	3 years	1,000,000.00	47,629.17
Total				4,500,000.00	214,129.17

Continued

Bond Name	Interest Accrued in This Period	Interest Paid in This Period	Interest Payable at the End of the Period	Ending Balance	Note
10 Midea MTN1	13,770.00	82,620.00			
10 Midea MTN2	6,948.75	29,898.75			
10 Midea MTN3	67,022.50	141,722.50			
11 Midea MTN1	49,700.00	61,782.78	35,546.39	999,942.58	
Total	137,441.25	316,024.03	35,546.39	999,942.58	

## 36. Other current liabilities

Items	Ending Balance	Beginning Balance
Withheld expenses-sales promotion fees	532,974.75	262,767.36
Withheld expenses-utilities	106,791.89	82,251.55
Withheld expenses-sales rebates	7,340,776.69	3,362,275.94
Withheld expenses-installation and maintenance fees	3,186,622.40	2,232,446.88
Withheld expenses-rental	30,508.57	83,718.46
Withheld expenses-technology royalties	149,372.77	124,031.41
Withheld expenses-shipping expenses	363,316.69	292,037.58
Withheld expenses-others	898,016.27	753,768.56
Short-term Financing Bond		1,000,000.00
Total	12,608,380.03	8,193,297.74

## 37. Long-term loans

## (1) Detailed Information

Items	Ending Balance	Beginning Balance
Credit Loans	13,246.78	104,745.90
Pledged Loans	54,656.18	86,744.25
Guaranteed Loans	643,561.68	2,196,983.81
Total	711,464.64	2,388,473.96

## (2) Top 5 long-term borrowings

Loaning Unit	Borrowing Starting Date	Borrowing Due Date	Currency	Annual Interest Rate	Ending Balance		Beginning Balance	
					Original Currency Amount	RMB Amount	Original Currency Amount	RMB Amount
Royal Bank of Scotland	2008/09/04	2015/09/04	USD	1.4%+LIBOR (3 months)	8,964.59	54,656.18	13,716.15	83,668.54
Hang Seng Bank	2012/12/31	2015/05/15	HKD	3.97%	43,082.78	33,871.68	129,180.37	104,745.90
China Development Bank(Hong Kong Branch)	2012/06/29	2015/06/29	USD	3Mlibor +3.3%	50,000.00	304,845.00	50,000.00	314,275.00
China Development Bank(Hong Kong Branch)	2012/07/30	2015/06/29	USD	3Mlibo r+3.3%	50,000.00	304,845.00	50,000.00	314,275.00
BANCO ALFA DE INVESTIMENTOS S. A.	2012/06/19	2016/07/15	BRL	9.00%	3,520.16	9,021.81	4,494.80	13,675.88
Subtotal						707,239.67		830,640.32

## 38. Bond payables

Bond Name	Par Value	Issue Date	Bonds Period	Amount	Interest Payable at the Beginning of the Period
Collective bond of 12 Wuhu small and medium enterprises	100.00	19 July, 2012	6 years	150,000.00	2,428.75
Total				150,000.00	2,428.75

Continued

Bond Name	Interest Accrued at Current Period	Interest Paid at Current Period	Interest Payable at the End of the Period	Ending Balance	Note
Collective bond of 12 Wuhu small and medium enterprises	11,237.84	10,950.00	2,716.59	152,716.59	
Total	11,237.84	10,950.00	2,716.59	152,716.59	

## 39. Estimated liabilities

Items	Beginning Balance	Increase of the Current Year	Decrease of Current Year	Ending Balance
Deposit for assurance of product quality	24,611.19	88,023.07	79,168.07	33,466.19
Total	24,611.19	88,023.07	79,168.07	33,466.19

## 40. Other non-current liabilities

(1) Detailed Information

Items	Ending Balance	Beginning Balance
Deferred Revenue	144,561.80	99,789.67
Total	144,561.80	99,789.67

## 41. Capital stock

Items	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance
Total shares	1,000,000.00	686,323.39		1,686,323.39
Total	1,000,000.00	686,323.39		1,686,323.39

On 29 July, 2013, according to the Reply to Approve Midea Group Co., Ltd. to Merge GD Midea Holding Co., Ltd. (Zheng Jian Xu Ke [2013] No. 1014 Document), the CSRC approved the Company to merge GD Midea Holding Co., Ltd. by issuing 686,323,389 shares. On 17 September, 2013, the Company completed the issuance of RMB ordinary shares (A shares). Tianjian Accounting Firm (Special general partnership) verified the newly-increased registered capital and issued the Capital Verification Report (Tian Jian Yan [2013] No. 3-24).

#### 42. Capital reserve

##### (1) Detailed Information

Items	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance
Stock Premium	584,253.31	12,491,559.52		13,075,812.83
Other Capital Surplus	2,453,058.67	91,919.28		2,544,977.95
Total	3,037,311.98	12,583,478.80		15,620,790.78

##### (2) Other statements

- Capital stock premium is increased by RMB 12,491,559,520, among which 1) according to the Report on Midea Group Co., Ltd.'s Merger of GD Midea Holding Co., Ltd. by Issuing Convertible Shares (Zheng Jian Xu Ke [2013] No. 1014 Document) by CSRC, the offering price of the Company's RMB ordinary shares (A shares) was RMB 44.56 per share. Therefore, the total capital contribution subscribed by the public shareholders of Midea Appliances was RMB 30,582,570,210. The transaction fees during issuing the A shares were RMB 72,280,000, including sponsoring and financial consultant fees of RMB 60,000,000, attorney fees of RMB 5,200,000, and auditing fees of RMB 7,080,000. The net amount of subscribed capital contribution after deducting transaction fees were RMB 30,510,290,210, among which, RMB 686,323,390 was recorded in equity, and RMB 29,823,966,820 was recorded in capital reserves; 2) When the Company bought non-controlling shares of GD Midea Holding Co., Ltd., for calculation of the new long-term equity investment and new shareholding rate, it shall enjoy the difference among the net assets since the purchasing date of the subsidiary; therefore the capital reserves were adjusted by RMB 17,332,407,300.
- Other capital reserves were increased by RMB 91,919,280, including increase in the fair value of hedging instrument in the subsidiary, RMB 45,162,310, and the increased capital reserves by disposal of the subsidiary, RMB 46,756,970.

#### 43. Surplus reserve

Items	Beginning Balance	Increase in current period	Decrease in current period	Ending Balance
Statutory Surplus Accumulation Fund	66,439.07	503,105.25		569,544.32
Total	66,439.07	503,105.25		569,544.32

#### 44. Undistributed profits

Items	Amount	Percentage of Appropriation or Distribution
Undistributed profit at the end of previous period before adjustment	10,490,636.40	
Adjustment of the total undistributed profit at the beginning of the period ("+ " for increase, and " - " for decrease)		
Undistributed Profit after Adjustment at the Begin of This Period	10,490,636.40	
Add: Net profit attributable to the owners of the parent company for the period	5,317,458.06	
Less: Statutory Accumulation Reserve	503,105.25	10.00%
Discretionary Surplus Reserve		
Appropriation of general risk reserve		
Withdrawal of bonus and welfare fund for staff and workers		
Ordinary share dividends payable		
Common Stock Dividend Transferred to Share Capital		
Others		
Undistributed Profit End the Year	15,304,989.21	

## (II) Notes to Consolidated Income Statement

## 1. Operating incomes/costs

## (1) Detailed Information

Items	Balance of this Period	Balance of the same period of previous year
Main Operations Income	112,396,577.36	96,089,470.29
Other operating income	8,868,602.66	6,623,552.28
Operating costs	93,023,105.31	79,510,947.47

## (2) Main operating incomes and costs (by industries)

Industry Name	Balance of this Period		Balance of the same period of previous year	
	Income	Cost	Income	Cost
Manufacturing	110,637,201.02	84,263,611.07	94,243,557.19	72,229,797.50
Logistics and transportation	1,759,376.34	1,555,389.57	1,845,913.10	1,633,550.25
Subtotal	112,396,577.36	85,819,000.64	96,089,470.29	73,863,347.75

## (3) Main operating incomes and costs (by products)

Category of Product or Business	Balance of this Period		Balance of the Same Period of Previous Year	
	Income	Cost	Income	Cost
Large home appliances	78,362,227.69	59,434,947.19	63,628,983.80	48,550,390.41
Air-conditioner and spare parts	62,177,696.67	46,942,826.43	51,464,085.60	38,915,613.19
Refrigerator and spare parts	8,131,083.38	6,581,673.70	5,950,630.13	4,925,833.19
Washing machine and spare parts	8,053,447.64	5,910,447.06	6,214,268.07	4,708,944.03
Small household electrical appliance	27,843,791.00	21,107,489.10	25,761,605.17	19,685,844.78
Motor	4,431,182.33	3,721,174.78	4,852,968.22	3,993,562.31
Logistics	1,759,376.34	1,555,389.57	1,845,913.10	1,633,550.25
Subtotal	112,396,577.36	85,819,000.64	96,089,470.29	73,863,347.75

## (4) Main operating incomes and costs (by regions)

Region	Balance of this Period		Balance of the same period of previous year	
	Income	Cost	Income	Cost
China	67,313,554.94	49,041,081.74	53,265,955.34	38,891,909.01
Other countries	45,083,022.42	36,777,918.90	42,823,514.95	34,971,438.74
Subtotal	112,396,577.36	85,819,000.64	96,089,470.29	73,863,347.75

