Midea Group Co., Ltd.

Semi-Annual Report 2019

August 2019

Section I Important Statements, Contents and Definitions

The Board of Directors, the Supervisory Committee, directors, supervisors and senior management of Midea Group Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee that the information presented in this report is free of any misrepresentations, 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 to review this report.

The Company plans not to distribute cash dividends or bonus shares or convert capital reserves into share capital for the first half of 2019.

Mr. Fang Hongbo, Chairman of the Board and President of the Company and Ms. Zhong Zheng, Director of Finance of the Company, have represented and warranted that the financial statements in this report are true, accurate and complete.

The financial statements in this report are unaudited by a CPAs firm.

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

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

Contents

Definitions

Term	Definition
The “Company”, “Midea”, “Midea Group” or the “Group”	Midea Group Co., Ltd.
Midea Holding	Midea Holding Co., Ltd.
Little Swan	Wuxi Little Swan Company Limited
TLSC	Toshiba Lifestyle Products & Services Corporation
KUKA	KUKA Aktiengesellschaft
Reporting Period	1 January 2019 to 30 June 2019

Section II Company Profile and Key Financial Results

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 Chinese	美的集团股份有限公司		
Abbr. of the Company name in Chinese	美的集团		
Name of the Company in English (if any)	Midea Group Co., Ltd.		
Abbr. of the Company name in English (if any)	Midea Group		
Legal representative	Fang Hongbo		

2. Contact Us

	Company Secretary	Representative for Securities Affairs
Name	Jiang Peng	Ou Yunbin
Address	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China
Tel.	0757-22607708	0757-23274957
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E-mail	IR@midea.com	

3. Other Information

3.1 Ways to Contact the Company

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

☐ Applicable √ N/A

No such changes in the Reporting Period. The said information can be found in the 2018 Annual Report.

3.2 Information Disclosure and Place Where the Semi-Annual Report Is Kept

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

☐ Applicable √ N/A

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing this Report and the place where materials carrying disclosed information such as this Report were kept did not change in the Reporting Period. The said information can be found in the 2018 Annual Report.

4. Key Accounting Data and Financial Indicators

Whether the Company performed a retroactive adjustment to or restatement of accounting data

☐ Yes √ No

	H1 2019	H1 2018	Change (%)
Operating revenue (RMB'000)	153,770,300	142,623,837	7.82%
Net profit attributable to shareholders of the Company (RMB'000)	15,187,069	12,936,846	17.39%
Net profit attributable to shareholders of the Company before non-recurring gains and losses (RMB'000)	14,555,674	12,500,253	16.44%
Net cash flows from operating activities (RMB'000)	21,787,890	7,613,688	186.17%
Basic earnings per share (RMB/share)	2.32	1.97	17.77%
Diluted earnings per share (RMB/share)	2.30	1.94	18.56%
Weighted average ROE (%)	16.97%	16.43%	0.54%
	30 June 2019	31 December 2018	Change (%)
Total assets (RMB'000)	284,033,825	263,701,148	7.71%
Net assets attributable to shareholders of the Company (RMB'000)	92,588,979	83,072,116	11.46%

5. Differences in Accounting Data under Domestic and Overseas Accounting Standards

5.1 Differences in the net profit and net assets disclosed in the financial reports prepared under China Accounting Standards (CAS) and International Financial Reporting Standards (IFRS)

☐ Applicable √ N/A

No such differences for the Reporting Period.

5.2 Differences in the net profit and net assets disclosed in the financial reports prepared under CAS and foreign accounting standards

☐ Applicable √ N/A

No such differences for the Reporting Period.

6. Non-recurring Profits and Losses

√ Applicable ☐ N/A

RMB'000

Item	H1 2019	Note
Profit or loss from disposal of non-current assets	-13,705	
Profit or loss from fair-value changes in trading and derivative financial assets and liabilities and other non-current financial assets & income from disposal of trading and derivative financial assets and liabilities and other non-current financial assets (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	-74,312	
Other	944,851	
Less: Corporate income tax	227,883	
Minority interests (after tax)	-2,444	
Total	631,395	--

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

☐Applicable √ N/A

No such cases for the Reporting Period.

Section III Business Profile

1. Business Scope in the Reporting Period

1.1 Summary of business scope

Midea is a technologies group in HVAC systems, consumer appliances, robotics & industrial automation systems, and smart supply chain (logistics). Midea offers diversified products and services, including HVAC centered on residential air-conditioning, commercial air-conditioning, heating & ventilation systems; consumer appliances centered on kitchen appliances, refrigerators, laundry appliances, and various small home appliances; robotics and industrial automation systems centered on KUKA and Guangdong Midea Intelligent Robotics Co., Ltd.; and integrated smart supply chain solutions with Annto Logistics Technology Co., Ltd. as the service platform.

With "Bring Great Innovations to Life" as its corporate vision, "Integrate with the World, to Inspire Your Future" as its mission, and "Embrace what's next - Aspiration、Dedication、Collaboration、Innovation" as its values, Midea integrates global resources and promotes technological innovation to create a better life for over 300 million users, major clients and strategic partners in different areas worldwide every year with satisfying products and services.

Midea, a global operating company, has now established a global platform with 15 overseas manufacturing bases, around 33,000 overseas employees, 24 operating agencies, covering more than 200 countries and regions with 22 settlement currencies. Additionally, it is the majority shareholder of KUKA, a Germany-based world-leading company in robotics and automation, with a stake of approximately 95%.

1.2 Position in the household appliance industry

Midea ranks No. 312 on the *2019 Fortune Global 500* list, moving up 169 places since its debut on the list in 2016, and ranks No. 36 on the *2019 Fortune China 500* list, the highest-ranking among the home appliance industry in the country for five consecutive years. It also ranks highly on the *Top 500 Most Credible Chinese Enterprises* list, the *Top 100 Most Credible Chinese Manufacturers* list, the *Top 100*

Most Credible Chinese Private Enterprises list and the *Top 500 Most Credible Chinese Listed Companies* list of 2018 released by the 2019 China Enterprise Credit Development Forum & the 10th Good Faith Public Welfare Ceremony. In addition, Midea ranks No. 33 on the *2019 BrandZ™ Top 100 Most Valuable Chinese Brands* list, with its brand value up 20%. Also, Midea takes the lead among domestic home appliance makers by ranking No. 138 and No. 27 respectively on the *2019 Top 500 Most Valuable Brands* list and the *Top 100 Most Valuable Tech Brands* list released by Brand Finance, a British brand assessment institution. Midea has been given excellent credit ratings by the three major international credit rating agencies, Standard & Poor's, Fitch Ratings and Moody's. The ratings are in a leading position among home appliance manufacturers worldwide as well as among Chinese non-state-owned enterprises.

According to data from AVC, Midea's major home appliances all took up a larger share in the domestic market in the first half of 2019. Its residential air-conditioners, in particular, saw a much bigger share in all channels, with an online market share of 29.5% and an offline market share of 27.2%.

The table below shows the offline market shares and rankings of the Company's primary home appliance products (by retail sales) in the first half of 2019:

Product category	Market share	Ranking
Air conditioners	27.2%	2
Laundry appliances	26.9%	2
Refrigerators	11.9%	2
Microwave ovens	44.3%	2
Rice cookers	44%	1
Food processors	38.8%	1
Pressure cookers	45.9%	1
Electric fans	39.7%	1
Water purifiers	22.6%	2
Water heaters	15.9%	3
Range hoods	8.4%	4

Midea's online sales during the first half of 2019 exceeded RMB32 billion, up by over 30% YoY, remaining the best-selling home appliance manufacturer on major e-commerce channels such as JD, Tmall and Suning.

The table below shows the online market shares and rankings of the Company's primary home appliance products (by retail sales) in the first half of 2019:

Product category	Market share	Ranking
Air conditioners	29.5%	1
Laundry appliances	31.1%	2
Refrigerators	17.0%	2
Electric water heaters	33.4%	1
Gas water heaters	18.5%	1
Range hoods	16.7%	1
Water dispensers	25.0%	1
Water purifiers	16.4%	1
Microwave ovens	48.5%	1
Rice cookers	31.7%	1
Induction cookers	44.7%	1
Electric pressure cookers	41.3%	1
Electric fans	21.4%	1
Gas stoves	12.3%	2

2. Significant Changes in the Main Assets

2.1 Significant changes in the main assets

Main assets	Reasons for any significant change
Construction in progress	Down 32.36% YoY, primarily driven by the transfer of construction in progress out of this item upon completion
Short-term borrowings	Up 53.76% YoY, primarily driven by an increase in such borrowings obtained
Derivative financial liabilities	Down 90.06% YoY, primarily driven by the changes in the fair value of derivative financial instruments
Current portion of non-current liabilities	Down 98.38% YoY, primarily driven by the repayment of the current portion of

	bonds payable and long-term borrowings

2.2 Main assets overseas

□Applicable √ N/A

3. Core Competitiveness Analysis

3.1 As one of the leaders among the global household appliance makers and a dominator in the major appliance sectors, Midea Group provides high-quality, one-stop home solutions through its wide product range, complete with full specifications.

As a white goods and HVAC enterprise with a whole industrial chain and full product line, Midea Group has developed a complete industrial chain combining R&D, manufacturing and sales of key components and finished products, supported by an industry-leading R&D center and manufacturing technologies of core components (such as compressors, electrical controls and magnetrons), and ultimately based on its powerful capabilities in logistics and services. Midea is widely known as a top brand of household appliance and HVAC in China. Its dominance in the major appliance and HVAC markets means that it can provide a wide range of competitive product sets. It also means internal synergies in brand awareness, price negotiation as a whole, customer needs research and R&D investments. Compatibility, coordination and interaction among household appliances have become increasingly important since smart home is gaining popularity. With a full product line, Midea has had a head start in providing a combined and compatible e-home platform with integrated home solutions for customers.

3.2 Global R&D resource integration capabilities, continuing lead in R&D and technical innovation

The Group is focused on building a competitive, multi-layered global R&D system centering on user experience and product functions, which represents world-class R&D input and strength. With more than RMB30 billion invested in R&D over the past five years (around 10 billion in 2018), the Group has set up a total of 20 research centers in nine countries including China, with its R&D employees over 10,000 and senior foreign experts over 500. At present, Midea has filed for over 100,000 patents, of which more than 50,000 have been granted. According to Clarivate Analytics, Midea holds the most invention patents in the global home appliance industry for many consecutive years. While establishing its own research centers around the world, the Group has also cooperated with domestic and foreign scientific research institutions, such as MIT, UC Berkeley, UIUC, Stanford, Purdue University, University of Maryland, Politecnico di Milan, Tsinghua University and the Chinese Academy of Sciences, in order to establish joint labs and build a global innovation ecosystem. The Group's long-term focus on building technology, marketing, product and open innovation systems, building a cutting-edge research system and building reserves in technology for mid/long term, has provided a solid foundation for the Group to maintain technical superiority across the globe.

3.3 A stronger network of global operations developed and designed with Midea's continual global resource allocation and investments, globally-advanced manufacturing capabilities and advantage of scale

The success of a series of global acquisitions and new business expansion moves has further solidified Midea's global operations and leading advantages in robotics and automation. With the world's leading production capacity and experience, and a wide variety of products as well as its production bases all over the world, the Group has been able to expand rapidly into the emerging overseas markets and is becoming a stronger competitor in those mature overseas markets. The Group is one of the biggest manufacturers in the world for many product categories, which gives it competitive edges in efficiency improving and cost reducing that its overseas competitors are unable to achieve. Overseas sales of the Group accounts for more than 40% of the total sales revenue. Its products have been exported to over 200 countries and regions, and it owns 15 overseas manufacturing bases and 24 overseas operating agencies. Midea's global operation system has been further improved through the reform of international business organizations changing from a platform unit to a business entity. It also increases investments in overseas business operations, focuses on the needs of the local customers and enhances product competitiveness in a bid to promote growth in its own-branded business. In addition, with a deep knowledge and understanding on product characteristics and product demands in overseas market, Midea is promoting worldwide branding and expansion through global collaboration and cooperation. In this way, the global competitiveness of Midea is increasing steadily.

3.4 Broad channel networks and a well-established smart supply chain system ensuring the steady growth of Midea's online and off-line sales

By virtue of years of development and investments, Midea Group has formed an all-dimensional market coverage. In the mature first and second-tier markets, the Company has developed and maintained good partnerships with large home appliance retail chains. While in the broad third and fourth-tier markets, the Company uses flagship stores, specialty shops, traditional channels and new channels as effective supplements. Currently, the Company has already covered the markets at all tiers. Additionally, the Company's dominance in branding, products, offline channels and logistics distribution have also created powerful guarantees for the Company's rapid expansion of its e-commerce business and channels. Achieving the highest online sales among China's household appliance manufacturers, Midea's online sales exceeded RMB32 billion in the first half of 2019, up by over 30% YoY, maintaining the highest sales on China's mainstream e-commerce platforms such as JD, Tmall and Suning in various home appliance categories.

With advanced smart technologies, Annto Logistics Technology Co., Ltd. (Annto), a subsidiary of Midea, has possessed core competitiveness and advantages in logistics automation. Annto has established an efficient, customer-oriented and quick response nationwide warehouses and direct distribution network, featuring a smooth flow of order data between the manufacturing end and the retail end through the logistics information system, as well as the fast delivery of small orders through the flexible main line transportation capacity. Relying on over 100 urban distribution centers nationwide, Annto concentrates its resources on urban distribution. Meanwhile, supported by its self-developed information technology system and nationwide distribution network, Annto is able to provide fully visualized direct distribution services covering every town and village of the country. It can finish the delivery to 19,956 towns and villages within 24 hours and to 16,511 towns and villages within 24-48 hours, as well as to 87.6% of the country's towns and villages within 48 hours.