## (5) Revenues of top 5 customers of the Company

Items	Operating income	Percentage in Total Operating Revenue of the Company (%)
Customer 1	3,056,335.11	2.52
Customer 2	2,271,023.08	1.87
Customer 3	1,680,467.62	1.39
Customer 4	1,409,484.23	1.16
Customer 5	1,314,029.09	1.08
Subtotal	9,731,339.13	8.02

## (6) Interest income/expense

Items	Balance of this Period	Balance of the Same Period of Previous Year
Interest income	290,159.30	114,912.08
Granting loans and advances	271,023.84	78,537.35
including: personal loans and advances		
Corporate loans and advances	20,122.25	4,988.04
Notes discount	250,901.59	73,549.31
Deposit in other banks	19,135.46	36,374.73
Interest expense	203,826.84	60,484.85
Interest net income	86,332.46	54,427.23

## 2. Business tax and surcharges

Items	Balance of this Period	Balance of the Same Period of Previous Year	Taxation Standard
Business tax	58,454.22	103,738.64	
City maintenance Construction Tax	307,734.06	243,305.92	
Education Surcharge	217,749.44	172,715.68	
Others	25,994.89	58,152.82	
Total	609,932.61	577,913.06	See the explanation on Taxes for details

## 3. Selling expenses

Items	Balance of this Period	Balance of the same period of previous year
Selling expenses	12,432,343.86	9,389,868.49
Total	12,432,343.86	9,389,868.49

#### 4. Administrative expense

Items	Balance of this Period	Balance of the same period of previous year
Administrative expense	6,733,456.28	5,925,780.78
Total	6,733,456.28	5,925,780.78

#### 5. Finance costs

Items	Balance of this Period	Balance of the same period of previous year
Interest expense	651,247.89	1,120,074.21
Less: interest income	802,075.42	506,109.20
Add: Exchange Loss	570,350.65	50,987.27
Add: Others	144,697.41	142,095.52
Total	564,220.53	807,047.80

#### 6. Assets impairment losses

Items	Balance of this Period	Balance of the same period of previous year
Bad debt loss	35,200.94	-14,094.01
Inventory falling price loss	49,851.56	43,352.00
Fixed assets impairment loss	22,344.87	
Construction in progress impairment loss		5,533.29
Intangible asset impairment loss		466.43
Loan impairment loss	15,318.17	13,618.73
Total	122,715.54	48,876.44

#### 7. Gain on change in fair value

Items	Balance of this Period	Balance of the same period of previous year
Tradable financial asset	546,265.97	17,752.89
including: Gains on change in fair value of derivative financial instruments	546,265.97	17,752.89
Total	546,265.97	17,752.89

#### 8. Investment Income

##### (1) Detailed Information

Sources of generating investment income	Balance of this Period	Balance of the same period of previous year
Long-term equity investment income measured using equity method	37,265.41	43,864.67
Long-term equity investment income measured using cost method	52,456.44	24,082.21
Investment income obtained from disposal of long-term equity investment	-48,371.74	-5,730.94
Investment income obtained during trading financial assets period		6,782.22
Investment Income Obtained by Dealing Trading Financial Assets	956,628.84	465,519.99
Total	997,978.95	534,518.15

## (2) Incomes from long-term equity investments accounted by using the cost method

Invested Company	Balance of this Period	Balance of the same period of previous year	Reason for Decrease/ Increase
Foshan Shunde Rural Commercial Bank Company Limited	29,607.48	23,498.00	Change in profit sharing
Suzhou People's Shopping Centre	50.00	40.00	Change in profit sharing
Hengtai Insurance Brokers Co., Ltd.		55.00	Change in profit sharing
Bank of Jiangsu Co., Ltd.	123.40	489.21	Change in profit sharing
Wanjiang Financial Leasing Co., Ltd.	21,600.00		Change in profit sharing
Zhangshu City Shunyin Rural Bank Co., Ltd.	60.00		Change in profit sharing
Hubei Bank Co., Ltd.	1,015.56		Change in profit sharing
Total	52,456.44	24,082.21	

## (3) Income from long-term equity investments accounted by using the equity method

Invested Company	Balance of this Period	Balance of the same period of previous year	Reason for Decrease/ Increase
MIDEA ELECTRIC TRADING THAILAND CO., LTD.	-3,649.91	1,443.98	Change in net profit
PT. MIDEA PLANET INDONESIA	-11,253.09	-4,518.99	Change in net profit
Midea Malaysia Joint Venture	2,839.42	-1,331.69	Change in net profit
Golden Eagle Asset Management Co., Ltd.	-8,600.33	-1,112.67	Change in net profit
Misr Refrigeration And Air Conditioning Manufacturing Co.	27,895.74	27,480.51	Change in net profit
Hefei Royalstar Electric Appliance Co., Ltd.		-0.02	Change in net profit
Hefei Royalstar Mold Co., Ltd.		-109.84	Change in net profit
Hefei Royalstar Motor Co., Ltd.	12.44	-559.49	Change in net profit
Foshan Micro Midea Filter Co., Ltd.	5,611.12	2,028.15	Change in net profit
Shanxi Huaxiang Group Co., Ltd.	13,594.25	9,982.88	Change in net profit
MIDEA TRADING (THAILAND) CO., LTD.	3.28	-108.04	Change in net profit
Guangzhou Antaida Logistics Co. Ltd.	-116.70	-143.00	Change in net profit
Linkgo-HK Limited	4,282.93	5,363.79	Change in net profit
Foshan City Shunde District Midea Micro-Credit Inc.	8,552.66	5,405.40	Change in net profit
Midea Micro-Credit Inc.	583.29	43.70	Change in net profit
(Philippines) CONCEPCION MIDEA INC	-2,489.69		Change in net profit
Total	37,265.41	43,864.67	

## (4) Explanation on significant restrictions on remittance of investment incomes

There are no significant restrictions on remittance of investment incomes



## 9. Non-operating income

### (1) Detailed Information

Items	Balance of this Period	Balance of the same period of previous year	Amount recorded in current extraordinary profit and loss
Total Gain on Disposal of Non-Current Assets	31,101.02	112,159.67	31,101.02
Including: Income to Dispose Fixed Assets	31,101.02	62,642.28	31,101.02
Gain on Disposal of Intangible Assets		49,517.39	
Income from claim reimbursement	33,782.21	28,235.36	33,782.21
Penalty Income	55,072.33	49,941.31	55,072.33
Governmental subsidies	719,585.93	657,502.17	656,458.32
Gain from debt restructuring	2,807.24	9,558.83	2,807.24
Other incomes	162,875.55	69,532.02	162,875.55
Total	1,005,224.28	926,929.36	942,096.67

### (2) Detailed of government subsidies

Items	Balance of this Period	Balance of the same period of previous year	Note
Science and technology awards	11,615.00	54,566.37	
Replacing business tax with VAT	63,127.61		Mainly comprising government subsidies obtained pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on the Tax Policies for Implementing across the Country the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries (Cai Shui [2012] No.71)
Specific subsidies	644,843.32	431,425.80	
Energy-saving subsidies		171,510.00	
Subtotal	719,585.93	657,502.17	

## 10. Non-operating expenses

Items	Balance of this Period	Balance of the same period of previous year	Amount recorded in current extraordinary profit and loss
Total Loss on Disposal of Non-Current Assets	198,119.54	134,545.85	198,119.54
including: Loss on Disposition Fixed Assets	197,886.98	133,301.93	197,886.98
Loss on Disposal of Intangible Assets	232.56	1,243.92	232.56
External donation	36,511.70	49,296.16	36,511.70
Penalty Expense	18,918.69	2,864.42	18,918.69
Loss from debt restructuring	240.00		240.00
Other Expenses	63,313.16	35,571.55	55,730.89
Total	317,103.09	222,277.98	309,520.82

### 11. Income tax expenses

Items	Balance of this Period	Balance of the same period of previous year
Current income tax calculated as per the tax law and relevant provisions	3,463,335.75	1,634,270.79
Adjustment of deferred income tax	-1,749,060.18	-65,649.47
Total	1,714,275.57	1,568,621.32

### 12. Calculation of basic earnings per share

Items	S/N	Year 2013
Net-profits Pertaining to the Ordinary Share Shareholders	A	5,317,458.06
Extraordinary Gain or Loss:	B	1,414,082.16
Net profit attributable to the Company's ordinary shareholders after deducting extraordinary profits and losses	C=A-B	3,903,375.90
Total number of shares at the beginning of the period	D	1,000,000.00
Number of shares increased due to the transfer of capital reserve into capital stock or distribution of share dividends	E	
Number of shares increased by issuing new shares or debt-to-equity swap	F	686,323.39
Cumulative months from the month after share increase to the end of reporting period	G	4
Number of shares decreased due to buy-back	H	
Cumulative months from the month after share decrease to the end of reporting period	I	
Number of reverse split shares for the reporting period	J	
Number of months within the reporting period	K	12
Weighted average number of outstanding ordinary shares	$L=D+E+F \times G/K - H \times I/K - J$	1,228,774.46
Basic EPS	$M=A/L$	4.33
Basic earnings per share after deducting extraordinary profits and losses	$N=C/L$	3.18

The calculation of diluted earnings per share is the same as the calculation of basic earnings per share.

### 13. Other comprehensive incomes

Items	Balance of this Period	Balance of the same period of previous year
Gain (loss) arising from financial assets available for sale	292.27	-48.25
Less: Effects of income tax arising from financial assets available for sale	43.84	-7.24
Net amount of other comprehensive income of previous period which is recorded into gain or loss of current period		
Subtotal	248.43	-41.01
Shares of other comprehensive income of invested company calculated on equity basis		
Less: Effects of income tax arising from the shares of other comprehensive income of the invested company calculated on equity basis		
Net amount of other comprehensive income of previous period which is recorded into gain or loss of current period		
Subtotal		

(Continued)

Items	Balance of this Period	Balance of the same period of previous year
Gain (loss) arising from cash flow hedging instruments	25,177.03	26,209.70
Less: Effects of income tax arising from the cash flow hedging instruments	-7,085.69	6,552.42
Net amount of other comprehensive income of previous period which is recorded into gain or loss of current period		
Adjusted amount carried forward to initial amount recognized for hedged items		
Subtotals	32,262.72	19,657.28
Conversion difference arising from foreign currency financial statements	-199,912.48	-289,553.99
Less: Net amount of disposed overseas operations carried forward in the current period		
Subtotal	-199,912.48	-289,553.99
Others		
Less: Effects of income tax arising from other items recorded in other comprehensive incomes		
Net amount recorded in other comprehensive incomes of previous period and carried forward in the profit and loss of the current period		
Subtotal		
Total	-167,401.33	-269,937.72

## (III) Notes to Consolidated Cash Flow Statement

## 1. Other cash received relating to operating activities

Items	Balance of this Period	Balance of the same period of previous year
Property rental received	37,096.79	8,059.88
Government subsidies received	764,358.07	657,502.17
Interest income	792,945.84	506,109.20
Income from claim reimbursement and penalties and fines	88,854.54	78,176.67
Security Money	650,655.51	1,016,587.86
Intercourse funds	25,182.89	606,208.33
Other incomes	653,193.39	621,785.45
Total	3,012,287.03	3,494,429.56

## 2. Other cash paid relating to operating activities

Items	Balance of this Period	Balance of the same period of previous year
Cash paid for management expenses	3,018,633.12	2,235,999.69
Cash paid for sales expenses	9,770,445.06	7,126,022.60
Non-operating expenses	118,983.55	87,732.13
Intercourse funds	221,727.36	169,406.41
Other Expenses	1,315.53	380,476.67
Total	13,131,104.62	9,999,637.50

### 3. Other cash received relating to investing activities

Items	Balance of this Period	Balance of the same period of previous year
Acquisition of subsidiary	3,156.61	
Total	3,156.61	

### 4. Supplementary information on cash flow statements

#### (1) Supplementary information on cash flow statements

Supplementary information	Balance of this Period	Balance of the same period of previous year
1. To Adjust the Net-profit as Cash Flow of Operating Activities:		
Net profit	8,297,496.43	6,140,889.63
Add: Provision for asset impairment	107,397.37	35,257.71
Provision for loan asset impairment	15,318.17	13,618.73
Provision for investment reversed impairment		-
Depreciation of fixed assets and investment property	2,301,876.55	2,118,543.20
amortization of intangible assets	97,914.88	127,488.34
amortization of long-term deferred expenses	644,951.45	547,168.19
Losses on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets (Income marked "-")	167,018.52	22,386.19
Fixed Asset Abandoned Losses	138.61	
Increase in deposit (Less: Decrease)	89,144.23	
Decrease in reserve on deposit (Less: Increase)	-407,408.54	-381,803.99
Increase in discount (Less: Increase)		571,335.40
Decrease in loans granted	-4,705,896.45	-160,000.00
Sound Value Flexible Loss (Profit marked "-")	-546,265.97	-17,752.89
Financing Expense (Profit marked "-")	554,575.29	904,693.80
Investment Loss (Profit marked "-")	-997,978.95	-534,518.15
Decrease in Deferred Income Tax Assets (Increase marked "-")	-1,782,076.99	-69,905.50
Increase in Deferred Income Tax Liabilities (Decrease marked "-")	37,639.82	35,578.17
Decrease in inventory	-1,865,958.79	2,963,817.62
Decrease in Operating Items Receivable (Increase marked "-")	-4,873,219.02	-1,894,863.44
Increase of Operating Payable (Decrease marked "-")	12,919,529.80	-3,903,204.06
Others		1,570,837.70
Net cash flow from operating activities	10,054,196.41	8,089,566.65
2. Significant investment and financing activities without cash receipts and payments		
Conversion of Debt into Capital		
Convertible Bonds Due within One Year		
Fixed Assets Under Finance Leases		
3. Change in Cash and Cash Equivalents		
Cash at the end of the Period	16,763,873.80	12,544,078.77
Less: amount at the beginning period	12,544,078.77	13,354,094.53
Add: amount of cash equivalents at the end of period	-	
Less: amount of cash equivalents at the beginning period	-	
Net Increase in cash and cash equivalents	4,219,795.03	-810,015.76

## (2) Related information on the subsidiaries and other business units gained or disposed at the current period

Items	Balance of this Period	Balance of the same period of previous year
1) Gain related information about the subsidiaries and other business units:		
a. Gain prices of the subsidiaries and other business units	1,370.01	81,255.58
b. Gain cash or cash equivalents paid by the subsidiaries and other business units	1,370.01	81,255.58
Less: Cash or cash equivalents held by the subsidiaries and other business units	4,526.62	84,229.22
c. Gain net cash paid by the subsidiaries and other business units	31,064.82	-2,973.64
d. Gain net cash of the subsidiaries	4,112.07	-217,454.74
Current Asset:	56,377.04	107,884.49
Non-current assets	1,111.96	84,430.93
Current liabilities	46,499.86	409,770.16
Non-current Liabilities	6,877.07	
2) Handle related information about the subsidiaries and other business units:		
a. Handle prices of the subsidiaries and other business units	288,175.17	
b. Handle cash or cash equivalents paid by the subsidiaries and other business units	283,737.01	
Less: Cash or cash equivalents held by the subsidiaries and other business units	41,637.70	
c. Handle net cash paid by the subsidiaries and other business units	242,099.31	
d. Handle net cash of the subsidiaries	198,376.60	
Current Asset:	439,976.35	
Non-current assets	241,030.79	
Current liabilities	481,480.54	
Non-current Liabilities	1,150.00	

## (3) Composition of cash and cash equivalents

Items	Ending Balance	Beginning Balance
1) Cash	16,763,873.80	12,544,078.77
including: Cash in Stock	2,125.61	4,623.64
Bank deposit available for immediate payment	14,946,953.96	11,465,577.24
Other currency available for immediate payment	64,602.93	754,652.16
Deposit in Central Bank available for payment	3,907.06	4,826.25
Deposit in other banks	1,746,284.24	314,399.48
Withdraw of deposit from other banks		
2) Cash equivalents		
including: Bond investment maturing within 3 months		
3) Balance of cash and cash equivalents at the end of the period	16,763,873.80	12,544,078.77

## (IV) Segment Report

*1. Factors taken into consideration by the Company to determine the reporting segments and types of product and labor services under the reporting segments*

The Company's reporting segments are business units offering different products and labor services. The segments are managed individually as their need for technologies and market strategies vary.

The Company has 7 reporting segments: air-conditioner and parts segment, refrigerator and parts segment, washing machine and parts segment, small appliances segment, motor segment, logistics segment and others segment. The air-conditioner and parts segment mainly comprises production and sale of residential air-conditioners, commercial air-conditioners and their parts. The refrigerator and parts segment mainly comprises production and sale of refrigerator products and their parts. The washing machine and parts segment mainly comprises production and sale of washing machine products and their parts. The small appliances segment mainly comprises production and sale of microwave ovens, electromagnetic ovens, electric cookers, electric fans and dishwashers and others. The motor segment mainly comprises production and sale of electric motors. The logistics segment mainly comprises services such as transportation, loading and unloading. The others segment mainly comprises ancillary business such as supply of materials.

*2. Information regarding profits (losses) and assets and liabilities of respective reporting segments are listed as below:*

## (1) Business segments

Items	Balance of this Period			
	Air-conditioner and spare parts	Refrigerator and spare parts	Washing machine and spare parts	Small household electrical appliance
1. Operating Incomes	67,561,758.64	8,309,574.34	8,775,193.25	28,719,098.47
including: Income from foreign trade	67,557,954.28	8,264,808.41	8,764,858.60	28,706,824.21
Income from inter-branch transactions	3,804.36	44,765.93	10,334.65	12,274.26
2. Operation Costs	63,742,359.47	8,105,094.65	8,303,120.43	26,859,937.16
3. Operating Profits (Losses)	3,819,399.17	204,479.69	472,072.82	1,859,161.31
4. Total Assets	44,788,995.94	5,955,286.94	9,262,021.99	18,573,886.94
5. Total Liabilities	27,006,611.04	2,837,488.59	4,655,548.02	12,585,139.58

(Continued)

Items	Balance of this Period				
	Motor	Logistics	Others	Offset	Total
1. Operating Incomes	7,772,296.26	2,631,320.67	11,486,645.22	13,990,706.83	121,265,180.02
Including: Income from foreign trade	4,881,309.13	1,759,584.14	1,329,841.25		121,265,180.02
Income from inter-branch transactions	2,890,987.13	871,736.53	10,156,803.97	13,990,706.83	-
2. Operation Costs	7,108,403.97	2,648,266.92	10,679,144.44	13,960,552.91	113,485,774.13
3. Operating Profits (Losses)	663,892.29	-16,946.25	807,500.78	30,153.92	7,779,405.89
4. Total Assets	6,608,519.88	3,766,190.01	46,663,132.50	38,672,009.43	96,946,024.77
5. Total Liabilities	2,847,395.61	2,598,545.17	25,919,379.53	20,584,645.05	57,865,462.49