3.5 A solid foundation for digitalization-driven Industrial Internet operations

Midea has been promoting a strategy of "Smart Home + Smart Manufacturing". With continual research and investment in artificial intelligence (AI), chip, sensor, big data, cloud computing and other new technologies, Midea has built the biggest AI team in the household appliance industry, which is committed to enabling products, machines, production processes and systems to sense, perceive, understand and make decision, driven by the combination of big data and AI, in order to reduce intermediaries for man-machine interaction to the minimum and create truly smart appliances without any assistance in interaction.

Upon years of a digitalized reform characterized by "One Midea, One System, One Standard", Midea has successfully materialized operations driven by software and data through its value chain, connecting end to end and covering R&D, PO, scheduling, flexible manufacturing, procurement, follow-up of product quality, logistics, installation & post-sale services, etc. The Group's cloud platform has made come true C2M flexible manufacturing, platform-based and modularized R&D, digitalized production techniques and simulation, intelligent logistics, digital marketing, digital customer service, etc. "M.IoT", the Midea Industrial Internet Platform, has become China's first complete industrial Internet platform provider covering industrial knowledge, software and hardware. M.IoT focuses on building the SCADA platform, the industrial cloud platform, the industrial big data platform and industrial SaaS service to provide standardized, cloud-based and platform service, including C2M, supply coordination and solutions. It has developed over 20 platform products so far. In addition to applying these industrial Internet platform solutions to its manufacturing bases across the world and tens of thousands of its products, the Group has also provided these solutions for over 150 customers in different industries. Therefore, it is safe to say that Midea has built a solid foundation regarding industrial internet systems.

3.6 Sound corporate governance mechanism and effective incentive mechanism to provide a solid foundation for Midea's sustained and steady development

Paying close attention to the construction of a governance framework, regarding its corporate control, centralization and decentralization systems, the Group formed a mature management system for professional managers. The divisional system has been in operation 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. The Group's primary senior management team consists of professional managers who have been trained and forged in the operational practices of Midea Group. They have been working for Midea on average for more than 15 years, all with rich industrial and professional experience, deep understanding of the home appliance industry throughout both China and the world, and accurate understanding of the industry environment and corporate operations management. The Company's advantages in such systems and mechanisms have laid a solid foundation for the efficient and effective business operations, as well as the promising, stable and sustainable future development of the Company.

At present, the Company has launched six Stock Option Incentive Schemes, three Restricted Share

Incentive Schemes, five Global Partner Stock Ownership Schemes and two Business Partner Stock Ownership Schemes for key managerial and technical personnel, marking the establishment of a governance structure aligning the interests of management and shareholders, as well as the formulation of an incentive scheme comprising long and short-term incentives and restrains.

Section IV Performance Discussion and Analysis

1. Overview

1.1 Industry Overview

A. Home Appliance Industry

According to the statistics published by the China Household Electric Appliance Research Institute (CHEARI) and the National Household Electrical Appliance Industry Information Center, in the first half of 2019, the domestic sales of home appliances was RMB412.5 billion, down 2.1% year-on-year. This was primarily driven by changes in the macroeconomic environment and the weakening factors of real estate and population that had previously driven strong growth in the home appliance industry. But there were also positive factors, such as the stabilizing economic environment and economic indicators as well as the development of the consumer market and the expansion of consumer needs creating new opportunities and growth points. Exports of home appliances maintained a growing trend, with the total exports in the first half of 2019 reaching RMB163.6 billion, representing a growth of 5.5% year on year.

According to the 2019 Semi-Annual Report of China's Household Electrical Appliance Industry published by CHEARI and the National Household Electrical Appliance Industry Information Center together, traditional home appliances with new technologies were favored by consumers, such as multi-door refrigerators, energy-efficient air conditioners and washer-driers. Consumption upgrading will continue on the traditional home appliance market. The home appliance market will continue to develop towards the diversification of categories, dimensions and levels in the future.

In the first half of 2019, the domestic retail sales of air conditioners was RMB127.2 billion, down 3.7% year-on-year. In terms of product performance, on one hand, high-end products which are energy-efficient, comfortable and intelligent took up a larger market share, with the market share of air conditioners with Level I Energy Efficiency rising to 55.1%; on the other hand, with higher energy efficiency standards for the industry, the average market prices went down due to faster clearance sale of high energy consumption products.

In the first half of 2019, the domestic retail sales of laundry appliances was RMB35.8 billion, up 2.7%

year-on-year. The upgrading trend of laundry appliance industry remained marked, with washing-drying becoming an important selling point, and front-loading products, high-capacity products and washer-dryer combo products becoming the mainstream. Analyzing from the type of products, the market share of washer-dryer front-loading washing machines increased by more than five percentage to 35.6%; in addition, the market shares of both twin-tub front-loading washing machines and air washing machines further increased.

In the first half of 2019, the domestic retail sales of refrigerators was RMB46 billion, down 1% year-on-year. Product upgrading was particularly obvious in the refrigerator industry, with multi-door products maintaining growth and the anti-bacteria, freshness preservation and odor-free selling points well received on the market. The market share of multi-door refrigerators increased to nearly 50%, with the retail market shares of cross four-door refrigerators and five-door refrigerators rising to 25.5% and 8.9% respectively. On the backdrop of major consumption upgrading, represented by Midea Veg-Fruit Purification Refrigerator Series, the world’s first refrigerator that is able to remove pesticide residue from fruits and vegetables, production innovation in the refrigerator industry is moving towards high-end, high quality and intelligent products.

In the first half of 2019, the domestic retail sales of kitchen appliances was RMB76.7 billion, up 0.4% year-on-year. The overall size growth of the industry was weak while new product categories was able to maintain growth. Analyzing from products, the retail sales of water heaters, range hoods and gas stoves all decreased, whereas the retail sales of new product categories such as dishwashers, water purifiers and integrated stoves increased 24.4%, 5.9% and 52.4% respectively. In addition, driven by policies, kitchen waste processors skyrocketed.

In the first half of 2019, the domestic retail sales of small appliances was RMB56.7 billion, up 4.5% year-on-year. The sales of some products rose at a very high speed, including vacuum cleaners, food processors and rice cookers, which increased 2.4%, 4.8% and 5.9% respectively from the corresponding period of last year. Among vacuum cleaners, both the online and offline retail sales of robot and pusher products achieved steady growth. With people’s increasing awareness for a healthy life and the rising demand in this respect, the market demand for healthy tea kettles grew over 35% in the first half of 2019, with the retail sales reaching RMB1.7 billion.

In the first half of 2019, the online retail sales of home appliances accounted for over 35% of the sales through all channels, and the online market became an indispensable channel in the home appliance industry. In light of the changes in the channel retail sales, most product categories achieved growth in the online market, while all categories other than washing machines declined in the offline market. So far, concentration has become an increasingly evident trend in the online market, with the industry's top three accounting for a more than 92% market share. Although the overall offline market size shrank due to the impact of the online market, it remained the mainstream channel for air conditioners, refrigerators, washing machines, and kitchen appliances. From a long-term perspective, the deep integration of online and offline channels will be a major trend. While e-commerce platforms are setting up offline physical stores one after another, traditional offline channels are trying to develop their own business through e-commerce. The accelerated integration of online and offline channels will gradually form a relatively stable channel structure.

B. Robotics and Industrial Automation Industry

In July 2019, the latest statistics published by the International Federation of Robotics (IFR) showed that global installations of industrial robots that had maintained high speed growth since 2012 slowed down in 2018 with a growth of less than 1%. Meanwhile, analyzing from distribution in different countries and regions, China remained far ahead, with installations of industrial robots in 2018 reaching 133,200 units, exceeding the total of Japan, the U.S. and South Korea ranking second, third and fourth respectively with installations of 52,400 units, 38,100 units and 37,600 units. According to IFR, global installations of industrial robots increased from 159,000 units in 2012 to 384,000 in 2018, with the latter more than double the former in six years.

According to GGII, in the first half of 2019, China's industrial robot output reached 75,400 units, decreasing 10.1% from the corresponding period in the last year; imports of industrial robots reached 5,035 units, declining 34.75% from the corresponding period in the last year; exports reached 1,434 units, sliding 18.62% from the corresponding period in the last year. According to GGII's survey, despite the overall weakening industrial robot market, the sales volumes of DELTA and collaborative robots in China's market in the first half of 2019 saw growth against the trend with growth speeds exceeding 30% and 20% respectively. In the first half of 2019, MIIT issued the 2019 Work Plan for the Task Force of Industrial Internet to further promote the popularization and application of industrial internet and intelligent manufacturing technology; NDRC and the Ministry of Commerce issued the Catalogue of Encouraged Industries for Foreign Investment (2019) on June 30, in which the manufacturing sector remains a key orientation for encouraging foreign investment, with more than 80% of added or amended items in the national catalogue being within the manufacturing sector, and foreign investment in high-end, intelligent and green manufacturing is encouraged.

In addition, the IFR statistics show that analyzing from the use of industrial robots per 10,000 persons, South Korea ranks top with 710 industrial robots, followed by Singapore with 658 units. China uses 97 industrial robots per 10,000 persons, slightly higher than the Asian average of 75 units. The European average is 106 units while that of Americas is 91 units. In light of its huge labor market, China has great potential for the use of industrial robots at present. Furthermore, coupled with diverse factors such as flexible demands of the manufacturing sector, declining demographic dividend, emerging markets and the development of innovative technologies, industrial robots will have a very promising prospect and the application fields and development space of them will be expanded. According to IFR's estimation, China's market size of industrial robots will further increase to US$9.35 billion by 2020.

1.2 Analysis of the Company's Main Business

In the first half of 2019, guided by the three core strategies of "Leading Products, Operational Efficiency and Global Operations" in a complicated political and economic environment at home and abroad, Midea focused on improving products, promoting lean management and high-performance operations in the value chain, continuously optimizing its product mix according to the consumption upgrade trends, and constructing sustainable competitiveness for the future through internal growth. As a result, the business objectives set for H1 2019 were successfully fulfilled, with higher profitability, further improving indicators such as owned funds and channel inventories, better product quality and reputation, as well as strengthened competitiveness in various product categories and global operation synergies. For H1 2019, Midea achieved, on a consolidated basis, total revenue of RMB154.3 billion, up 7.37% YoY; and net profit attributable to Midea Group shareholders of RMB15.2 billion, up 17.39% year-on-year.

In H1 2019, the Company carried out the following tasks:

A. Focused on users, provided innovative products and user experience, and steadily improved product competitive advantages

In order to bring about the “customer-oriented” strategic reform, Midea focuses on product, service and market touchpoints for users and markedly improves user experience in all the links. Through user insight and technological innovation, users are provided with better-than-expected product experience. Online platforms provide individualized shopping experience by way of refining shopping paths and improving online consultation, while offline stores adopt new retail, electronic and smart technologies to build whole-new flagship, home decoration, combo, new retail and other stores. Meanwhile, by means of e-service, as well as platform-based and modularized R&D and production, Midea takes the lead to explore the C2M model for its home appliance products, offering single product customization and product suite customization for the whole house with the house decoration considered. In terms of service, with the help of Internet tools, Midea goes beyond the traditional service model to build a “service + Internet” platform, enhance the entire service team and improve smart product experience, so as to increase customer satisfaction. In product design, Midea won a total of 58 design awards during H1 2019, including 24 Red Dot Awards and 34 iF Awards.

——**Residential Air Conditioners:** Midea DF Air Conditioner Series, characterized by Dual Flow Tech - counter-rotating airflow technology originating from aviation turbine, is another major innovative breakthrough in the breezeless technology field, which has won the 2019 AWE Gold Award. Through a study on user demands for breezeless air experience tailored to “multiple family members and large residential space”, and based on the application of three unique technologies, including counter-rotating turbine multi-vector softened disturbance, double-layer distance circulating air, and rectification and supercharging, it achieves lower power consumption than conventional air conditions, free adjustment of breezeless zones, and uniform room temperature up to 20 meters. Midea LXZ Air Conditioner Series offers coziness in four dimensions, namely, air temperature, sensation, cleanness and freshness. This product features intelligent dual washing technology and dual hybrid power new wind technology, which enable the dust intercepted by the natural water dust filter to go through the dual cleaning by washing and brushing, so as to keep the filter clean and achieve intelligent control of the room air quality; it achieves large-range circulation of indoor air and enables room temperature to reach the set degree quickly by using a high-performance heat exchanger system and carrying an independent double duct structure; and it ensures slightly higher indoor air pressure than outdoor by adopting an innovative micro positive pressure new wind approach to prevent outdoor air from coming into the room without being processed. The DX Air Conditioner Series released by TLSC in Tokyo, Japan, features WiFi intelligent control module and breezeless technology, avoiding the discomfort and fatigue brought by direct cold wind from ordinary air conditioners. In addition, it is equipped with the self-cleaning function, which enables it to keep the machine clean and air fresh all the time.

——**Commercial Air Conditioners:** As a leading HVAC provider worldwide, Midea Commercial Air Conditioners is a leader in R&D strength, product technology and market performance. In recent years, Midea Commercial Air Conditioners are increasingly being seen in iconic international key programmes, including the Beijing Daxing International Airport, Terminal 3 of Beijing Capital International Airport, Terminal 2 of Guangzhou Baiyun International Airport, Shanghai Metro, Jilin Railway Station, etc. According to the data from ChinaIOL.com, Midea Commercial Air Conditioners topped the domestic market for the past five years in a row with a market share of nearly 20%. And the largest domestic market share remained with Midea Commercial Air Conditioners in H1 2019 according to the *Mechanical and Electrical Information-Central Airconditioning Market* magazine. Appearing in more and more iconic international key programmes, Midea Commercial Air Conditioners have won increasing recognition from consumers. The application of Midea Variable Frequency Direct Drive Centrifuge in the machine room renovation project of Shanghai Metro is recognized as an “Energy Saving and Emission Reduction Demonstration Project of Shanghai” in the refrigeration and air conditioning industry. Midea is also given an Outstanding Contribution Award in the air-source heat pump industry during the 2018 “Clean Winter Heating” program for its excellent performance in the heat pump market. In addition, by virtue of its outstanding product and technological strength and market influence, Midea wins the title of the “First-Choice Central Air-Conditioner Brand for Procurement by Chinese Real Estate Enterprises”. Midea Commercial Air Conditioners has become an icon for “Made in China”.