(Continued)

Items	Balance of the same period of previous year			
	Air-conditioner and spare parts	Refrigerator and spare parts	Washing machine and spare parts	Small household electrical appliance
1. Operating Incomes	55,222,025.81	6,523,746.10	6,950,865.44	26,359,772.54
Including: Income from foreign trade	54,910,144.85	5,913,478.14	6,924,961.46	26,351,243.70
Income from inter-branch transactions	311,880.96	610,267.96	25,903.98	8,528.84
2. Operation Costs	51,492,209.41	6,579,260.66	6,539,205.44	24,669,271.48
3. Operating Profits (Losses)	3,729,816.40	-55,514.56	411,660.00	1,690,501.06
4. Total Assets	40,338,210.27	6,877,224.01	8,529,185.86	21,400,306.26
5. Total Liabilities	24,573,586.42	3,962,549.50	4,231,535.57	18,779,497.58

(Continued)

Items	Balance of the same period of previous year				
	Motor	Logistics	Others	Offset	Total
1. Operating Incomes	7,273,655.13	2,483,141.51	12,090,071.25	14,190,255.21	102,713,022.57
Including: Income from foreign trade	5,168,475.56	1,845,913.10	1,598,805.76	-	102,713,022.57
Income from inter-branch transactions	2,105,179.57	637,228.41	10,491,265.49	14,190,255.21	-
2. Operation Costs	6,729,848.25	2,444,984.76	12,004,046.04	14,198,392.00	96,260,434.04
3. Operating Profits (Losses)	543,806.88	38,156.75	86,025.21	-8,136.79	6,452,588.53
4. Total Assets	6,631,877.76	3,631,496.68	52,080,643.11	51,752,416.97	87,736,526.98
5. Total Liabilities	3,542,010.79	2,705,176.48	29,065,763.61	32,289,078.31	54,571,041.64

Accounting policy for each business segment is the same as that described in “Principal accounting policies and accounting estimates”.

## (2) Regional information

Area	Balance of this Period		Balance of the same period of previous year	
	Income from foreign trade	Non-current assets	Income from foreign trade	Non-current assets
China	76,139,425.18	29,053,621.75	59,811,048.40	29,765,897.23
Other countries	45,125,754.84	2,565,671.02	42,901,974.17	2,408,438.98
Total	121,265,180.02	31,619,292.77	102,713,022.57	32,174,336.21

## VI. Associated Party and Their Transactions

### (I) Associated Party

#### 1. Parent company of the Company

Name of Parent Company	Relationship	Type of Business	Place of Registration	Legal Representative	Nature of Business
Midea Holding Co., Ltd.	Controlling shareholder of the Company	Private	Foshan City Shunde District	He Xiangjian	Investment

(Continued)

Name of Parent Company	Registered Capital	Percentage of Parent Company's Shareholding Rate (%)	Voting right of the Parent Company (%)	Ultimate controlling party of the Company	Organization Code
Midea Holding Co., Ltd.	330,000.00	35.49	35.49	He Xiangjian	74299897-3

2. Further details on the subsidiaries of the Company are contained in Enterprise Merger and Consolidated Financial Statements set out in the notes to the financial statements.

#### 3. Joint ventures of the Company

Name of Invested Entity	Type of Business	Place of Registration	Legal Representative	Nature of Business	Registered Capital
Golden Eagle Asset Management Co., Ltd.	Limited company	Zhuhai	Zhan Songmao	Financial	RMB 100,000.00
Guangzhou Antaida Logistics Co. Ltd.	Limited company	Guangzhou	Ye Weilong	Logistics	RMB 10,000.00
PT. MIDEA PLANET INDONESIA	Sino-foreign joint venture	Indonesia	DJINO SUGIANTO RAHARDJO	Sales of home appliances	IDR 5,508,360.00
MIDEA ELECTRIC TRADING THAILAND CO., LTD.	Sino-foreign joint venture	Thailand		Sales of home appliances	THB 25,050.00
Misr Refrigeration And Air Conditioning Manufacturing Co.	Stock Company	Cairo	Giorgio Elia	Sales of home appliances	EGP 75,000.00
Foshan City Shunde District Midea Micro-Credit Inc.	Limited company	Foshan City	Wang Wei	Financial	RMB 200,000.00
Midea Micro-Credit Inc.	Limited company	Wuhu City	Yuan Liqun	Financial	RMB 200,000.00
Hefei Royalstar Motor Co., Ltd.	Sino-foreign joint venture	Hefei City	Wang Jianguo	Sales of home appliances	USD 23,900,000.00
Shanxi Huaxiang Group Co., Ltd.	Limited company	Linfen City	Wang Chunxiang	Manufacturing	RMB 363,000.00
Linkgo-HK Limited	Limited company	Hong Kong	Wong Ka Chung	Investment and shareholding	HKD 0.2
Foshan Micro Midea Filter Co., Ltd.	Sino-foreign joint venture	Foshan City	Li Qingyuan	Production of filters	USD 4,000.00
(Philippines) CONCEPCION MIDEA INC	Sino-foreign joint venture	Muntinlupa		Sales of home appliances	PHP 500,000.00
MIDEA TRADING (THAILAND) CO., LTD.	Sino-foreign joint venture	Thailand	Wu Jian	Sales of home appliances	THB 1,000.00



(Continued)

Name of Invested Entity	Shareholding Proportion (100%)	Voting Right (%)	Relationship	Organization Code	Note
Golden Eagle Asset Management Co., Ltd.	20.00	20.00	Joint venture	74448348-X	
Guangzhou Antaida Logistics Co., Ltd.	20.00	20.00	Joint venture	72993557-2	
PT. MIDEA PLANET INDONESIA	51.00	51.00	Joint venture		
MIDEA ELECTRIC TRADING THAILAND CO., LTD.	49.00	49.00	Joint venture		
Misr Refrigeration And Air Conditioning Manufacturing Co.	32.50	32.50	Joint venture		
Foshan City Shunde District Midea Micro-Credit Inc.	30.00	30.00	Joint venture	55557478-8	
Midea Micro-Credit Inc.	45.00	45.00	Joint venture	58300634-X	
Hefei Royalstar Motor Co., Ltd.	49.50	49.50	Joint venture	14906762-5	
Shanxi Huaxiang Group Co., Ltd.	49.00	49.00	Joint venture	68380693-6	
Linkgo-HK Limited	49.00	49.00	Joint venture		
Foshan Micro Midea Filter Co., Ltd.	40.00	40.00	Joint venture	79779847-7	
(Philippines) CONCEPCION MIDEA INC	48.00	48.00	Joint venture		
MIDEA TRADING (THAILAND) CO., LTD.	30.00	30.00	Joint venture		

#### 4. Other associated parties of the Company

Name of Other Associated Party	Organization Code	Relation with the Company
Foshan Weishang Technology Industry Development Group Co., Ltd.	70785538-7	Controlled by the actual controller of the Company
Foshan City Midea Household Appliances Co., Ltd.	19034176-1	Controlled by the actual controller of the Company
Hefei City Bainian Molding Technology Co., Ltd.	66293360-0	Controlled by direct relative of the ultimate controlling shareholder of the Company
Guangdong Wellkey Electric Material Co., Ltd.	73310489-4	Controlled by direct relative of the ultimate controlling shareholder of the Company
Anhui Wellkey Electric Material Co., Ltd.	557842985-0	Controlled by direct relative of the ultimate controlling shareholder of the Company
Infore Holding Group Co., Ltd.	74083083-5	Controlled by direct relative of the ultimate controlling shareholder of the Company
Guangdong Yingke Electronics Co., Ltd.	23193338-5	Controlled by direct relative of the ultimate controlling shareholder of the Company
Ningbo Anfu Investment Development Co., Ltd.	56126933-3	Controlled by the actual controller of the Company
Foshan City Midea Real Estate Development Co., Ltd.	27998413-0	Controlled by the actual controller of the Company
Shanxi Huaxiang Group Co., Ltd.	683806926-0	Subsidiary of the Company's joint-venture company
Shanxi Huaxiang Tongchuang Casting Co., Ltd.	72592614-2	Subsidiary of the Company's joint-venture company
Guangdong Midea Property Co., Ltd.	61765476-8	Controlled by the actual controller of the Company
Midea Development (Hong Kong) Co., Ltd.		Controlled by the actual controller of the Company
Guangdong Shunde Meilongbao Wine Co., Ltd.	59580188-5	Controlled by the actual controller of the Company
Ningbo Kailian Industrial Development Co., Ltd.	70807909-2	Controlled by the actual controller of the Company

(Continued)

Name of Other Associated Party	Organization Code	Relation with the Company
Foshan Shunde Jiegao Property Co., Ltd.	76730347-X	Controlled by the actual controller of the Company
Foshan Shunde Rural Commercial Bank Company Limited		Share held by the Company
Guangdong Midea Property Co., Ltd.	61765476-8	Controlled by the actual controller of the Company
Guiyang Midea Real Estate Development Co., Ltd.	55191449-0	Controlled by the actual controller of the Company
Xuzhou Midea Property Co., Ltd.	56298690-8	Controlled by the actual controller of the Company
Zuzhou Midea Real Estate Development Co., Ltd.	55760086-3	Controlled by the actual controller of the Company
Zhuzhou Midea Gaoke Real Estate Development Co., Ltd.	55760085-5	Controlled by the actual controller of the Company

## (II) Associated Party Transactions

### 1. Associated party transactions in relation to sales of goods, provision and receipt of labor services

#### (1) Detailed Information

##### 1) Associated party transactions in relation to purchase of goods and receipt of labor service

Associated Party	Transaction Content	Pricing policy and decision procedures	Balance of this Period		Balance of the same period of previous year	
			Amount	Percentage in similar transactions (%)	Amount	Percentage in similar transactions (%)
Foshan City Midea Household Appliances Co., Ltd.	Purchase commodities	Market pricing			20,381.05	0.03
Hefei Orinko New Material Co., Ltd.	Purchase commodities	Market pricing			127,389.83	0.16
Hefei City Bainian Molding Technology Co., Ltd.	Purchase commodities	Market pricing	65,778.12	0.06	102,559.47	0.13
Guangdong Wellkey Electric Material Co., Ltd.	Purchase commodities	Market pricing	868,092.57	0.84	761,845.84	0.98
Foshan Micro Midea Filter Co., Ltd.	Purchase commodities	Market pricing	66,449.44	0.06	37,461.56	0.05
Shanxi Huaxiang Tongchuang Casting Co., Ltd.	Purchase commodities	Market pricing	45,086.99	0.04	95,080.11	0.12
Shanxi Huaxiang Group Co., Ltd.	Purchase commodities	Market pricing	195,695.64	0.19	46,427.19	0.06
Foshan City Shunde District Yuanrong New Material Co., Ltd.	Purchase commodities	Market pricing			124,579.84	0.15
Guangdong Yingke Electronics Co., Ltd.	Purchase commodities	Market pricing	61,332.82	0.06	5,355.16	0.01
Anhui Wellkey Electric Material Co., Ltd.	Purchase commodities	Market pricing	69,346.69	0.07		
Total			1,371,782.27	1.32	1,321,080.05	1.69

## 2) Associated party transactions in relation to sales of goods and provision of labor service

Associated Party	Transaction Content	Pricing policy and decision procedures	Balance of this Period		Balance of the same period of previous year	
			Amount	Percentage in similar transactions (%)	Amount	Percentage in similar transactions (%)
Foshan City Midea Household Appliances Co., Ltd.	Sell commodities	Market pricing			48,153.65	0.05
Hefei Orinko New Material Co., Ltd.	Sell commodities	Market pricing			23,123.51	0.02
Hefei City Bainian Molding Technology Co., Ltd.	Sell commodities	Market pricing	24,636.42	0.02	70,942.38	0.07
PT. MIDEA PLANET INDONESIA	Sell commodities	Market pricing	55,462.07	0.05	16,077.30	0.02
Anhui Wellkey Electric Material Co., Ltd.	Sell commodities	Market pricing	3,355.99			
Guangdong Wellkey Electric Material Co., Ltd.	Sell commodities	Market pricing	17,704.75	0.01		
Guangdong Yingke Electronics Co., Ltd.	Sell commodities	Market pricing	23,559.63	0.02		
Shanxi Huaxiang Group Co., Ltd.	Sell commodities	Market pricing	539.10			
Shanxi Huaxiang Tongchuang Casting Co., Ltd.	Sell commodities	Market pricing	34.09			
Total			125,292.05	0.10	158,296.84	0.16

## 2. Associated Party Lease

Lessor	Lessee	Types of leasing assets	Lease Starting Date	Lease End Date	Pricing Basis of Rental Incomes	Annual Rental Incomes
The Company	Foshan City Shunde Midea Development Co., Ltd.	Office building	2013/1/1	2013/12/31	Agreement pricing	4,823.78
The Company	Infore Holding Group Co., Ltd.	Office building	2013/1/1	2013/12/31	Agreement pricing	2,808.87
The Company	Midea Holding Co., Ltd.	Office building	2013/1/1	2013/12/31	Agreement pricing	695.81
The Company	Guangdong Meilongbao Wine Co., Ltd.	Plant	2013/1/1	2013/12/31	Agreement pricing	388.77
The Company	Foshan Micro Midea Filter Co., Ltd.	Plant	2013/1/1	2013/12/31	Agreement pricing	384.77
The Company	Guangdong Midea Property Co., Ltd.	Office building	2013/1/1	2013/12/31	Agreement pricing	13.44

## 3. Deposit of Associated Funds

Project Name	Associated Party	Balance of this Period	Balance of the same period of previous year
Deposit of monetary funds	Foshan Shunde Rural Commercial Bank Company Limited	26,982,699.51	22,118,299.00

## 4. Assets purchasing

On 4 December, 2012, the Company signed the assets transfer contract with Foshan Midea Real Estate Development Co., Ltd. The Company accepted the affordable housing project which was developed and constructed by Foshan Midea Real Estate Development Co., Ltd. at the price of RMB 463,000,000. The transfer price was paid by three installments. The first installment of RMB 284,000,000 was paid within one week after signing the contract; the second installment of RMB 64,000,000 was paid before 31 January, 2013; and the last installment of RMB 115,000,000 was paid before 8 January, 2014.

### 5. Notes discount interests paid by Associated Party

Project Name	Associated Party	Balance of this Period	Balance of the same period of previous year
Notes discount interests	Guangdong Wellkey Electric Material Co., Ltd.	6,592.68	
Notes discount interests	Anhui Wellkey Electric Material Co., Ltd.	2,075.52	
Notes discount interests	Foshan Micro Midea Filter Co., Ltd.	9.28	
	Subtotal	8,677.48	

### (III) Associated party accounts receivable and accounts payable

#### 1. Accounts receivables due from Associated Party

Project Name	Associated Party	Ending Balance		Beginning Balance	
		Book Balance	Provision for bad account	Book Balance	Provision for bad account
Advanced to suppliers	Foshan City Midea Real Estate Development Co., Ltd.	348,000.00		284,000.00	
	Subtotal	348,000.00		284,000.00	
Account receivable	Foshan City Midea Household Appliances Co., Ltd.			57,348.13	2,867.41
	PT. MIDEA PLANET INDONESIA	2,507.86	501.03	9,162.68	458.13
	Subtotal	2,507.86	501.03	66,510.81	3,325.54

#### 2. Accounts payables due to Associated Party

Project Name	Associated Party	Ending Balance	Beginning Balance
Account payables	Hefei City Bainian Molding Technology Co., Ltd.	202.08	17,449.99
	Hefei Orinko New Material Co., Ltd.		9,411.40
	Guangdong Wellkey Electric Material Co., Ltd.	99,197.47	88,679.93
	Foshan Micro Midea Filter Co., Ltd.	15,938.35	7,942.24
	Foshan City Shunde District Yuanrong New Material Co., Ltd.		1,740.49
	Shanxi Huaxiang Group Co., Ltd.	44,554.69	8,259.30
	Shanxi Huaxiang Tongchuang Casting Co., Ltd.	16,559.88	28,284.98
	Guangdong Yingke Electronics Co., Ltd.	17,626.97	279.12
	Anhui Wellkey Electric Material Co., Ltd.	48,775.65	
	Subtotal	242,855.09	162,047.45

### (IV) Remuneration of key management personnel

The remuneration of directors, supervisors and senior management personnel in 2013 and 2012 respectively amounted to RMB 31,830,000 and RMB 24,410,000.

## VII. Stock payment

### (I) Overall situation of stock payment

Total of equity instruments granted in this period	115.90
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On 9 January, 2009, Weiling Holding Limited (hereinafter referred to as Weiling Holding) implemented the equity incentive program for the core management of Weiling Holding and its subsidiaries, which intended to grant each bearer HKD0.157 per share based on the Company's share opinion scheme. On 27 May, 2011, after Weiling Holding's implementation of consolidation of shares, the strike price and the number of equity were adjusted, and the core management personnel of the Company was involved in this purchase equity incentive plan.

### (II) Share-based payment settled by equity

Confirmation of fair value of equity instruments at the grant date	Adjustment based on the market price
Cumulative amount with share based payment settled by equity in capital surplus	115.90
Total expenses of recognized share-based payment settled by equity	115.90

### (III) Share-based payment service

Total amounts of the employees' services exchanged from share-based payment	115.90
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## VIII. Contingencies

The amount of tax disputes, which involved the Brazilian subsidiary that owned 51% equity of the Company, was around BRL 630 million. (Part of the cases has lasted for more than ten years; the amount includes the involved principal and interest). By 31 February, 2013, the relevant cases are still under trial. Through the judgment of Brazilian practicing lawyer, the company is likely to win the majority of the cases. In addition, the original shareholders of Brazil subsidiary have agreed on promising to make compensation for the Company based on the verdict of these tax disputes with the amount up to about BRL 220 million.

Except the above-mentioned contingencies, up to the balance sheet date, the Company does not have other significant contingencies that need to disclose.

## IX. Commitment issues

Up to the balance sheet date, the Company does not have other significant contingencies that need to disclose.

## X. Events after the balance sheet date.

The distribution of profits subsequent to the balance sheet date and the information about capital reserves into equity

Intended allocation of profits or dividends	RMB 3,372,646,780
Increase of capital stock by capital reserves	2,529,485,083 shares

Except the above-mentioned events subsequent to the balance sheet date, up to 27 March, 2014, the Company has no other important non-adjusting events after the balance sheet date.

**XI. Other significant issues**

On 10 January, 2014, the first session of the 14th meeting of the board of directors of the company reviewed and adopted the Stock Option Incentive Plan (Draft) of Midea Group Co., Ltd., awarding 40,512,000 stock options to the incentive object, which accounts 2.40% of the company's total equity of 1,686,323,389 shares when signing the incentive plan.