In April 2019, Midea Commercial Air Conditioners showcased in Shanghai its technological innovation achievements in the green airport area. Midea SR Residential Central Air Conditioner unveiled at the same time has multiple industry-wide advanced key indicators, solving users’ pain points with its key functions of fast warm air, strong heating, temperature and humidity control, cozy wind sensation, strong coolness in a high temperature and convenient control, as well as improving experience for users across the world. In the same month, Midea Commercial Air Conditioners started to produce for the first batch of orders for its homegrown Maglev Variable Frequency Centrifugal Unit, marking the industrialization of yet another independent innovation achievement by Midea Commercial Air Conditioners.

——**Laundry Appliances:** Little Swan under Midea has launched Water Magic Cube II Front-Loading/Top-Loading Washing Machine, which adopts the unique “Ultra Fine Bubble” technology. Its unique Ultra Fine Bubble generator transforms water and air into billions of nano bubbles, which permeate into fiber and release huge energy to peel off dirt. This physical cleaning approach helps reduce the consumption of chemical detergent while removing dirt in an efficient and fast manner. It has been proved by an authoritative national testing institution to be able to save around 50% detergent for the same washing effect. Beverly under Little Swan has launched the One Drum Washing Machine, featuring the no-outer-drum and tower vibration absorption technology, which is pioneering worldwide. The no-outer-drum design goes beyond the inner-and-outer-drum structure of a conventional top-loading washing machine, offers a big capacity in a small size, and saves energy and 30% water for the same capacity. With the entire inner drum made from stainless steel, and featuring UV and nano silver ion sterilization, it inhibits the breeding of bacteria and realizes healthy washing. As the first of its kind in China, Beverley Heat Pump Washer-Dryer adopts intelligent sterilization breathing light technology and has passed the authoritative certification of SGS, a world-leading testing and certification institution. The ultra low temperature heat pump washing-drying technology applied in this product has passed the German VDE certification, which is considered the Nobel Prize in the electrical appliance sector. In addition to performing professional washing of luxurious clothes made from precious materials, it is equipped with the function of easily removing dander and residue. Beverly Household Washing Care Center, the world’s first heat pump intelligent washing care center with separate drying and washing sections and the washer-dryer with the largest capacity (12KG for the upper dryer+ 12KG for the lower washer), adopts a built-in design with mirror coated glass and offers dual control on one screen. While the upper dryer is a maximum heat pump washer-dryer that works efficiently, saves water, performs drying in low temperature and effectively removes acarids and bacteria, the lower washer adopts the “Ultra Fine Bubble” technology. Midea Chujian Front-Loading Washing Machine Series integrates the unique new breathing technology with the micro steam care of direct air washing. The fresh air helps remove odor and solve consumers’ pain point of being unable to wear the clothes immediately after washing. Two Toshiba Front-Loading Washer-Dryers featuring the “Ultra Fine Bubble W” technology have won the “Heisei 30” Annual Award for Energy Conservation in Japan. The nano ultra fine bubbles generated allow enhanced washing and rinsing performances without having to increase water consumption or operation time.

——**Refrigerators:** In June 2019, Midea unveiled three whole-new refrigerator series. The Micro-Crystalline Series with the upgraded micro-crystalline technology to deal with different food characteristics can do better in freshness preservation. It also features better technique and quality, as well as a more stylish appearance, satisfying different needs of more families. The Veg-Fruit Purification Series adopts the core technologies of “Space Deep UV Light Wave” and “Titanium Photolyase” with massive active photoions to achieve thorough degradation of pesticide residue. It can remove hundreds of pesticides in 13 major categories. According to the laboratory test result of the authoritative institution SGS, it can remove 90% pesticide residue within two hours. The Ultra Odor-Free Series features the globally pioneering PST + super magnetic electrolysis odor-free technology, which releases more active ions to quickly degrade and kill odor and bacteria with a groundbreaking super magnetic induction electrolysis device, and quickens the degradation of odor through high-activity metal catalyst. As a result, the product achieves double purification and fast odor-free effects within 19 minutes and leads the industry into a “fast, clean and new era” of refrigerators. TLSC has launched the industry’s first 60cm wide slim refrigerator with 501L capacity, which maintains insulation performances and strength with a slimmer exterior through high performance insulation materials.

——**Kitchen Appliances:** In the first half of 2019, Midea AI Range Hood + Stove Suite (E80\E62+Q80Pro) was released in China, the first of its kind in the country. The combination of AI and scenario interactions helps realize intelligent application in the kitchen. The range hood in the product suite is equipped with a powerful variable frequency motor that intelligently senses duct resistance. In addition, the smart home automatic sensor and gesture intelligent control functions not only absorb fume thoroughly, but also solve the problems of reverse flow of fume on high residential floors and fume obstruction on low residential floors. Midea Intelligent Chef Stove Q80 Pro20 breaks through industrial barriers and achieves real precise control of time. Whether it is in steaming, boiling, cooking or frying, this product is able to automatically switch off with absolute precision, and offers a buzzing alert after the switch-off. Its 5.0KW high-fire cooking and whole-new energy concentrating cap helps shorten cooking time and retain freshness and nutrition. Midea Anti-Bacteria Intelligent Dishwasher Silver Wing H4 is equipped with high pressure spray washing, pioneering hot air drying technology and deep UV sterilization technology. It is the industry’s first dishwasher of its kind integrating washing, sterilization, drying and storage. It also features the AI washing model, which autonomously selects the best washing mode by recognizing the degree of contamination, making it a representative of intelligent dishwashers. The industry's first Purifier-Dishwasher E500B with the micro nano bubble function released by Midea uses a double pressure transducer system to dissolve air in water and generate pure physical micro nano bubble water, which removes dirt and pesticide residue from fruits and vegetables in a more thorough manner. Its tank-free large capacity of 500 gallons satisfies the whole family's demand for healthy water. Midea's first dome-shaped product G50 Series Embedded Combi Steamer features a dome design without water dripping and variable frequency HM direct-spray steam, which generates steam instantly and retains freshness quickly. It saves more space while offering a super large capacity of 50L. The enamel cavity processed through seamless welding makes it easier to clean. The Intelligent Micro Combi Steamer PG2310 Cooking Oven has been released into market integrating the functions of microwave, steamer and oven. The ZOPPAS direct-spray steam technology it uses enables quick generation of plentiful steam and the five-switch intelligent variable frequency heating technology brings precision heating. Midea 32QE6 Electric Water Heater is the first healthy water product with intelligent power conservation of 40%. It displays the inner tank cleaning time on the screen in real time and reminds of timely cleaning.

——**Lifestyle Appliances:** In the first half of 2019, Midea unveiled a variety of disruptive lifestyle appliances with the brand value concept of "technology, fashion, convenience and durability". The products include the industry's first low-sugar rice cooker specifically designed for people with hyperglycemia. It adopts the innovative sugar leaching technology to reduce the reducing sugar by 50% while making rice fragrant, soft and tasty with the built-in titanium tank and the micro pressure braising valve. Midea's new black technology product "Intelligent Stir-Fry Robot" performs stir-fry automatically with its two wings, and is able to control cooking temperature and cook without fume with 1800W IH high fire. Midea's unique Ultra Thin Noise-Free Blender features the industry' s thinnest 77mm body with a 1800W ultra thin variable frequency motor. The unique ultra noise-free blender system + 4D eccentric system blends food ingredients thoroughly and finely, which helps release more nutrition. Midea has launched the first intelligent bladeless fan to bring better user experience for Chinese consumers. In 2019, Midea was the first in the industry to put forward the "Techwind" concept and developed seven types of different wind shapes to fully meet users' different demands. For example, Midea's "Little Monster" offers multi-directional wind through double-layer blades and blows wind to two spaces at the same time; and its “Xiaoqingyu” series blows quiet, soft wind and is free from the noise of conventional fans.

B. Continued to invest in R&D to build a global R&D platform and a responsive and innovative R&D system

Midea continued to invest in R&D, made innovations with respect to mechanism, and developed more leading products through both excellent user experience and differentiated technologies. It kept reforming its product development model according to the “Leading Products” strategy. An innovative R&D model of “Three Generations” has been put in place, namely, “Generation I product development, Generation II platform research, Generation III technologies and product concepts research”. Innovation research is carried out on innovative product development, cutting-edge platforms, key components, differentiated selling points and basic product performance improvement, so as to build up the competence of “Leading Products”.

While carrying out the core technology research, Midea has attached great importance to the transformation of R&D achievements. In 2019, 14 scientific and technological achievements made under the leadership of Midea were all certified as “Internationally Advanced” upon authoritative technical review, including “the Research and Industrialization of Key Technology of Body Sensing and Interaction of Room Air Conditioners”, a key R&D project under the national 13th Five-Year Plan - “the Integrated Technology of High Seasonal Energy Efficiency Heat Pump Room Air Conditioners for Areas with Hot Summers and Cold Winters and the Application”, “the Research and Application of Technology of High Efficiency Opposed Variable Frequency Centrifugal Compressors”, “the Research and Application of Micro Channel Refrigerant Heat Dissipation Variable Frequency Technology”, “the Research and Industrial Application of Key Technology of Cooking Healthy Food to Control Blood Sugar”, “the Research and Application of Key Technology for the Comfort of Intelligent Bladeless Fans”, “the Research and Application of Key Technology for the Full Power Enhanced Heat Transfer of Oil-Filed Electric Heaters”, “the Research on the Precision Diet Management System and its Application in Intelligent Household Appliances”, “the Application of Electromagnetic Isolation Technology in Power Frequency Microwaves”, “the Application of Micro Perforated Plate Noise Reduction Technology in Household Appliances”, “the Research and Application of Key Technology for Exhausting Steam, Removing Fog and Reducing Humidity in Steaming, Baking and Cooking Products”, “the Research and Application of Vacuum Cleaner High Speed BLDC Drive Technology and Integrated Master Controller”, “the Research and Application of Technology for the

Quality of Microwaved Food", and "the Research and Application of Miniaturized Hot Air Technology Based on Baking Uniformity". Additionally, Midea has another eight scientific research projects winning the Progress Award of China Light Industry Association (CLIA), the Sci-Tech Progress Award of China Association for Promotion of Private Sci-Tech Enterprises, and the Sci-Tech Progress Award of Guangdong Province. At the 41st Meeting of the Parties to the Montreal Protocol in July 2019, the UN agency highly praised Midea's R290 air conditioner technology for promoting the implementation of the Kigali Amendment, which has made important contributions towards enhancing the role of the air conditioner industry in global environmental protection.

In H1 2019, Midea filed 5,719 patent applications in total and were granted 7,068 patents, including 1,649 inventions. As at 30 June 2019, the number of patent applications of Midea has exceeded 100,000 in total and over 52,000 patents have been granted, making Midea the home appliance maker with the most patents in the world for four consecutive years. Midea Group has been sticking to the double drivers of "product innovation + standard innovation" and making active steps towards contributing to the standardization of industrial technologies. In H1 2019, the national standard of the *Energy Efficiency Limits and Levels of Room Air Conditioner* of which Midea took part in the drafting was approved, which brings about a new round of energy efficiency upgrade in the air conditioning industry. The national or industrial standards of which Midea led in the drafting or revision include the *IEC 60705 Household Microwave Ovens - Method for Measuring Performance*, the *GB/T 36934-2018 Guidelines for Designing Household Appliances for the Elderly*, the *GB/T 36947-2018 Standards for Designing User Interface of Household Appliances for the Elderly*, the *QB/T 5366-2019 Commercial Microwave Ovens*, the *QB/T 5363-2019 Dust Mite Controller*, among others. Meanwhile, Midea also works with China Electric Apparatus Research Institute to establish an IEC/TC72/WG13 smart home appliance controller workgroup to push forward the formulation and implementation of the relevant international standards.

C. Deepened the channel transformation, further improved the channel efficiency and rebuilt the retail service ability

Midea continued to promote channel reform and transformation, flaten offline channel hierarchies, propelled the optimized integration and empowerment of distributors, firmly continued to reduce inventories, optimize structure and streamline SKU, and substantially improve channel efficiency. It strengthened the synergy of domestic sales of full product categories; Midea has established over 30 regional market operation centers nationwide; by carrying out more precise joint promotional activities for diverse categories, it drove the synergy of domestic sales towards improvements and upgrading and reinforced the long-term sustainable development capacity of channels. Midea strove to expand the sales in the engineering channel and enhance its B2B competitiveness. It has established long-term strategic cooperation for procurement with the domestic top 20 companies in the real estate industry, the top 20 long-term leasing apartment chain operators and financial and insurance companies. Midea aims to provide corporate customers with one-stop smart product solutions. At the same time, Midea attaches great importance to improving the service quality of strategic procurement projects. Through the systemic management of “Selection, Appointment, Cultivation and Retainment” over regional service providers, Midea uses a digital project management system to conduct 360-degree appraisals in order to build up its core competitiveness for the B2B business.

With the rising of different consumer circles and fragmented communication, online and offline markets integrate at a faster speed, and Midea rebuilds its retail and service capabilities to meet different user needs. With user demands driving the retail transformation, Midea speeds up the integration of online and offline networks, focuses on the demands of different user groups, and restructures the retail operations system. This mainly involves three aspects. First, it provides one-stop, intelligent product and service solutions for users with house decoration demands. In the first half of 2019, it opened more than 150 Midea Smart Life Experience Centers in China and upgraded over 250 flagship stores into Midea Smart Life Experience Centers, providing products and services for more than 100,000 families. Second, Midea studies the whole new lifestyles of young consumers and develops a more efficient service delivery approach for the Millennial Generation. It provides products featuring both good experience and functions by better understanding user demands through data platforms. Meanwhile, it focuses on user data analysis, opens up the channel for converting entrance products to related products through advertisement placement on new media, and steadily increases the ratio of large-order packaged purchase, with the total order value per customer increasing over 20%. Third, Midea builds a full-coverage and high-penetration retail network targeting users in different cities and regions to enhance the retail service experience, renew and upgrade its old retail system and extend the reach of its network. Specifically, on one hand, it promotes the project of deep collaboration of supply chains together with e-commerce platforms, achieves accurate prediction, intelligent distribution of inventory and automatic restocking through data support and system connectivity, and develops smart supply chains for fast response to user demands. On the other hand, it brings one-stop services to users by closely cooperating with large chains and shopping malls in various first- and second-tier cities. In the vast third- and fourth-tier cities, it provides full-category products and services through flagship store and franchised store systems. In towns and villages, it offers convenient products and services to users through a network of nearly 100,000 retail stores.