On 27 January, 2014, the China securities regulatory commission confirmed that they have no objection to the stock option incentive plan which recorded on Measures for Share Incentive Management of Listed Companies (on Trial). On 17 February, 2014, the company held the first provisional shareholders meeting in 2014, which reviewed and adopted the Stock Option Incentive Plan.

**XII. Project notes of financial statements of the parent company****(I) Notes on items in the balance sheet of the parent company****1. Other receivables****(1) Detailed Information****1) Category details**

Category	Ending Balance			
	Book Balance	Proportion (%)	Provision for bad account	Proportion (%)
Other receivables which single amount is significant or for bad debts				
Other receivables with provision for bad debts according to the combination				
Aging combination	123,532.19	3.50	6,295.54	5.10
Combination of specific identification methods	3,401,792.81	96.50		
Subtotal of Combination	3,525,325.00	100.00	6,295.54	0.18
Other receivables without significant single amount, but with single provision for bad debt				
Total	3,525,325.00	100.00	6,295.54	0.18

(Continued)

Category	Beginning Balance			
	Book Balance	Proportion (%)	Provision for bad account	Proportion (%)
Other receivables with significant single amount and single provision for bad debt				
Other receivables with provision for bad debts according to the combination				
Aging combination	3,792.63	0.07	960.43	25.32
Combination of specific identification methods	5,608,123.42	99.93		
Combination	5,611,916.05	100.00	960.43	0.02
Other receivables without significant single amount, but with single provision for bad debt				
Total	5,611,916.05	100.00	960.43	0.02

2) Other receivables with provision for bad debt by the aging analysis method in the combination.

Account Age Structure	Ending Balance			Beginning Balance		
	Book Balance		Provision for bad account	Book Balance		Provision for bad account
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 Year	121,153.49	98.07	6,057.67	696.63	18.37	34.83
1-2 Years	2,378.70	1.93	237.87	16.00	0.42	1.60
2-3 years				3,080.00	81.21	924.00
Subtotal	123,532.19	100.00	6,295.54	3,792.63	100.00	960.43

(2) There are no receivables of shareholding companies that hold more than 5% (including 5%) voting shares of the Company in the final.

(3) Other receivables of the affiliated parties

Enterprise Name	Relationship with the Company	Book Balance	Proportion of the balance of other receivables (%)
Foshan City Midea Household Appliances Group Co., Ltd.	Wholly-owned subsidiary	1,629,000.00	46.21
Hefei Annto Logistics Co., Ltd.	Subsidiary of our subsidiary	283,281.52	8.04
Chongqing Annto Logistics Co., Ltd.	Subsidiary of our subsidiary	213,413.30	6.05
Shenyang Meian Logistics Co., Ltd.	Subsidiary of our subsidiary	173,092.30	4.91
Wuhu Meian Logistics Co., Ltd.	Subsidiary of our subsidiary	151,221.13	4.29
Xuzhou Meian Logistics Co., Ltd.	Subsidiary of our subsidiary	130,626.02	3.71
Tianjin Meian Logistics Co., Ltd.	Subsidiary of our subsidiary	106,161.55	3.01
Wuhan Annto Logistics Co., Ltd.	Subsidiary of our subsidiary	93,760.79	2.66
Qihe Meian Storage and Transportation Co., Ltd.	Subsidiary of our subsidiary	79,107.90	2.24
Annto Logistics Company Limited	Majority-owned subsidiary	76,823.12	2.18
Guangdong GMCC Compressor Co., Ltd.	Majority-owned subsidiary	75,057.56	2.13
Guiyang Meian Logistics Co., Ltd.	Subsidiary of our subsidiary	69,041.37	1.96
Guangdong Midea Household Appliances Import and Export Trade Co., Ltd.	Subsidiary of our subsidiary	67,489.05	1.91
Jingzhou Meian Storage and Transportation Co., Ltd.	Subsidiary of our subsidiary	55,063.12	1.56
Shanghai Meian Logistics Co., Ltd.	Subsidiary of our subsidiary	49,843.46	1.41
Zhengzhou Annto Logistics Co., Ltd.	Subsidiary of our subsidiary	47,975.79	1.36
Zhuzhou Annto Logistics Co., Ltd.	Subsidiary of our subsidiary	41,043.88	1.16
Guangdong Midea Environmental Electric Appliance Manufacturing Co., Ltd.	Subsidiary of our subsidiary	27,493.24	0.78
Ningbo Midea United Material Supply Co., Ltd.	Wholly-owned subsidiary	18,648.56	0.53
Guangdong Midea HVAC Equipment Co., Ltd.	Majority-owned subsidiary	3,468.14	0.10
Weifang Meian Logistics Co., Ltd.	Subsidiary of our subsidiary	2,961.67	0.08
Wuhu Midea Kitchen and Bathroom Appliance Manufacturing Co., Ltd.	Subsidiary of our subsidiary	2,582.27	0.07
Wuhu GMCC Air-Conditioning Equipment Co., Ltd.	Majority-owned subsidiary	2,044.26	0.06
Foshan City Shunde District Midea Washing Appliance Manufacturing Co., Ltd.	Subsidiary of our subsidiary	1,253.28	0.04
Guangdong Midea Refrigeration Equipment Co., Ltd.	Majority-owned subsidiary	1,226.92	0.03
Anhui GMCC Refrigeration Equipment Co., Ltd.	Majority-owned subsidiary	112.61	0.00
Subtotal		3,401,792.81	96.50

## 2. Long-term equity investments

## (1) Detailed Information

Invested Company	Accounting Method	Investment Cost	Beginning Balance	Decrease and Increase Changes	Ending Balance
Wuxi Little Swan Company Limited	Cost Method	2,469,774.73		2,469,774.73	2,469,774.73
Hefei Midea HVAC Equipment Co., Ltd.	Cost Method	1,045,000.00		1,045,000.00	1,045,000.00
Hubei Midea Refrigerator Co., Ltd.	Cost Method	830,239.03		830,239.03	830,239.03
Anhui GMCC Precision Manufacturing Co., Ltd.	Cost Method	800,000.00		800,000.00	800,000.00
Wuhu GMCC Air-Conditioning Equipment Co., Ltd.	Cost Method	726,000.00		726,000.00	726,000.00
Guangdong Midea Refrigeration Equipment Co., Ltd.	Cost Method	641,920.00		641,920.00	641,920.00
Annto Logistics Company Limited	Cost Method	626,739.34	626,739.34		626,739.34
Guangdong Midea Commercial Air Conditioning Equipment Co., Ltd.	Cost Method	569,430.35		569,430.35	569,430.35
Guangzhou Hualing Refrigeration Equipment Co., Ltd.	Cost Method	330,000.00		479,408.58	479,408.58
Foshan Shunde Rural Commercial Bank Company Limited	Cost Method	452,840.00	452,840.00		452,840.00
Guangzhou Midea Hualing Refrigerator Co., Ltd.	Cost Method	420,000.00		420,000.00	420,000.00
Hefei Midea Refrigerator Co., Ltd.	Cost Method	414,685.93		414,685.93	414,685.93
Wanjiang Financial Leasing Co., Ltd.	Cost Method	360,000.00	360,000.00		360,000.00
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Cost Method	339,074.28		339,074.28	339,074.28
Anhui GMCC Refrigeration Equipment Co., Ltd.	Cost Method	308,750.00		308,750.00	308,750.00
Foshan City Midea Material Supplies Co., Ltd.	Cost Method	54,000.00		54,000.00	54,000.00
Foshan City Midea Air-conditioners Industrial Investment Co., Ltd.	Cost Method	36,061.94		36,061.94	36,061.94
Foshan City Midea Household Appliances Group Co., Ltd.	Cost Method	1,954,935.95	1,954,935.95		1,954,935.95
Guangzhou Hualing air-conditioners Equipment Co., Ltd.	Cost Method	136,745.27		136,745.27	136,745.27
Foshan City Midea Carrier Refrigeration Equipment Co., Ltd.	Cost Method	120,000.00		120,000.00	120,000.00
Foshan City Shunde District Midea Home Appliance Industry Co., Ltd.	Cost Method	749,000.00	749,000.00		749,000.00
Anhui GMCC Compressor Sales Co., Ltd.	Cost Method	95,000.00		95,000.00	95,000.00
Guangdong Midea HVAC Equipment Co., Ltd.	Cost Method	90,000.00		90,000.00	90,000.00
Guangdong GMCC Compressor Co., Ltd.	Cost Method	89,787.77		89,787.77	89,787.77
Hefei Hualing Co., Ltd.	Cost Method	88,646.33		88,646.33	88,646.33
Hefei Royalstar Motor Co., Ltd.	Equity method	8,478.02	80,826.39	12.43	80,838.82
Foshan City Shunde District Midea Micro-Credit Inc.	Equity method	60,781.65	45,889.31	24,469.44	70,358.75
Hefei Midea Washing Machine Co., Ltd.	Cost Method	68,454.80		68,454.80	68,454.80
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	Cost Method	60,508.23		60,508.23	60,508.23
Midea Micro-Credit Inc.	Equity method	50,020.00	50,154.91	324.05	50,478.96
Anhui GMCC Compressor Co., Ltd.	Cost Method	47,500.00		47,500.00	47,500.00
Wuhu Little Swan Refrigeration Equipment Co., Ltd.	Cost Method	47,500.00		47,500.00	47,500.00
Chongqing Midea Refrigeration Equipment Co., Ltd.	Cost Method	47,500.00		47,500.00	47,500.00
Guangdong Shunde Midea Science and Technology Incubator Co., Ltd.	Cost Method		10,000.00	-10,000.00	
Guangdong Ganey Precision Machinery Co., Ltd.	Cost Method		103,104.51	-103,104.51	
Guangdong GMCC Precision Manufacturing Co., Ltd.	Cost Method	38,437.80		38,437.80	38,437.80
Chongqing Midea General Refrigeration Equipment Co., Ltd.	Cost Method	31,420.56		31,420.56	31,420.56