Midea enhances the quality of its user service system. On one hand, it builds an operations platform internally based on user data assets, develops a layered operations system facing users, links online and offline data, unifies Midea members' identity, entitlement and assets, establishes unified member profiles, provides more member privilege services and strengthens members' identity awareness, in an effort to carry out new retail, efficiently introduce online users, and promote user flow between online and offline stores. At the same time, through light operation of online communities, it enhances activity, gets closer to users, understands their demands and propels offline all household appliances experience purchase and house decoration purchase. On the other hand, it improves the delivery-installation integrated network, which offers users one-stop after-sales service solutions in respect of all household appliances. Over 2,500 delivery-installation integrated service outlets have been set up nationwide and 1,500 Midea flagship stores have been equipped with the delivery-installation service capabilities. Meanwhile, it beefs up its effort in eliminating poor services by publicizing service standards and fees and establishing channels for user communication and feedback to ensure closed-loop processing of user complaints. In the first half of 2019, the ratio of confirmation by installation users reached 97% and the after-sales service platform for full category was successfully launched. In addition, Midea cracks down on irregularities through multiple mechanisms such as secret visits to mysterious users.

Annto highly focuses on core capacity building. Under the background of Midea Group promoting the T+3 business model reform, Annto upgrades the national direct distribution network on all fronts, vigorously integrates warehouse resources and increases the density of warehouses, with its warehouse density ranking top in the industry. Furthermore, it plans to set up comprehensive home appliances/FMCG distribution centers in nearly 140 cities by 2019. It expedites the layout of automatic warehousing towards the goal of completing 40,000-square-meter automatic warehouses in the next two years to substantially increase the operational efficiency in the logistics link. At the same time, to accommodate and satisfy automatic management requirements, it continues to optimize and upgrade the logistics IT system. It proactively tries new external business models and engages in the origin warehouse cooperation model with e-commerce platforms to jointly build an end-to-end logistics network of warehouses, trunk lines, branch lines and distribution based on the inventory sharing model. It takes active steps to build core capacity, develops new transport capacity resource models and fully introduces stable vehicle resources, in a bid to directly control terminal transport capacity, stabilize the structure of transport capacity, improve distribution service quality and efficiency, and effectively enhance end customers' service experience. It focuses resources on urban distribution. In the first half of 2019, the urban distribution and home distribution business scale of Annto saw a year-on-year increase of 65%. Meanwhile, supported by its self-developed information technology system and nationwide distribution network, Annto is able to provide fully visualized direct distribution services covering every town and village of the country. It can finish the delivery to 19,956 towns and villages within 24 hours and to 16,511 towns and villages within 24-48 hours, as well as to 87.6% of the country's towns and villages within 48 hours.

D. Stepped up the industrial internet and digitalization 2.0 programmes to thoroughly improve operational efficiency of the entire value chain

To accelerate the transformation towards a world's leading technologies group and further advance digitalization, based on its software advantages, manufacturing experience and robot and automation technologies, Midea has built a pilot industrial Internet factory at the production base in Nansha, Guangzhou, and unveiled its industrial Internet platform, "M.IoT". Since 2013, Midea has invested a total of more than RMB8 billion in digitalization. On one hand, Midea proactively explored and implemented the application of the C2M model in various product categories. Through digital upgrading in the whole value chain of R&D, production and sales and with a focus on key projects such as digital planning, platform-based and modular development, process simulation, flexible manufacturing and intelligent marketing, Midea implemented the business model of individualization and customization for household appliances oriented by users' real demands. On the other hand, it took further steps to promote the T+3 model and carried out reforms with a focus on driving the whole supply-demand value chain as an active response to users' demands and sore points. Midea performed in-depth reforms in synergy of production and sales, transparency of delivery time, offline direct delivery and synergy of suppliers, and a complete set of reversed forcing mechanism and a supply-demand model driven by market terminals are established.

Midea continued to optimize and extend the applications of the Channel Collaboration System (CCS) 2.0, the Midea Cloud Sales and the Retail Management System (RMS) in its direct supply to retailers in counties and towns, KA/TOP, home decoration stores, e-commerce platforms, etc., so as to support the T+3 business model reform program. The WeChat mini app of “Midea Home Delivery” provides offline stores with an instrument of online channeling, terminal sales and member operation, in order to facilitate the digital transformation of terminal stores. Multiple digital system tools are used to support the retail coordination program and improve user experience in every link. The Company introduces house decoration design software, develops the suite design capacity of household scenario and provides consumers with all household appliance solutions and one-stop shopping experience. In the user experience reform program, relying on tools such as CMS, big data, the Midea Engine app and CSS, Midea focuses on home decoration store transformation, shopping guide reform and retail system building, after-sales service innovation, product suite sales, and integration of the entire chain, so as to improve the business model. Based on inventory transparency and synergy of physical goods on the whole channel, Midea opens up the information flow of synergistic warehouse, establishes whole-channel inventory sharing and digestion rules, and enables the automatic adjustment system of the channel inventory level, so as to implement shared inventory management and increase inventory turnover ratio.

Midea continues with international digitalization by fully promoting the “International 632” global model project. The digitalization of six overseas operating units was completed in H1 2019. While promoting IT application and digitalization, Midea also improves its business processes and systems by enhancing the business control ability and operating efficiency. It assists TLSC to improve its overall business, as well as promotes the connectivity and expansion of KUKA’s businesses in China. In order to adapt to changes on the international market and help achieve the strategic goal of global production capacity planning, Midea has launched a pilot global order platform featuring smart distribution of orders to manufacturing bases, order scheduling and transparent delivery time, which increases the efficiency and accuracy of order distribution.

Midea continues to further promote the business application of AI by fully covering the business scenarios of intelligent manufacturing, intelligent operations and intelligent offices based on the three AI platforms of quality testing, facial recognition and optical character recognition (OCR). While rapidly reproducing and promoting such pilot projects as PCB testing and ink-jet testing, it proactively explores the application of vocal print quality testing and digital fool-proof of accessories. The quality testing platform has optimized the efficiency and accuracy of quality testing through visual and auditory simulations. The facial recognition platform has incubated a number of individualized applications, including multi-person recognition sensor-free door access control, gate machine access control, key post recognition, intelligent conference room and facial recognition payment, empowering Midea’s business innovation in buildings, logistics and marketing. The OCR platform enables document digitization and office automation, in which only a few employees are required to efficiently and accurately process the notes that used to be processed by 300 office centers nationwide, saving massive resources and manpower.

Midea continues to deepen data application. It sets up the Group’s data decision-making center by combining internal data and external internet data, and develops the operations cockpit and the operations analysis module at the mobile terminal. It builds the data consistency platform for the entire group to unify the top-down data standards of the Group and all business units, and achieves the visualization of whole-range operations data through the operations cockpit to identify operational problems immediately. Meanwhile, it establishes the early warning and urging mechanism to provide a powerful data driven tool for operation and management.

Midea’s cloud computing mainly offers support services to digital transformation through open source components and hybrid cloud structures. Open source components build an open source ecosystem on cloud through the combination of open source and self-development to gradually separate business systems from commercialized software and upload them on cloud, which reduces the costs of using software and enhances software controllability. Through the building of container cloud and hybrid cloud, with container cloud providing unified software delivery standards as well as the separated application and running environment, hybrid cloud structures are able to transfer business applications seamlessly among container services of private cloud, Alibaba Cloud and Tencent Cloud. As a result, multi-cloud services are formed to reduce cloud computing costs and enhance the capacity of processing massive data flow during business peak periods such as “Double 11” and “618”.

E. Steadily promoted Midea’s globalized business layout and accelerated the cooperative integration of Toshiba Project.

Midea further promoted its global business layout to solidify its global competency. It formulated a global supply cooperative mechanism, strengthened localized operations overseas, and promoted product globalization. Its overseas business spans more than 200 countries and regions in North America, South America, Europe, Asia, Africa and Oceania. Meanwhile, guided by the market and focusing on users, Midea has also established 20 global R&D centers in 9 countries, including the U.S., Italy, Germany, India and Singapore, to work on future products and technologies with foresight.

Under a unified global macro framework in the first half of 2019, Midea continued to advance international corporate governance by adjusting measures to local conditions, reinforced the integration of R&D, production and sales systems in regional markets, and further strengthened cohesion effects. Midea proactively expanded and reasonably planned overseas production layout, beefed up the management of overseas production bases and the enhancement of efficiency and improved local manufacturing capacity to deal with uncertainties in global trade. Meanwhile, it intensified analysis and research and formulated long-term plans according to global trade changes. Midea continued to expand sales channels and polished the image of its self-owned brands in overseas markets. It issued brand brochures for Midea and Toshiba and the standards for store image, set up or upgraded about 600 overseas brand retail stores and conducted training on more than 6,000 overseas shopping guides. As a result, a steady increase was seen in its retail channel shares and consumers' recognition of its brands. It sped up the expansion of overseas e-businesses and made business breakthroughs in key markets and key e-business platforms. So far it has expanded to 12 markets overseas and ranked top for the sales of multiple product categories on the e-commerce platforms of core markets, such as the U.S., the UK, Russia and Germany. Midea optimized its overseas operations data platforms, connected the data of overseas sales systems and developed a number of data analysis systems in a bid to improve its business analysis and operation capabilities. It strengthened the consistency of such processes as the PSI (Purchase Sales Inventory) management model, the management of product life cycle, and spare parts management and services of overseas branches and promoted the consistency and collaboration of Midea's commercial languages and systems to increase its operational efficiency. It set up the global service platform and accelerated the building of overseas service capacity by establishing comprehensive service networks in North America, including call centers, spare parts management and product maintenance. The coverage of the American service network has reached 95%, and the Egypt Call Center has developed into a regional call center that covers Middle East, Africa and Europe and offers multiple language services, including English, Arabian, Italian and German. On top of that, the global service information system has been launched in countries such as Thailand and Italy, with Midea's global service management capacity being improved continuously.

In the first half of 2019, TLSC continued to focus on the core white goods business, promoted the synergy and unification of value chains with the business divisions of Midea Group on all fronts, optimized product structure to increase gross profits and continually improved profitability. In particular in the Japanese market with fierce competition, TLSC saw varying increases in its market shares of air conditioners, washing machines and microwaves. TLSC strengthened and implemented synergistic effects with relevant business divisions of Midea in brand building, channel layout, R&D and innovation, integration of supply chain and quality improvement. In the first half of 2019, while promoting business synergy and integration and deepening reforms, TLSC made structural adjustments mainly in four aspects: (1) With a focus on users and markets, improved operations by further increasing spending on user research and product planning at the product side, strengthened cooperation with external parties, defined the image of high-end users, rebuilt its brand positioning at the market end, increased placement of advertisements and brand promotion, optimized the release pace of new products, and improved product mix; (2) Following the completed integration of manufacturing platforms in 2018, further reinforced the integration of the R&D platforms of TLSC and relevant business divisions of Midea Group, especially the collaboration of platform development, technology sharing and product testing; (3) Continued to connect business processes, systems and policies; at the beginning of 2019, TLSC launched the second phase of its "632" business system project, in which it targeted Japan's local business reorganization, sales and finance processes to develop a digital operation and management system and introduce Midea's appraisal system with an emphasis on performance orientation to motivate corporate vitality; (4) Substantially cut down costs and expenses; through the promotion of staffing optimization, the recovery of some outsourced businesses and the strict control over expenditure in the first half of 2019, costs are expected to decrease by approximately RMB200 million throughout the year; in addition, TLSC further focused on the development of core businesses by selling some non-white goods businesses.

F. In view of consumption stratification, launched multiple new brands and product suites to empower retail sales

Since October 2018, Midea has launched a number of new brands, including COLMO targeting high-end consumers, BUGU targeting online consumers, WAHIN targeting young consumers. Integrating cutting-edge technology and rational aesthetics, COLMO released the BLANC product suite comprising six products at Appliance&electronics World Expo (AWE) in March 2019, covering the four scenarios of living room, kitchen, bathroom and laundry. All the products in the suite have won Germany's iF Award, with the washing machine also winning the Red Dot Award. Furthermore, BLANC Washing Machine's image technology and washing-drying technology, the BLANC product suite's voice solution, and the oven's image technology and oriented heating technology are all recognized as "Internationally Advanced". In terms of channel expansion, the full-process smart scenario experience center developed by COLMO started soft opening at Shanghai Magnolia Plaza in March 2019. So far COLMO products have entered nearly 700 home decoration stores, TOP stores, 3C stores and online flagship stores. To meet young users' demands, the internet brand BUGU was unveiled at AWE Shanghai in March 2019, with its first batch of products launched in Beijing in April 2019. BUGU persists in taking the joint creation with users as its core strategy, and builds up smart eco-scenarios primarily comprising three life scenarios and two professional scenarios. BUGU's first batch of products achieved outstanding performances. During the 618 Shopping Festival in 2019, BUGU Intelligent Dishwasher ranked among the top ten list of dishwashers on JD.com; on JD.com's Appliances Higou Day on June 10, BUGU Intelligent Dishwasher won double championships in both sales volume and sales, and BUGU Intelligent Rice Cooker (3L) ranked among the top ten in rice cooker sales; on June 11, BUGU Intelligent Electric Fan won the championship in sales among electric fan products with a price of above RMB300; on June 16, BUGU achieved over RMB1 million in sales on the Taobao shopping system, and BUGU Intelligent Electric Fan ranked among the top three among electric fan products with a price of above RMB199. Unveiled in 2019, WAHIN dedicates to offering surprises to young people with "Trendy Designs, Practical Functions and Fun Interactions". It establishes connections through a diversity of marketing activities with the young circles characterized by AGC and pop cultures. The brand stands out with its performances in sales. Since its launch, WAHIN has been focusing on online channels. It has made continuous breakthroughs by cooperating with platforms such as JD.com. In the first half of 2019, WAHIN achieved cumulative sales of RMB160 million from air conditioners on JD.com. In June, WAHIN Air Conditioner ranked in the top ten in sales on JD.com, with a sales of more than RMB55 million on the 618 Shopping Festival alone, ranking 7th on JD.com.