(Continued)

Invested Company	Accounting Method	Investment Cost	Beginning Balance	Decrease and Increase Changes	Ending Balance
Golden Eagle Asset Management Co., Ltd.	Equity method	50,000.00		27,760.03	27,760.03
Hefei Midea Material Supplies Co., Ltd.	Cost Method	117,000.00		117,000.00	117,000.00
Huaian Weiling Qingjiang Motor Manufacturing Co., Ltd.	Cost Method		92,735.10	-92,735.10	
Jiangsu Huaian Weituo Road Maintenance Equipment Co., Ltd.	Cost Method		13,000.00	-13,000.00	
Hefei Royalstar Midea Appliance Marketing Co., Ltd.	Cost Method	16,500.00	199.53	14,468.55	14,668.08
Midea Electric Investment (BVI) Limited	Cost Method	236,542.62		236,542.62	236,542.62
Midea International Corporation Limited Company	Cost Method	176,974.50	176,974.50		176,974.50
Midea Group Finance Co., Ltd.	Cost Method	1,425,000.00	825,000.00	600,000.00	1,425,000.00
Midea Group Refrigerator Manufacturing (Hefei)Co., Ltd.	Cost Method		13,500.00	-13,500.00	
Foshan City Shunde District Midea Electronic Technology Co., Ltd.	Cost Method	9,000.00		9,000.00	9,000.00
Fengcheng Shunyin Rural Bank Co., Ltd.	Cost Method	6,000.00	6,000.00		6,000.00
Zhangshu City Shunyin Rural Bank Co., Ltd.	Cost Method	6,000.00	6,000.00		6,000.00
Ningbo Meian Logistics Investment Co., Ltd.	Cost Method	430,000.00	430,000.00		430,000.00
Ningbo Midea United Material Supply Co., Ltd.	Cost Method	50,000.00		50,000.00	50,000.00
Ningbo Meijia Investment Management Co., Ltd.	Cost Method	18,305.20	18,305.20		18,305.20
Chinese Refrigerator Industry Co., Ltd.	Cost Method	47,500.00	2,431.00		2,431.00
Midea Holding (BVI)Co., Ltd.	Cost Method	80.84	80.84		80.84
Guangdong Midea Electric Appliance Co., Ltd.	Cost Method		2,503,993.71	-2,503,993.71	
Total		16,798,135.14	8,521,710.29	8,439,089.41	16,960,799.70

(Continued)

Invested Company	Shareholding ratio (%)	Voting Right (%)	Description of proportional inconsistency	Provision for impairment	Provision for impairment in this year	Current cash dividends
Wuxi Little Swan Company Limited	35.20	35.20				
Hefei Midea HVAC Equipment Co., Ltd.	98.58	98.58				
Hubei Midea Refrigerator Co., Ltd.	97.12	97.12				
Anhui GMCC Precision Manufacturing Co., Ltd.	95.00	95.00				
Wuhu GMCC Air-Conditioning Equipment Co., Ltd.	87.47	87.47				
Guangdong Midea Refrigeration Equipment Co., Ltd.	73.00	73.00				
Annto Logistics Company Limited	75.00	75.00				65,705.55
Guangdong Midea Commercial Air Conditioning Equipment Co., Ltd.	73.00	73.00				
Guangzhou Hualing Refrigeration Equipment Co., Ltd.	75.00	75.00				
Foshan Shunde Rural Commercial Bank Company Limited	6.32	6.32				29,607.48
Guangzhou Midea Hualing Refrigerator Co., Ltd.	75.00	75.00				
Hefei Midea Refrigerator Co., Ltd.	75.00	75.00				
Wanjiang Financial Leasing Co., Ltd.	12.00	12.00				21,600.00
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	73.00	73.00				

(Continued)

Invested Company	Shareholding ratio (%)	Voting Right (%)	Description of proportional inconsistency	Provision for impairment	Provision for impairment in this year	Current cash dividends
Anhui GMCC Refrigeration Equipment Co., Ltd.	95.00	95.00				
Foshan City Midea Material Supplies Co., Ltd.	90.00	90.00				
Foshan City Midea air-conditioners Industrial Investment Co., Ltd.	100.00	100.00				
Foshan City Midea Household Appliances Group Co., Ltd.	100.00	100.00				
Guangzhou Hualing air-conditioners Equipment Co., Ltd.	90.00	90.00				
Foshan City Midea Carrier Refrigeration Equipment Co., Ltd.	60.00	60.00				
Foshan City Shunde District Midea Household Electrical Appliance Industry Co., Ltd.	100.00	100.00				
Anhui GMCC Compressor Sales Co., Ltd.	95.00	95.00				
Guangdong Midea HVAC Equipment Co., Ltd.	90.00	90.00				
Guangdong GMCC Compressor Co., Ltd.	60.00	60.00				
Hefei Hualing Co., Ltd.	75.00	75.00				
Hefei Royalstar Motor Co., Ltd.	49.50	49.50				
Foshan City Shunde District Midea Micro-Credit Inc.	30.00	30.00				4,864.86
Hefei Midea Washing Machine Co., Ltd.	5.53	5.53				
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	73.00	73.00				
Midea Micro-Credit Inc.	25.00	25.00				
Anhui GMCC Compressor Co., Ltd.	95.00	95.00				
Wuhu Little Swan Refrigeration Equipment Co., Ltd.	95.00	95.00				
Chongqing Midea Refrigeration Equipment Co., Ltd.	95.00	95.00				
Guangdong GMCC Precision Manufacturing Co., Ltd.	60.00	60.00				
Chongqing Midea General Refrigeration Equipment Co., Ltd.	30.00	30.00				
Golden Eagle Asset Management Co., Ltd.	20.00	20.00				
Hefei Midea Material Supplies Co., Ltd.	90.00	90.00				
Hefei Royalstar Midea Appliance Marketing Co., Ltd.	100.00	100.00				
Midea Electric Investment (BVI) Limited	100.00	100.00				
Midea International Corporation Limited Company	100.00	100.00				
Midea Group Finance Co., Ltd.	95.00	95.00				61,277.14
Foshan City Shunde District Midea Electronic Technology Co., Ltd.	90.00	90.00				
Fengcheng Shunyin Rural Bank Co., Ltd.	6.00	6.00				
Zhangshu City Shunyin Rural Bank Co., Ltd.	6.00	6.00				60.00
Ningbo Meian Logistics Investment Co., Ltd.	100.00	100.00				6,520.39
Ningbo Midea United Material Supply Co., Ltd.	100.00	100.00				
Ningbo Meijia Investment Management Co., Ltd.	100.00	100.00				
Chinese Refrigerator Industry Co., Ltd.	2.25	2.25				
Midea Holding (BVI)Co., Ltd.	100.00	100.00				
Guangdong Midea Electric Appliance Co., Ltd.						835,963.87
Total						1,025,599.29

## (II) Notes to profit statement of the parent company

## 1. Operating income/ Operating cost

## (1) Detailed Information

Items	Balance of this Period	Balance of the same period of previous year
Main Operations Income		
Other operating income	228,771.13	33,839.57
Operating costs	12,037.27	

## 2. Investment Income

## (1) Detailed Information

Sources of generating investment income	Balance of this Period	Balance of the same period of previous year
Long-term investment incomes accounted for by cost method	1,020,734.43	1,423,634.80
Long-term investment incomes accounted for by equity method	9,623.22	4,771.76
Investment income produced from disposing the long-term equity investment [Note]	3,915,483.63	657.83
Total	4,945,841.28	1,429,064.39

[Note]: The investment income mainly comes from the merger or consolidation of GD Midea Holding Co., Ltd. and the disposition of other subsidiaries.

## (2) Long-term investment incomes accounted for by cost method

Invested Company	Balance of this Period	Balance of the same period of previous year	Reason for Decrease/ Increase
Foshan Shunde Rural Commercial Bank Company Limited	29,607.48	23,498.00	Change in profit sharing
Foshan City Midea Household Appliances Group Co., Ltd.		629,997.35	Change in profit sharing
Guangdong Midea Electric Appliance Co., Ltd.	835,963.87	626,972.91	Change in profit sharing
Annto Logistics Company Limited	65,705.55	120,336.84	Change in profit sharing
Midea Group Finance Co., Ltd.	61,277.14	22,829.70	Change in profit sharing
Ningbo Meian Logistics Investment Co., Ltd.	6,520.39		Change in profit sharing
Wanjiang Financial Leasing Co., Ltd.	21,600.00		Change in profit sharing
Zhangshu City Shunyin Rural Bank Co., Ltd.	60.00		Change in profit sharing
Total	1,020,734.43	1,423,634.80	

## (3) Long-term investment incomes accounted for by equity method

Invested Company	Balance of this Period	Balance of the same period of previous year	Reason for Decrease/ Increase
Hefei Royalstar Motor Co., Ltd.	12.44	-559.49	Change in net profit
Hefei Royalstar Mold Co., Ltd.		-109.85	Change in net profit
Foshan City Shunde District Midea Micro-Credit Inc.	8,552.66	5,405.40	Change in net profit
Midea Micro-Credit Inc.	324.05	43.71	Change in net profit
Golden Eagle Asset Management Co., Ltd.	734.07	-8.01	Change in net profit
Total	9,623.22	4,771.76	

## (4) Descriptions of major restrictions of investment income repatriation

The Company does not have major restrictions of investment income repatriation

## (III) Supplementary information of cash flow statement of the parent company

Additional Information	Balance of this Period	Balance of the same period of previous year
1. To Adjust the Net-profit as Cash Flow of Operating Activities:		
Net profit	5,031,052.53	1,111,839.81
Add: Provision for assets impairment	1,585.84	-1,360.69
The depreciation of fixed assets, the depreciation of investment real estate	16,507.65	2,961.31
amortization of intangible assets	372.23	42.85
amortization of long-term deferred expenses	17,063.27	11,794.46
Losses on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	3.37	10.56
Fixed Asset Abandoned Losses		
Losses from fair value variation		
Finance costs	316,987.23	687,185.54
Investment losses	-4,945,841.28	-1,429,064.39
Deferred income tax assets decrease	-3,364.92	6,956.71
Deferred tax liabilities increase		
Decrease in inventory		
Decrease of business receivables	3,190,361.01	391,167.10
Increase of business receivables	13,224,228.53	2,120,663.96
Others		
Net cash flow from operating activities	16,848,955.46	2,902,197.22

(Continued)

Additional Information	Balance of this Period	Balance of the same period of previous year
2. Material investments and capital raising activities not involving cash payments		
Conversion of Debt into Capital		
Convertible Bonds Due within One Year		
Fixed Assets Under Finance Leases		
3. Change in Cash and Cash Equivalents		
Cash at the end of the Period	13,809,135.41	1,483,866.89
Less: amount at the beginning period	1,483,866.89	2,032,611.14
Add: amount of cash equivalents at the end of period		
Less: amount of cash equivalents at the beginning period		
Net Increase in cash and cash equivalents	12,325,268.52	-548,744.25

**VIII. Other supplementary information****(I) Non-recurring profits and losses**

Statements of non-recurring profits and losses

Items	Amount	Note
Profits and losses of disposal of illiquid assets, including the offset part with provision for the impairment of assets	-215,390.26	
Tax refund or exemption with ultra vires approval, without formal approval documents, or as sporadic		
The government subsidies included in the current profits and losses(the government subsidiary is closely related with normal business of the company, it keeps with the state industrial policy, but it does not include the government subsidiaries which based on standard quota or quantitative continuous enjoyment )	656,458.32	
Payment for occupied funds collected from the non-financial enterprises and recorded into the current profits and losses		
When the company obtains the subsidiary, the investment cost of associated enterprises and joint venture is less than the income produced from fair value of the identifiable net assets which shared by the investment company at the acquisition of the investment.		
Gain or loss arising from non-monetary asset trade		
Profits or losses which entrust others for investment or asset management.	250,371.75	
Provision of impairment of various assets for force majeure, i.e., natural disaster		
Gain or loss from debt recombination	2,567.24	
Expenses for enterprise restructuring, i.e., expenditures for laid-off staff, combination, etc.	-9,634.38	
Gain or loss arising from the trading price higher than fair value		

(Continued)

Items	Amount	Note
Net gain or loss of current period of the enterprises under common control from beginning of period to the date of merger.		
Profits and losses produced from contingencies which have nothing to do with the normal operation of business of the company		
In addition to the effective hedging business related with the normal operation of business of the company, holding the tradable financial assets, profits and losses of fair value variable produced from transaction monetary assets, and disposal of tradable financial assets, transaction financial liabilities and investment income produced from salable financial assets	1,502,894.81	
Reversals of Provision for amounts receivable impairment which tested alone for impairment	733.15	
Profits and losses gained from foreign trusted loans		
Profits and losses produced form fair value variables of investment real estate by using the fair value modes for subsequent measurement		
The influences of current profits and losses by one-time adjustment according to the laws and regulations of the revenue, accountancy and so on		
Hosting fees obtained by entrusting the operation		
Other operating income and expenditure except the items mentioned above	140,568.81	
Other profit and loss items in accordance with the definition of non-recurring profits and losses		
Subtotal	2,328,569.44	
Less: the number of the influence of income tax of the enterprise(the income tax decreased as “-”)	419,965.38	
The influence amount of the minority interests (after tax)	494,521.90	
The net amount of non-recurring gains and losses belonged to the owner of the parent company	1,414,082.16	

## (II) The rate of return on net assets and earnings per share

## 1. Detailed Information

Profits of reporting period	The rate of return on common stockholder's equity by weighted average method	Earnings per share (RMB / share)	
		Basic EPS	Diluted EPS
Net-profits Pertaining to the Ordinary Share Shareholders	24.87%	4.33	4.33
Net profits attributed to the holders of ordinary shares of the company after deducting abnormal losses	18.25%	3.18	3.18

## 2. The counting process of the rate of return of the weighted average net assets

Items	S/N	Balance of this Period
Net-profits Pertaining to the Ordinary Share Shareholders	A	5,317,458.06
Extraordinary Gain or Loss:	B	1,414,082.16
Net profits attributed to the holders of ordinary shares of the company after deducting the nonrecurring gains and losses	C=A-B	3,903,375.90
The opening net assets attributed to the holders of ordinary shares of the company	D	14,313,530.86
The issue of new shares or debt and other new shares, these all belong to the net assets which attributed to the holders of ordinary shares of the company	E	13,177,882.91
The cumulative number of months of the increased net assets during the next month to final reporting period	F	4
Repurchase or cash dividends decreased, these are parts of the net assets attributed to the holders of ordinary shares of the company	G	
The cumulative number of months of the decreased net assets during the next month to final reporting period	H	
Changes of the net assets by weighed average method attributed to the holders of ordinary shares of the parent company	I	38,559.21
The cumulative number of months of the increased and decreased net assets during the next month to final reporting period	J	6
The number of months during the reporting period	K	12
The weighted average net assets	$L = \frac{D+A/2+E \times F}{J-G \times H/J+I \times J/K}$	21,384,167.13
The rate of return on the weighted average net assets	$M=A/L$	24.87%
The rate of return on weighted average net assets after deducting the nonrecurring gains and losses	$N=C/L$	18.25%

## (III) The abnormal situations of main items in the financial statements of the company and explanation of reasons

Items of the financial statements	Ending Balance	Beginning Balance	Variations (%)	Explanations of reasons for variations
Deposit in Central Bank	923,632.22	517,142.87	78.60	Caused by expansion of business size of financial company
Deposit in other banks	1,746,284.24	314,399.48	455.43	Caused by expansion of business size of financial company
Tradable financial asset	759,565.22	231,549.94	228.04	Caused by the increase of derivative financial instruments
Advanced to suppliers	2,432,420.54	1,802,482.18	34.95	Caused by the increase of advance payment for materials
Granting loans and advances	5,100,085.71	409,507.43	1,145.42	Caused by expansion of business size of financial company
Other current assets	463,107.71	2,129,254.86	-78.25	Caused by the reclassification of last year taxes
Investment properties	205,834.70	84,388.01	143.91	Mainly caused by the increase of rent range
Construction in progress	612,601.28	1,600,696.10	-61.73	Caused by the transfer of completed project to fixed assets
Deferred income tax assets	2,567,204.45	792,213.42	224.05	Caused by the increase of deductible temporary differences
Short-term loans	8,872,173.98	5,082,087.08	74.58	Caused by the increase of trade finance
Advances from customers	4,983,346.26	3,570,152.79	39.58	Caused by the increase of funds received in advance for sold commodities that
Employee benefits payable	1,968,837.73	1,330,103.17	48.02	Caused by the improvement of salary scale and level
Other payables	1,487,781.02	2,469,318.48	-39.75	Caused by the decrease of temporary receipts payable
Other current liabilities	12,608,380.03	8,193,297.74	53.89	Mainly caused by the increase of accrued expenses
Long-term loans	711,464.64	2,388,473.96	-70.21	Mainly caused by repayment maturity of part of long term loans
Deferred tax liabilities	123,797.62	86,157.80	43.69	Caused by the increase of taxable temporary differences

Items in the income statement	Balance of this Period	Balance of the same period of previous year	Variations (%)	Explanations of reasons for variations
Selling expenses	12,432,343.86	9,389,868.49	32.40	Mainly caused by the expansion of sales business
Assets impairment losses	122,715.54	48,876.44	151.07	Caused by the increase of bad debt losses
Income from changes in fair value	546,265.97	17,752.89	2,977.05	Caused by the increase of the fair value of tradable financial assets
Investment Income	997,978.95	534,518.15	86.71	Caused by the income increase arising from the disposal of tradable financial assets
Non-operating expenses	317,103.09	222,277.98	42.66	Caused by the increase of losses arising from the disposal of illiquid assets





## Section X Documents for Inspection

1. The original of Year 2013 Annual Report of Midea Group Co., Ltd. signed by the legal representative;
2. Financial statements signed and stamped by legal representative, financial head and accounting supervisor;
3. The original of the auditor's report with the seal of the accounting firm, and signed and stamped by CPAs;
4. The original of all company documents and announcements that are disclosed to the public via specified information disclosure channel during the reporting period;
5. The electronic version of the 2013 annual report that is released on <http://www.cninfo.com.cn>.

Midea Group Co., Ltd.

Legal Representative: Fang Hongbo

27 March, 2014