In view of individualized demands of different target consumer groups for home appliance design, Midea capitalizes on the synergies of various product categories to integrate core innovative technologies and plan for product families. It has developed Midea PRO Appliances Collection, Midea Youth Appliances Collection and product suites for Real Estate Market to form a product matrix of suite design. Consisting of 12 products and targeting middle and high-end consumers, Midea PRO Appliances Collection is characterized by healthiness, comfort, intelligent interactions and high quality, and will be released to the market in the second half of 2019. Consisting of 24 products, Midea Youth Appliances Collection is featured with youthful Zen design, easy operation of intelligent household appliances, smart look and minimalism. It has achieved 166,000 units in sales volume for the first half of 2019. Product suites for real estate market are customized products developed for real estate developers and long-term leasing apartment operators in the real estate, and at the end of 2018, they were launched in the market one after another.

G. Promoted innovation in robotic product development and accelerated integration and expansion of the robotics business for the China market

The integration of KUKA's robotics business in China has been accelerated. On one hand, under KUKA's new organizational structure, the KUKA China Division was established in 2019, covering robotics, flexible systems, general industrial automation, intelligent logistics automation and intelligent medical automation. On the other hand, based on the three joint ventures founded by Midea and KUKA in 2018, the collaborative advantages of the two companies have started to show in various aspects, including development of business opportunities, technology sharing, customer service, purchase collaboration and management improvement, laying a foundation for the fast growth of the industrial automation business on all fronts. In the first half of 2019, the data published by the National Bureau of Statistics showed that the sales volume of industrial robotics in China decreased 10% year on year, whereas that of KUKA increased against the trend. The production base (phase I) in the Shunde Technology Park in Guangdong Province is ready for production, covering the R&D, production and sales of different categories of products, including industrial robotics, intelligent logistics and industrial automation. Six industrial robot production lines in the park are expected to be completed by the end of 2019 with a capacity for diverse models.

KUKA's business continues to expand with a flood of orders, including an order of tens of millions of euros from Faw-Volkswagen involving assembly lines used to manufacture MEB platform batteries, which is KUKA's first whole battery line order in the Chinese market. In addition, KUKA obtained orders of automatic production equipment of welding robots used in electric vehicle production lines respectively from SAIC Volkswagen and Donghee Group (South Korea), with the respective amounts reaching tens of millions of euros and millions of euros. Furthermore, it secured an order of 22 units of KMP 1,500 mobile platform equipment used to process body in white from an automobile manufacturer.

KUKA continues to make innovations in robotic product development and application. It is the first robotic manufacturer in the world to introduce sensitive lightweight robots into the production plant, as well as the first manufacturer with a product range covering cooperative robots, mobile robots and industrial heavy-duty robots. In the automotive sector, KUKA continues to maintain its advantages and unveiled the world's first industrial robot with digital motion model - the new-generation high-load versatile robot KR QUANTEC-2 in the first half of 2019. The robot can effectively reduce costs for customers and offers substantially enhanced performances, precision and speed. At AMTS 2019, KUKA demonstrated its one-stop solutions consisting of electric drive assembly and testing model lines, square shell battery assembly model lines, LBR iiwa cell loading and testing, KUKA Connect big data and virtual image systems. In the general industrial sector, KUKA released the brand new application software package for the biggest application field "arc welding" of robots. In the logistics sector, targeting the industrial status where an increasing number of orders are placed online, the new-generation robot-based order sorting solution ItemPiQ, as a perfect example of the integration of know-hows by KUKA and Swisslog, combines new robotic technology and intelligent visual system and features efficient sorting performances and machine-learning functions. With regard to human-robot collaboration, KUKA's Cobot LBR iisy is a sensitive, precise and easy-to-use robot with more intuitive automation design, which has developed a new field for human-robot collaboration. KUKA beefs up the development of application targeting the Chinese market. Through robot application packages, SimPro's simulation of customers' processes and production lines and KUKA Connect cloud data collection and analysis, it provides end customers with more and better one-stop solutions, such as polishing and gumming applications in electronics and shoe production sectors, and the mobile platform KMR production line logistics solutions in the semiconductor sector. Additionally, KUKA makes active steps to explore robot application in new areas and took the initiative to demonstrate the concept of smart store (unmanned bubble tea store) in March 2019. KUKA won a number of awards and honors in 2019, including the renowned iF Award 2019 for KUKA LBR iisy and KUKA KMP 1500, the German Design Award 2019 for KUKA smartPAD, KUKA AGILUS and LBR iisy, and the "Excellent Partner Award" granted by Faw-Volkswagen as the customer's recognition of KUKA for its persistence in providing efficient and stable products and automation solutions on a long-term basis.

Midea continued to promote the integration and expansion of its business platforms of industrial automation and motion control. The industrial automation business platform is engaged in the automation of production process, automation of logistics and robot services. It has completed more than 50 automation projects for the business divisions of Midea. It has been widely used in welding, handling, stowing and visual inspection involving over 20 mainstream systems, which has effectively enhanced Midea Group's intelligent manufacturing level. The robot density is planned to be increased to the level of developed countries at 625 units per 10,000 persons. Midea's motion control business platform is dedicated to the R&D and innovation of core components and software products. By acquiring and integrating Servotronix, the Israeli hi-tech company with more than thirty years of experience in motion control, the platform now owns a series of comprehensive and industry leading motion control products including multi-axis motion controllers, servo drivers, servo motors and encoders. It has also implemented localization and domestication in R&D and manufacturing. Furthermore, it is capable of providing comprehensive system solutions for the industries of robotics, numerical control, lithium batteries, 3C, semiconductors, packaging and printing. In H1 2019, in order to meet the high accuracy, high speed and high efficiency needs for application in high-end areas such as laser cutting, numerically-controlled machine tools, semi-conductor, medical care and precision testing, the CDHD2 High-Performance Servo Driver was equipped with the homegrown advanced control algorithm and strong mechanical design capability to significantly improve its performance and satisfy needs arising from various scenarios. In terms of rotary servo system development, the newly launched PRHD2 Servo Motor characterized by high overload capacity, low temperature-rise and low cogging torque has passed the American UL certification and the EU CE certification. In the future, more BDHD2 Rotary Servo Drivers will be launched, which will be easier to use and have more functions to meet various needs arising from different application markets. With wide application in multiple industries, this will further enhance the presence of Servotronix in the rotary servo market.

H. Deepened the industrial layout for Smart Home Appliance and promote the implementation of

Smart Home Appliance Strategy

In 2019, upon the integration of its Smart Home Appliance business, Midea continued to optimize the Cloud Platform, Meiju APP, intelligent connection modules, big data and after-sales services, networked the Group's business divisions and operating units, and kept increasing user satisfaction. The Company planned and implemented intelligent scenarios, built the highly usable, strongly interactive and standard IoT platform, promoted the stable connection between users and devices, improved users' experience in using intelligent products, vigorously propelled external cooperation for ecological expansion and the building of developers' platform, and facilitated the development of the Group's Smart Home Appliance business. As of June 2019, Midea Group has sold over 60 million smart home appliances across the world and more than 36 million people are using Midea's smart home appliances and services.

Internally, Midea focuses on user experience improvement, significantly reduces user operations and optimizes the average Internet distribution time for users by more than three times. While optimizing the M-Smart agreement, the IoT company works with chip makers to develop IoT chips for smart home. It also integrates 36 Midea mobile apps into the Meiju App 5.0 and connects it with hundreds of smart products. Serving as an e-commerce platform, a customer service center and a user community, it is an industry-leading whole-house smart home appliances service management platform. In terms of data application of smart products, active user service is materialized through smart warning based on real-time big data technology; products are capable of self-learning with the data-based AI model, which helps provide smarter product experience and save more energy; and the Smart Eyes analysis platform continues to provide data support for product improvement. Additionally, benchmarking itself against the international IoT security standards and practices, the IoT Company enhances security in all links including design, production, development, testing and after-sales patch update to build a more secure smart home IoT.

Externally, the IoT Company continues to promote ecosystem cooperation with external parties and build a platform of developers, improve the market competitiveness of intelligent household appliance products, enlarge the connection entrance and enhance the value of user services. In June 2019, Midea IoT Developer Platform was launched to provide standardized access for external partners. This platform helps expand and deepen Midea's cooperation with Huawei, Alibaba, OPPO, VIVO and JD in smart home. Meanwhile, Midea plays an active role in the formulation of international standards for IoT by initiating a task group on user experience within the Wi-Fi Alliance.

I. Deepened the long-term incentive and protected the interests of shareholders

In 2019, Midea continued to encourage the core management to take responsibility for the Company's long-term development and growth by further enhancing its long-term incentive schemes. In this year, Midea launched the Sixth Stock Option Incentive Scheme, the Third Restricted Share Incentive Scheme, the Fifth Global Partner Stock Ownership Scheme and the Second Business Partner Stock Ownership Scheme, which have helped, in a more effective manner, to align the long-term interests of senior management and core business backbones with that of all shareholders.

Midea Group protects its shareholders' interests by ensuring a consistent dividend policy. It shares its growth with shareholders by putting forward cash dividend plans with a total amount of as much as RMB35.7 billion since its group listing in 2013. Meanwhile, in response to the internal and external complexities and fluctuations in market value in 2018, Midea Group launched the biggest-ever repurchase plan in the history of China's A-stock market and repurchased shares with approximately RMB4 billion, maintaining a stable market capitalization and protecting shareholders' interests. In 2019, it launched another share repurchase plan for its equity incentive schemes and/or employee stock ownership schemes. As of 31 July 2019, Midea has used over RMB3 billion for the share repurchase.

Midea's main work plans for H2 2019 are summarized as follows:

A. Midea will stick to the three core strategies and fully implement the intelligent and digital transformation strategies. It will firmly increase R&D investment in basic technologies and digital and intelligent transformation in particular. Driven by technology as the fundamental approach, it will enhance product strength, beef up product innovation, and put in place a customer-oriented value chain system. It will further adopt the CDOC approach and implement the R&D model of "Three Generations". In the meantime, outside talent will be brought in to help refine the R&D organizational structure and build up an R&D-centric management model.

B. Midea will keep a high-quality development direction and stick to internal, sustained and effective growth. It will promote the T+3 business model reform and excellent performance through the value chain in every link from product planning to after-sales service, so as to increase profitability. In order to win in competition, it is important to develop high-end products to refine the product mix. It will also maintain effective investments, control non-operating expenses, increase labor productivity, improve human resource allocation efficiency, promote lean management and provide fresh impetus for continual growth through relentless innovation.

C. Midea will enhance the basic systems to set up a unified business language and rules, strengthen “One Midea, One System, One Standard”, make use of the advantages of synergies, reinforce the result-oriented process control and improve operating efficiency. It will also promote transformation in the domestic marketing to improve user-oriented domestic retail marketing, enhance product synergies, focus on the end market, lower the inventory level, streamline the channel hierarchy, and promote better channel efficiency. By promoting interactive marketing ways based on scenario and experience, it strives to build better recognition of the Midea brand among users. Making use of multi-category synergistic advantages, it will continuously deepen the channel layout, further promote e-commerce channel optimization and integration, and proactively expand and build new retail channels. Meanwhile, it will continue to increase the efficiency of the supply chain system, enhance the advantage of to Midea’s all-channels coverage, rebuild business processes and push forward the construction of a shared inventory system.

D. Midea will improve its multi-brand system according to different needs from different consumer groups. In terms of its Internet brands, Midea will integrate internal and external resources to provide individualized experience for users, and establish all-scenario ecosystem cooperation with external manufacturers to create innovative marketing and business models. Additionally, Midea will give play to its multi-category synergistic advantages and improve its product suites and families, including the real-estate before-market product suites, to provide integrated home solutions with full categories of the household appliances.

E. Midea will strengthen the building of Midea as a digitalized enterprise by improving the digital operational methods and systems to support the integration of every link of Midea’s value chain and optimize efficiency, value creation and the fulfillment of operating objectives, as well as by further building and optimizing digitalized industrial Internet factories. And it will continue to promote and optimize the International 632 program to strengthen digital support for the “Global Operations” strategy.

F. Midea will establish and improve overseas institutions, enhance employee skills and operating efficiency, ensure the establishment of systems for the three key goals of retail transformation, performance orientation and compliance, and at the same time ensure rising profitability of TLSC. In order to promote overseas channel and retail reform, Midea will enhance physical store investment, put in place a market survey and customer visit mechanism for management, and strengthen the execution of sales promotion activities and shopping guide training. Regular analysis will be carried out on the operations of overseas branches, particularly on products and channels, as a way to help improve operating quality. Guided by user and market needs, Midea will enhance the overseas product manager mechanism, improve the product management system, establish product suite design norms, and increase the competitiveness of its own brands. Meanwhile, it will increase operating efficiency by means of enhancing global production and marketing synergy and logistics capability building, so as to provide strong support for sales growth of its own-branded products.

G. The integration of KUKA's robotics business in China, as well as its localized operations will be beefed up. Relentless effort will be devoted to the development and application of robotics, as well as to the R&D and innovation of key components and software, so as to offer competitive products and services.

H. Midea will continue to increase its investment in the R&D of IoT basic technology to improve user experience and security. In the meantime, guided by the all-round intelligent transformation strategy, it will build up a cooperation ecosystem to keep improving the performance of its smart home IoT modules through cooperating with external parties. Guided by users' thinking model, Midea will connect to more users through its Meiju app, carry out lean operations and provide smart life experience for users. Meanwhile, it will promote smart products in its offline stores by providing smart scenario experience, upgrading the store network, providing training in relation to smart products, increasing the percentage of smart home appliances, etc.

2. Analysis of Main Business

Same with the contents presented in "1. Overview" of this section

√ Yes ☐ No

See "1. Overview" of this section.

YoY changes in key financial data:

Unit: RMB'000

	H1 2019	H1 2018	YoY Change (%)	Main reasons for change
Operating revenue	153,770,300	142,623,837	7.82%	
Operating costs	108,441,289	103,881,438	4.39%	
Selling expenses	19,529,822	16,892,503	15.61%	
Administrative expenses	4,110,125	3,335,291	23.23%	
Finance costs	-1,435,645	-984,113	-45.88%	Increased interest on deposits
Corporate income tax	2,829,592	2,614,882	8.21%	
R&D expenses	4,534,760	3,899,229	16.30%	
Net cash flows from operating activities	21,787,890	7,613,688	186.17%	Increased cash received from sales of goods or rendering of services
Net cash flows from investing activities	-18,030,748	-8,943,677	-101.60%	Increased deposits with a term of over three months
Net cash flows from financing activities	-6,828,689	-10,166,609	32.83%	Increased borrowings
Net increase in cash and cash equivalents	-3,055,102	-11,404,259	73.21%	Increased net cash flows from operating activities

Major changes to the profit structure or sources of the Company in the Reporting Period:

□ Applicable √ N/A

No such cases in the Reporting Period.

Breakdown of Midea's main business:

Unit: RMB'000

	Operating revenue	Operating cost	Gross profit margin	YoY change of operating revenue (%)	YoY change of operating cost (%)	YoY change of gross profit margin (%)
By business segment						
Manufacturing	141,814,013	97,953,313	30.93%	7.72%	4.16%	2.36%
By product category						
HVAC	71,439,403	48,518,866	32.08%	11.84%	8.91%	1.83%
Consumer appliances	58,350,984	40,096,559	31.28%	5.56%	0.13%	3.72%
Robotics and automation systems	12,023,626	9,337,888	22.34%	-3.83%	-1.16%	-2.09%
By geographical segment						
PRC	91,664,118	62,719,932	31.58%	9.05%	7.99%	0.67%
Outside PRC	62,106,182	45,721,357	26.38%	6.04%	-0.18%	4.58%

3. Analysis of Non-Core Business

☐ Applicable √ N/A

4. Assets and Liabilities

4.1 Material changes of asset items

Unit: RMB'000

	30 June 2019		31 December 2018		Change in percentage (%)	Explanation about any material change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Cash at bank and on hand	35,890,088	12.64%	27,888,280	10.58%	2.06%	
Accounts receivable	23,017,823	8.10%	19,390,174	7.35%	0.75%	
Inventories	24,106,604	8.49%	29,645,018	11.24%	-2.75%	
Investment properties	380,579	0.13%	391,765	0.15%	-0.02%	
Long-term equity investments	2,619,985	0.92%	2,713,316	1.03%	-0.11%	
Fixed assets	21,508,572	7.57%	22,437,212	8.51%	-0.94%	
Construction in progress	1,405,351	0.49%	2,077,621	0.79%	-0.30%	
Short-term borrowings	1,338,324	0.47%	870,390	0.33%	0.14%	
Long-term borrowings	42,490,036	14.96%	32,091,439	12.17%	2.79%	

4.2 Assets and liabilities measured at fair value

√ Applicable ☐ N/A

Unit: RMB'000

Item	Opening balance	Profit or loss from changes in fair value	Cumulative fair value changes charged to	Other	Purchased in the period	Sold in the period	Closing balance

		during the period	equity				
Financial assets							
1. Trading financial assets (excluding derivative financial assets)	2,654,045	-171,835	-	806	2,650,000	1,699,615	3,433,401
2. Derivative financial assets	259,019	-168,098	-10,233	-1,408	-	-	79,280
3. Investments in other debt obligations	2,254,950	-	-	-	398,392	-	2,653,342
4. Investments in other equity instruments	784,269	84,188	-	3,162	550,646	1,849	1,420,416
Sub-total of financial assets	5,952,283	-255,745	-10,233	2,560	3,599,038	1,701,464	7,586,439
Investment properties							
Productive living assets							
Others							
Sub-total of the above	5,952,283	-255,745	-10,233	2,560	3,599,038	1,701,464	7,586,439
Financial liabilities	902,795	-553,436	-50,051	722	-	-	300,030

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

√ Yes □ No

Due to the adoption of new accounting standards governing financial instruments by the Company, the measurement attributes of relevant assets and liabilities have changed. For further information, please refer to Item 2 of the Notes to the Financial Statements, (34), (ii).

4.3 Restricted asset rights as of the end of this Reporting Period

As of the end of this Reporting Period, there were no such circumstances where any main assets of the Company were sealed, distrained, frozen, impawned, pledged or limited in any other way.

5. Investment made

5.1 Total investment amount

√ Applicable □ N/A

Total investment amount of the Reporting Period (RMB'000)	Total investment amount of the same period of last year (RMB'000)	YoY Change (%)

45,708,198	41,811,802	9.32%

5.2 Significant equity investment made in the Reporting Period

☐ Applicable √ N/A

5.3 Significant non-equity investments ongoing in the Reporting Period

☐ Applicable √ N/A

5.4 Financial investments

5.4.1 Securities investments

√ Applicable ☐ N/A

Unit: RMB'000

Type of securities	Code of securities	Abbreviation of securities	Initial investment cost	Measurement method	Opening carrying amount	Profit or loss from changes in fair value during the period	Cumulative fair value changes charged to equity	Purchased in the period	Sold in the period	Profit or loss in the period	Closing carrying amount	Accounting title	Funding source
Domestically/Overseas listed stock	1810	XIAOMI-W	1,272,584	Fair value method	1,122,609	-250,054	-231	-	-	-	872,324	Trading financial assets	Own Funds
Total			1,272,584	--	1,122,609	-250,054	-231	-	-	-	872,324	-	--

5.4.2 Derivatives investments

√ Applicable ☐ N/A

Unit: RMB'000

Operating party	Relationship with the Com	Related transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Opening investment amount	Purchased in Reporting Perio	Sold in Reporting Period	Amount provided for impairment (if any)	Closing investment amount	Closing investment amount as a percenta	Actual gain/loss in Reporting Period

	pany							d				ge of the Company's closing net assets	
Futures company	No	No	Futures contracts	276	01/01/2019	31/12/2019	276	-	-	-	-1,067	-0.0012%	61,656
Bank	No	No	Forward forex contracts	-644,052	01/01/2019	31/12/2019	-644,052	-	-	-	-219,683	-0.2373%	-234,837
Total				-643,776	--	--	-643,776	-	-	-	-220,750	-0.2385%	-173,181
Source of derivatives investment funds	All from the Company's own funds												
Litigation involved (if applicable)	N/A												
Disclosure date of the announcement about the board's consent for the derivative investment (if any)	20/04/2019												
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)	14/05/2019												
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,	For the sake of eliminating the cost risk of the Company's bulk purchases of raw materials as a result of significant fluctuations in raw material prices, the Company not only carried out futures business for some of the materials, but also made use of bank financial instruments and promoted forex funds business, with the purpose of avoiding the risks of exchange and interest rate fluctuation, realizing the preservation and appreciation of forex assets, reducing forex liabilities, as well as achieving locked-in costs. The Company has performed sufficient evaluation and control against derivatives investment and position risks, details of which are described as follows: 1. Legal risk: The Company's futures business and forex funds businesses shall be conducted in												

operational risk, legal risk, etc.)	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 prices or fair value of derivative products during the Reporting Period, specific methods used and relevant assumption and parameter settings shall be	1. Profit from futures contracts during the Reporting Period was RMB61,656,000. 2. Loss from forward forex contracts during the Reporting Period was RMB-234,837,000. 3. Public quotations in futures market or forward forex quotations announced by the Bank of China are used in the analysis of derivatives fair value.

disclosed for analysis of fair value of derivatives	
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	N/A
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.

6. Sale of Major Assets and Equity Interests

6.1 Sale of major assets

□ Applicable √ N/A

No such cases in the Reporting Period.

6.2 Sale of major equity interests

□ Applicable √ N/A

7. Analysis of Major Subsidiaries

√ Applicable □ N/A

Main subsidiaries and joint stock companies with an over 10% influence on the Company’s net profit

Company name	Company type	Business scope	Registered capital	Total assets (in	Net assets (in	Operating revenue (in	Operating profit (in	Net profit (in RMB

				RMB million)	RMB million)	RMB million)	RMB million)	million)
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD72 million	11,320.89	3,716.32	6,485.13	1,021.26	887.05
GD Midea Air-Conditioning Equipment Co., Ltd.	Subsidiary	Manufacturing of air conditioners	RMB854 million	34,844.42	4,709.97	29,044.64	524.09	486.25
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD42 million	9,973.83	5,528.36	5,275.78	918.05	802.17
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	Subsidiary	Manufacturing of water heaters	RMB60 million	8,391.52	1,015.84	6,637.41	939.94	809.52

Acquisition and disposal of subsidiaries during the Reporting Period

√ Applicable □ N/A

For the main subsidiaries included in the consolidated financial statements of the current period, please refer to Note 5 and Note 6 to the Financial Statements herein. For the newly consolidated companies, see Note 5, 5.1, (a), and they primarily include: Midea Electrics Egypt, Anhui Welling Auto Parts Corporation Limited and Wuxi Little Swan Electric Co., Ltd.. For the companies deconsolidated in the current period, see Note 5, 5.1, (b).

8. Structured Bodies Controlled by the Company

□ Applicable √ N/A

9. Forecast of Business Performance from January to September in 2019

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

□ Applicable √ N/A

10. Risks Facing by the Company and Countermeasures

A. Risk of macro economy fluctuation

The market demand for the Company's consumer appliances and HVAC equipment, among other products, can be easily affected by the economic situation and macro control. If the global economy encounters a heavy hit, or the domestic economy consumer demand slows down in growth, the growth of the household appliance industry, to which the Company belongs, will slow down accordingly, and as a result, this may affect the product sales of Midea Group.

B. Risks in the fluctuation of production factors

The raw materials required by Midea Group to manufacture its consumer appliances and core components primarily include different grades of copper, steel, aluminum, and plastics. At present, the household appliance manufacturing sector belongs to a labor intensive industry. If the price of raw materials fluctuate largely, or there is a large fluctuation in the cost of production factors (labor, water, electricity, and land) caused by a change to the macroeconomic environment and policy change, or the cost reduction resulted from lean production and improved efficiency, as well as the sale prices of end products cannot offset the total effects of cost fluctuations, the Company's business will be influenced to some degree.

C. Risk in global asset allocation and overseas market expansion

Internationalization and global operations is a long-term strategic goal of the Company. The Company has built joint-venture manufacturing bases in many countries around the world. Progress has been made day by day regarding the Company's overseas operations and new business expansion. However, its efforts in global resource integration may not be able to produce expected synergies; and in overseas market expansion, there are still unpredictable risks such as local political and economic situations, significant changes in law and regulation systems, and sharp increases in production costs.

D. Risk in product export and foreign exchange losses caused by exchange rate fluctuation

As Midea carries on with its overseas expansion plan, its export revenue has accounted for more than 40% of the total revenues. Any sharp exchange rate fluctuation might not only bring negative effects on the export of the Company, but could also lead to exchange losses and increase its finance costs.

E. Market risks brought by trade frictions and tariff barriers

Due to the rise of anti-globalization and trade protectionism, China will see more uncertainties in export in 2019. The trade barriers and frictions of some major markets will affect the export business in the short run, as well as marketing planning and investment in the medium and long run. Political and compliance risks are rising in international trade. These can mainly be seen on compulsory safety certificates, international standards and requirements, and product quality and management systems certification, energy-saving requirements, the call for increasingly strict environmental protection requirements, as well as with rigorous requirements for recycling household appliances waste. Trade frictions caused by anti-dumping measures implemented by some countries and regions aggravate the burden in costs and expenses for household appliance enterprises, and have brought about new challenges to market planning and business expansion for enterprises.

In face of the complicated and changeable environment and risks at home and abroad, Midea will strictly follow the Company Law, the Securities Law, the CSRC regulations and other applicable rules, keep improving its governance structure for better compliance, and reinforce its internal control system so as to effectively prevent and control various risks and ensure its sustained, steady and healthy development.

Section V Significant Events

1. Annual and Extraordinary General Meetings of Shareholders Convened during Reporting Period

1.1 General Meetings of Shareholders Convened during Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to disclosed information
First Extraordinary General Meeting of Shareholders of 2019	Extraordinary	55.21%	15/02/2019	16/02/2019	Announcement No. 2019-020 on Resolutions of First Extraordinary General Meeting of Shareholders of 2019, disclosed on www.cninfo.com.cn
2018 Annual General Meeting of Shareholders	Annual	57.17%	13/05/2019	14/05/2019	Announcement No. 2019-071 on Resolutions of 2018 Annual General Meeting of Shareholders, disclosed on www.cninfo.com.cn

1.2 Extraordinary General Meetings of Shareholders Convened at Request of Preference Shareholders with Resumed Voting Rights

□ Applicable √ N/A

2. Preliminary Plan for Profit Distribution and Converting Capital Reserves into Share Capital for the Reporting Period

□ Applicable √ N/A

The Company plans not to distribute cash dividends or bonus shares or convert capital reserves into share capital for the first half of 2019.

3. Undertakings of the Company's actual controller, shareholders, related parties and acquirer, as well as the Company and other commitment makers fulfilled in the Reporting Period or overdue at the period-end

√ Applicable □ N/A

Undertaking	Undertaking giver	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking made in time of asset restructuring	Mr. He Xiangjian (the actual controller)	The Opinion in Principle on the Merger in a Share Swap & the Statement and Commitment Letter on any Shareholding Reduction Plan	1. I agree to this merger in a share swap in principle. 2. I do not plan to and will not reduce my shareholding in Midea Group and/or Little Swan during the period from the share trading resumption date to the completion date of this merger in a share swap. 3. I'm legally bound by this commitment letter since the date of my signature. Where any loss occurs to Midea Group or Little Swan due to me violating any contents of this commitment letter, I shall bear the corresponding compensation liability according to law.	23/10/2018	23/10/2018-21/06/2019	**Fulfilled**
	Midea Holding Co., Ltd. (the controlling shareholder)	The Opinion in Principle on the Merger in a Share Swap & the Statement and Commitment Letter on any Shareholding Reduction Plan	1. The company agrees to this merger in a share swap in principle. 2. The company does not plan to and will not reduce its shareholding in Midea Group during the period from the share trading resumption date to the completion date of this merger in a share swap. 3. The company is legally bound by this commitment letter since the date of signature. Where any loss occurs to Midea Group due to the company violating any contents of this commitment letter, the company shall bear the corresponding compensation liability according to law.	23/10/2018	23/10/2018-21/06/2019	**Fulfilled**
		Statement on Irregularities Committed in the	Up to the issue date of this statement, none of the company or any of its incumbent senior management personnel received any administrative or criminal punishment (exclusive of those not related to the securities market),	23/10/2018	23/10/2018-21/06/2019	**Fulfilled**

		Past Five Years	or was involved in any material civil lawsuit or arbitration in relation to any economic dispute, in the past five years; or is being investigated by a judicial authority for involvement in any criminal case or by the China Securities Regulatory Commission for any irregularity.			
	The Company	Statement on any Shareholding Reduction Plan	1. The Company does not plan to and will not reduce its shareholding in Little Swan during the period from the share trading resumption date to the completion date of this merger in a share swap. The shares held by the Company in Little Swan will be retired upon the completion of this merger in a share swap. 2. The Company is legally bound by this commitment letter since the date of signature. Where any loss occurs to Little Swan due to the Company violating any contents of this commitment letter, the Company shall bear the corresponding compensation liability according to law.	23/10/2018	23/10/2018-21/06/2019	**Fulfilled**
		Commitment Letter on the Truthfulness, Accuracy and Completeness of the Information Provided	The Company will provide relevant information to the intermediary agencies hired for this merger in a share swap in a timely manner; warrant that the information provided is true, accurate, complete and free of any misrepresentations, misleading statements or material omissions; and shall together be wholly liable for the truthfulness, accuracy and completeness of such information. Where any loss occurs to any investor due to any misrepresentations, misleading statements or material omissions in the information provided, the Company shall bear the corresponding compensation liability according to law.	23/10/2018	23/10/2018-21/06/2019	**Fulfilled**
		Statement on Punishments Received and Credibility Issues	1. Up to the issue date of this statement, the Company is not being investigated by a judicial authority for involvement in any criminal case or by the China Securities Regulatory Commission for any irregularity. 2. Up to the issue date of this statement, the Company received no administrative or criminal punishments (exclusive of those not related to the securities market) and was not involved in any material civil lawsuit or arbitration in relation to any economic dispute; nor did it receive any	23/10/2018	23/10/2018-21/06/2019	**Fulfilled**

			administrative supervision measures from the China Securities Regulatory Commission or disciplinary punishments from the stock exchange for failing to repay any debt of a large amount on time or fulfill any commitment, or have any other material credibility issue, in the past five years.			
Whether the undertaking is fulfilled on time	Yes					
Specific reasons for failing to fulfill any undertaking and plan for the next step	N/A					

4. Engagement and Disengagement of CPAs Firm

Have the H1 2019 financial statements been audited by a CPAs firm?

☐ Yes √ No

The H1 2019 financial statements are unaudited by a CPAs firm.

5. Explanation of the Board of Directors and the Supervisory Committee Regarding the "Non-standard Audit Opinion" for the Reporting Period

☐ Applicable √ N/A

6. Explanation of the Board of Directors Regarding the "Non-standard Audit Opinion" for Last Year

☐ Applicable √ N/A

7. Bankruptcy and Reorganization

☐ Applicable √ N/A

No such cases in the Reporting Period.

8. Litigation

Material litigation and arbitration:

☐ Applicable √ N/A

No such cases in the Reporting Period.

Other legal matters:

☐ Applicable √ N/A

9. Punishments and Rectifications

☐ Applicable √ N/A

No such cases in the Reporting Period.

10. Credit Conditions of the Company as well as Its Controlling Shareholder and Actual Controller

☐ Applicable √ N/A

11. Implementation of any Equity Incentive Scheme, Employee Stock Ownership Scheme or Other Incentive Measures for Employees

√ Applicable ☐ N/A

A. Overview of the First Stock Option Incentive Scheme

a. The Company convened the 10th Meeting of the 3rd Board of Directors on 18 April 2019, at which the Proposal for the Retirement of Unexercised Stock Options upon Expiry was reviewed and approved. As the third exercise period of the First Stock Option Incentive Scheme expired, the Company agreed to retire the 56,250 and 90,000 stock options that had been previously granted to Chen Lingzhi and Yang Hui respectively but was unexercised upon expiry.

B. Overview of the Second Stock Option Incentive Scheme

a. The Company disclosed the Announcement on the 2018 Annual Profit Distribution on 23 May 2019. Based on the total 6,565,827,689 shares eligible for the profit distribution (the total share capital of 6,605,842,687 shares minus the repurchased 40,014,998 shares), and in accordance with the principle of an unchanged total profit amount to be distributed, the Company would distribute RMB13.039620 in cash per 10 shares to shareholders. The record date was 29 May 2019 and the ex-date was 30 May 2019.

b. The Company convened the 12th Meeting of the 3rd Board of Directors on 30 May 2019, at which the Proposal for the Adjustments to the Exercise Price for the Second Stock Option Incentive Scheme was reviewed and approved. As the 2018 Annual Profit Distribution had been carried out, the exercise price for the Second Stock Option Incentive Scheme was revised from RMB17.36 to RMB16.06 per share.

C. Overview of the Third Stock Option Incentive Scheme

a. The Company convened the 12th Meeting of the 3rd Board of Directors on 30 May 2019, at which the Proposal for the Adjustments to the Exercise Price for the Third Stock Option Incentive Scheme was reviewed and approved. As the 2018 Annual Profit Distribution had been carried out, the exercise price for the Third Stock Option Incentive Scheme was revised from RMB19.15 to RMB17.85 per share.

b. The Company convened the 13th Meeting of the 3rd Board of Directors on 1 July 2019, at which the Proposal for the Adjustments to the Incentive Receivers and Their Exercisable Stock Options of the Third Stock Option Incentive Scheme was reviewed and approved. As such, it was agreed to adjust the incentive receivers and their exercisable stock options for the Third Stock Option Incentive Scheme due to the departure, positional changes, low performance appraisals or other factors of some incentive receivers. Upon the adjustments, the number of incentive receivers decreased from 848 to 735, and the number of locked-up stock options granted to them was also reduced from 38,070,000 to 32,905,000.

The Proposal for Matters Related to the Stock Option Exercise for the Third Exercise Period of the Third Stock Option Incentive Scheme was also considered and approved. Because the exercise conditions have grown mature for the third exercise period, a total of 735 incentive receivers who have been verified for the Third Stock Option Incentive Scheme have been allowed to exercise 32,905,000 stock options in the third exercise period (ended 27 June 2021).

The Proposal for the Retirement of Unexercised Stock Options upon Expiry was also reviewed and approved. As the first exercise period of the Third Stock Option Incentive Scheme expired, the Company agreed to retire the 59,999 and 65,000 stock options that had been previously granted to Yang Hui and Yuan Dong respectively but was unexercised upon expiry.

D. Overview of the Fourth Stock Option Incentive Scheme

a. The Company convened the 12rd Meeting of the 3rd Board of Directors on 30 May 2019, at which the Proposal for the Adjustments to the Exercise Price, Incentive Receivers and Their Exercisable Stock Options for the Fourth Stock Option Incentive Scheme was reviewed and approved. As the 2018 Annual Profit Distribution had been carried out, the exercise price for the Fourth Stock Option Incentive Scheme was revised from RMB31.52 to RMB30.22 per share. Meanwhile, it was agreed to adjust the incentive receivers and their exercisable stock options for the Fourth Stock Option Incentive Scheme due to the departure, positional changes, low individual or business division performance appraisals or other factors of some incentive receivers. Upon the adjustments, the number of incentive receivers decreased from 1,354 to 1,196, and the number of locked-up stock options granted to them was also reduced from 60,676,000 to 51,122,200.

b. The Proposal for Matters Related to the Stock Option Exercise for the Second Exercise Period of the

Fourth Stock Option Incentive Scheme was also considered and approved. Because the exercise conditions have grown mature for the second exercise period, a total of 1,152 incentive receivers who have been verified for the Fourth Stock Option Incentive Scheme have been allowed to exercise 24,382,200 stock options in the first exercise period (ended 11 May 2020).

E. Overview of the Fifth Stock Option Incentive Scheme

a. In light of the authorization given at the 2017 Annual General Meeting of Shareholders, the Company convened the 8th Meeting of the 3rd Board of Directors on 11 March 2019, at which the Proposal on Grant of the Reserved Stock Options of the Fifth Stock Option Incentive Scheme to Incentive Receivers was reviewed and approved. As such, the Company agreed to grant 5,540,000 reserved stock options to 100 incentive receivers on 11 March 2019 at the exercise price of RMB47.17 per share.

The Company originally intended to grant 5,540,000 reserved stock options to 100 incentive receivers. However, due to two incentive receivers failing to open a securities account on time and one incentive receiver's departure from the Company before the registration of the grant, they were no longer eligible for the Fifth Stock Option Incentive Scheme. Therefore, the number of incentive receivers who were registered for the reserved stock options of the Fifth Stock Option Incentive Scheme was 97, down from 100, with 5,340,000 stock options, down from 5,540,000.

b. The Company convened the 12th Meeting of the 3rd Board of Directors on 30 May 2019, at which the Proposal for the Adjustments to the Exercise Price for the Fifth Stock Option Incentive Scheme was reviewed and approved. As the 2018 Annual Profit Distribution had been carried out, the exercise price for the first phase of the grant was revised from RMB56.34 to RMB55.04 per share, and the exercise price for the reserved stock options from RMB47.17 to RMB45.87 per share.

F. Overview of the Sixth Stock Option Incentive Scheme

a. On 18 April 2019, the Sixth Stock Option Incentive Scheme (Draft) of Midea Group Co., Ltd (hereinafter referred to as the "Sixth Stock Option Incentive Scheme (Draft)") and its abstract were reviewed and approved at the 10th Meeting of the 3rd Board of Directors, and the incentive receiver list for the Sixth Stock Option Incentive Scheme (Draft) was examined at the 7th Meeting of the 3rd Supervisory Committee.

b. On 13 May 2019, the Company convened the 2018 Annual General Meeting of Shareholders, at which the Proposal on the Sixth Stock Option Incentive Scheme (Draft) and Its Abstract, the Proposal on the

Implementation and Appraisal Measures for the Sixth Stock Option Incentive Scheme, the Proposal for Asking the Meeting of Shareholders to Authorize the Board to Handle Mattes Related to the Sixth Stock Option Incentive Scheme and other relevant proposals were reviewed and approved.

For this Incentive Scheme, the Company intended to grant 47,240,000 stock options to 1,150 incentive receivers with the exercise price being RMB54.17 per share.

c. In light of the authorization given at the 2018 Annual General Meeting of Shareholders, the Company convened the 12th Meeting of the 3rd Board of Directors on 30 May 2019, at which the Proposal for the Adjustments to the Exercise Price, Incentive Receiver List and Number of Stock Options to Be Granted for the Sixth Stock Option Incentive Scheme, the Proposal for the Determination of the Grant Date for the Sixth Stock Option Incentive Scheme and the Proposal for the Grant-Related Matters for the Sixth Stock Option Incentive Scheme were reviewed and approved. As such, the Company agreed to grant 47,140,000 stock options to 1,146 incentive receivers on 30 May 2019 with the exercise price revised from RMB54.17 per share to RMB52.87 per share.

The Company originally intended to grant 47,140,000 stock options to 1,146 incentive receivers. However, due to 15 incentive receivers' departure from the Company or position change, they were no longer eligible for the Sixth Stock Option Incentive Scheme. Therefore, the Board adjusted the number of incentive receivers from 1,146 to 1,131, and the number of stock options from 47,140,000 to 46,540,000.

G. Overview of the 2017 Restricted Share Incentive Scheme

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2017 and 2018 Restricted Share Incentive Schemes was approved at the 5th Meeting of the 3rd Board of Directors on 21 January 2019. As such, it was agreed to repurchase and retire 1,775,917 restricted shares that had been granted to 30 personnel but were still in lockup under the 2017 Restricted Share Incentive Scheme, for the reasons of their departure from the Company, violation of company rules, business unit's 2017 performance appraisal result being "just so-so", position change or other factors.

Also, the Proposal on the Satisfaction of the Conditions for the First Unlocking Period for the Reserved Restricted Shares of the 2017 Restricted Share Incentive Scheme was approved at the aforesaid meeting. A total of 50 personnel were eligible for this unlocking, with 1,629,000 restricted shares unlocked and allowed for public trading on 20 February 2019.

b. The Company submitted the application to China Securities Depository and Clearing Co., Ltd. (Shenzhen branch) (hereinafter referred to as “CSDC Shenzhen”) for the retirement of the 1,775,917 restricted shares under the 2017 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 3 April 2019, as confirmed by CSDC Shenzhen, the retirement of the said restricted shares had been completed.

c. The Company convened the 12th Meeting of the 3rd Board of Directors on 30 May 2019, at which the Proposal for the Adjustments to the Repurchase Price for the 2017 Restricted Share Incentive Scheme was reviewed and approved. As the 2018 Annual Profit Distribution had been carried out, the repurchase price for the first phase of the grant was revised from RMB14.66 to RMB13.36 per share, and the repurchase price for the reserved restricted shares from RMB26.79 to RMB25.49 per share.

Also, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2017 Restricted Share Incentive Scheme was approved at the said meeting. As such, it was agreed to repurchase and retire 1,580,750 restricted shares that had been granted to 35 personnel but were still in lockup, for the reasons of their departure from the Company, business unit’s 2018 performance appraisal result being “just so-so” or “bad”, position change, individual performance appraisal result being “substandard” or other factors.

Also, the Proposal on the Satisfaction of the Conditions for the Second Unlocking Period for the First Phase of the 2017 Restricted Share Incentive Scheme was approved at the aforesaid meeting. A total of 100 personnel were eligible for this unlocking, with 5,564,583 restricted shares unlocked and allowed for public trading.

d. The Company submitted the application to CSDC Shenzhen for the retirement of the 1,580,750 restricted shares under the 2017 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 23 July 2019, as confirmed by CSDC Shenzhen, the retirement of the said restricted shares had been completed.

H. Overview of the 2018 Restricted Share Incentive Scheme

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2017 and 2018 Restricted Share Incentive Schemes was approved at the 5th Meeting of the 3rd Board of Directors on 21 January 2019. As such, it was agreed to repurchase and retire 2,237,500 restricted shares that had been granted to 47 personnel but were still in lockup under the 2018 Restricted Share Incentive Scheme, for the reasons of their departure from the Company, position change or other factors.

b. The Company submitted the application to CSDC Shenzhen for the retirement of the 2,237,500 restricted shares under the first phase of the 2018 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 3 April 2019, as confirmed by CSDC Shenzhen, the retirement of the said restricted shares had been completed.

c. In light of the authorization given at the 2017 Annual General Meeting of Shareholders, the Company convened the 8th Meeting of the 3rd Board of Directors on 11 March 2019, at which the Proposal on Grant of 2018 Reserved Restricted Shares to Incentive Receivers was reviewed and approved. As such, the Company agreed to grant 2,560,000 reserved restricted shares to 34 incentive receivers on 11 March 2019 at the price of RMB23.59 per share.

d. The Company had intended to grant 2,560,000 reserved restricted shares to 34 incentive receivers. However, after the date of grant, two incentive receivers gave up subscription and the 140,000 reserved restricted shares that had been granted to them were cancelled. As such, the Company actually granted 2,420,000 reserved restricted shares to 32 incentive receivers. Zhonghui Certified Public Accountants LLP issued on 27 April 2019 the Capital Verification Report ZHKY [2019] No. 2446, verifying the corresponding increases in the Company's registered capital and share capital and the payments thereof as of 23 April 2019, which resulted from the private placement of restricted A-shares as reserved restricted shares to 32 personnel under the 2018 Restricted Share Incentive Scheme. As verified, as of 23 April 2019, the Company had received RMB57,087,800.00 from 32 incentive receivers for reserved restricted share subscription, representing an increase of RMB2,420,000.00 in share capital and an increase of RMB54,667,800.00 in capital reserves.

e. As per the CSRC's Measures for the Administration of Equity Incentives of Listed Companies, and as confirmed by the Shenzhen Stock Exchange and CSDC Shenzhen, the reserved shares in the Company's 2018 Restricted Share Incentive Scheme had been registered and were to go public on 10 May 2019.

f. The Proposal on the Cancellation of the Remaining Reserved Restricted Shares for 2018 was approved at the 10th Meeting of the 3rd Board of Directors on 18 April 2019. The Company decided to cancel the remaining 240,000 such shares as there were no other personnel that met the conditions for the restricted share incentives within the effective period.

g. The Company convened the 12th Meeting of the 3rd Board of Directors on 30 May 2019, at which the Proposal for the Adjustments to the Repurchase Price for the 2018 Restricted Share Incentive Scheme was reviewed and approved. As the 2018 Annual Profit Distribution had been carried out, the repurchase price for the first phase of the grant was revised from RMB27.57 to RMB26.27 per share, and the repurchase price for the reserved restricted shares from RMB23.59 to RMB22.29 per share.

Also, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme was approved at the said meeting. As such, it was agreed to repurchase and retire 1,238,500 restricted shares that had been granted to 21 personnel but were still in lockup, for the reasons of their departure from the Company, position change or other factors.

h. The Company submitted the application to CSDC Shenzhen for the retirement of the 1,238,500 restricted shares under the first phase of the 2018 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 23 July 2019, as confirmed by CSDC Shenzhen, the retirement of the said restricted shares had been completed.

I. Overview of the 2019 Restricted Share Incentive Scheme

a. On 18 April 2019, the Proposal on the 2019 Restricted Share Incentive Scheme (Draft) and Its Abstract (hereinafter referred to as the “2019 Restricted Share Incentive Scheme (Draft)”) was reviewed and approved at the 10th Meeting of the 3rd Board of Directors, and the incentive receiver list for the 2019 Restricted Share Incentive Scheme (Draft) was examined at the 7th Meeting of the 3rd Supervisory Committee.

b. On 13 May 2019, the Company convened the 2018 Annual General Meeting of Shareholders, at which the Proposal on the 2019 Restricted Share Incentive Scheme (Draft) and Its Abstract, the Proposal on the Implementation and Appraisal Measures for the 2019 Restricted Share Incentive Scheme, the Proposal for Asking the Meeting of Shareholders to Authorize the Board to Handle Mattes Related to the 2019 Restricted Share Incentive Scheme and other relevant proposals were reviewed and approved. For this scheme, the Company intended to grant 30,350,000 restricted shares to 451 incentive receivers with the price being RMB27.09/share.

c. In light of the authorization given at the 2018 Annual General Meeting of Shareholders, the Company convened the 12th Meeting of the 3rd Board of Directors on 30 May 2019, at which the Proposal for the Adjustments to the Grant Price of the 2019 Restricted Share Incentive Scheme, the Proposal for the Determination of the Grant Date for the 2019 Restricted Share Incentive Scheme and the Proposal for the Grant-Related Matters for the 2019 Restricted Share Incentive Scheme were reviewed and approved. As such, the Company agreed to grant 30,350,000 restricted shares to 451 incentive receivers on 30 May 2019 under the said scheme with the price revised from RMB27.09 per share to RMB25.79 per share.

d. The Company had intended to grant 30,350,000 restricted shares to 451 incentive receivers. However, after the date of grant, 28 incentive receivers left the Company, experienced position change or gave up subscription, and the 1,790,000 restricted shares that had been granted to them were cancelled. As such, the Company actually granted 28,560,000 restricted shares to 423 incentive receivers. Zhonghui Certified Public Accountants LLP issued on 25 June 2019 the Capital Verification Report ZHKY [2019] No. 3970, verifying the payments as of 24 June 2019 by the 423 incentive receivers for share subscription under the 2019 Restricted Share Incentive Scheme. As verified, as of 24 June 2019, the Company had received RMB736,562,400.00 from the 423 incentive receivers for restricted share subscription. After the grant, the total share capital of the Company remained the same, and the restricted shares rose by 28,560,000 due to the equity incentive and the unrestricted public shares decreased by 28,560,000.

e. As per the CSRC's Measures for the Administration of Equity Incentives of Listed Companies, and as confirmed by the Shenzhen Stock Exchange and CSDC Shenzhen, the shares under the Company's 2019 Restricted Share Incentive Scheme had been registered and were to go public on 10 July 2019.

J. Overview of the First Global Partner Stock Ownership Scheme

a. The Proposal on the Extended Duration of the First Global Partner Stock Ownership Scheme was approved at the 7th Meeting of the 3rd Board of Directors on 22 February 2019. As proposed by the administrative committee of this scheme, the Board agreed to extend the duration of this scheme from four years to five years, i.e. to 21 April 2020.

b. The Company disclosed on 2 July 2019 the Announcement on the Completion of Share Clearing & Early Termination of the First Global Partner Stock Ownership Scheme. As per the relevant provisions of the First Core Management and Global Partner Stock Ownership Scheme of Midea Group Co., Ltd.

(Draft), this scheme was completed and terminated ahead of schedule.

K. Overview of the Second Global Partner Stock Ownership Scheme

a. The Company disclosed the Reminder of the Completion of Vesting under the Second Global Partner Stock Ownership Scheme on 30 April 2019. As such, the final 30% installment of shares under the Second Global Partner Stock Ownership Scheme had been vested, marking the completion of this scheme. A total of 1,684,540 shares had been vested in the Company's incumbent senior management (Fang Hongbo, Yin Bitong, Gu Yanmin, Wang Jianguo and Wang Jinliang), and a total of 1,179,170 shares had been vested in other incentive receivers, totaling 2,863,710 shares. The remaining unvested 1,010,880 shares and the corresponding dividends (if any) had been taken back by the administrative committee of this scheme for no compensation, and would be sold at a proper timing before this scheme expired. The earnings on the sale would belong to the Company.

L. Overview of the Third Global Partner Stock Ownership Scheme

a. The Company disclosed the Announcement on the Share Allocation and Vesting under a Partner Stock Ownership Scheme on 22 May 2019. As such, the second 30% installment of shares under the Third Global Partner Stock Ownership Scheme was vested. A total of 478,724 shares were vested in the Company's incumbent senior management (Fang Hongbo, Yin Bitong, Gu Yanmin, Wang Jianguo, Xiao Mingguang and Wang Jinliang), and a total of 215,640 shares were vested in other incentive receivers.

Due to certain incentive receivers' position change or departure from the Company before the second vesting period, the unvested 138,005.5 shares of the second 30% installment of shares under the Third Global Partner Stock Ownership Scheme and the corresponding dividends (if any) had been taken back by the administrative committee of this scheme for no compensation, and would be sold at a proper timing before this scheme expired. The earnings on the sale would belong to the Company.

M. Overview of the Fourth Global Partner Stock Ownership Scheme

a. The Company's performance requirement for the Fourth Global Partner Stock Ownership Scheme is a weighted average ROE not lower than 20% for 2018. According to the 2018 Annual Auditor's Report for Midea Group Co., Ltd. issued by PricewaterhouseCoopers China (LLP), this ROE requirement has been met at 25.66%.

b. A total of 3,318,540 of the Company's shares were purchased for this scheme. As per the Fourth Global

Partner Stock Ownership Scheme (Draft), the administrative committee of this scheme confirmed the number of shares to be granted to each partner, with the total shares to be granted being 2,714,700 shares (1,564,200 shares for senior management Fang Hongbo, Yin Bitong, Gu Yanmin, Wang Jianguo and Wang Jinliang, and the other 1,150,500 shares for other core management personnel).

c. Due to certain incentive receivers' position change or departure from the Company in the duration of the Fourth Global Partner Stock Ownership Scheme, there remained 603,840 shares unallocated under this scheme. As per the Fourth Global Partner Stock Ownership Scheme (Draft), these unallocated shares and the corresponding dividends (if any) had been taken back by the administrative committee of this scheme for no compensation, and would be sold at a proper timing before this scheme expired. The earnings on the sale would belong to the Company.

N. Overview of the First Business Partner Stock Ownership Scheme

a. The Company's performance requirement for the First Business Partner Stock Ownership Scheme is a weighted average ROE not lower than 20% for 2018. According to the 2018 Annual Auditor's Report for Midea Group Co., Ltd. issued by PricewaterhouseCoopers China (LLP), this ROE requirement has been met at 25.66%.

b. A total of 1,779,300 of the Company's shares were purchased for this scheme. As per the First Business Partner Stock Ownership Scheme (Draft), the administrative committee of this scheme confirmed the number of shares to be granted to each partner, with the total shares to be granted being 1,151,687 shares (182,566 shares for senior management Zhang Xiaoyi, Xiao Mingguang, Hu Ziqiang, Liu Min and Jiang Peng, and the other 969,121 shares for other core management personnel).

c. Due to certain incentive receivers' position change or departure from the Company in the duration of the First Business Partner Stock Ownership Scheme, there remained 627,613 shares unallocated under this scheme. As per the First Business Partner Stock Ownership Scheme (Draft), these unallocated shares and the corresponding dividends (if any) had been taken back by the administrative committee of this scheme for no compensation and belonged to the Company. In this case, the Company still had to return the performance bonuses corresponding to these unallocated shares under this scheme to the relevant senior management.

O. Overview of the Fifth Global Partner Stock Ownership Scheme

a. The Fifth Core Management and Global Partner Stock Ownership Scheme was approved at the 10th Meeting of the 3rd Board of Directors on 18 April 2019 and the 2018 Annual General Meeting of Shareholders on 13 May 2019. The shares for this scheme would be obtained from the Company's securities account for repurchase in a non-transaction transfer and put into the securities account of "Midea Group Co., Ltd.—the Fifth Employee Stock Ownership Scheme" for management.

b. As of 30 June 2019, the Company cumulatively repurchased 40,014,998 shares (0.5764% of the Company's total share capital as of that date) through centralized bidding in its securities account for repurchase at an average price of RMB49.79/share (RMB1,992,451,807.06 in total, exclusive of trading fees), which was funded by the Company's special fund of RMB185.82 million for this scheme. With the said average repurchase price as the price for transferring the shares in the repurchase securities account to the securities account of the Fifth Global Partner Stock Ownership Scheme, the shares to be transferred would be 3,732,075.

c. According to the Confirmation of Securities Transfer received by the Company from CSDC Shenzhen on 9 July 2019, 3,732,075 shares (0.0537% of the Company's total share capital) had been transferred from the Company's securities account for repurchase to the securities account of "Midea Group Co., Ltd.—the Fifth Employee Stock Ownership Scheme" in a non-transaction transfer on 8 July 2019. As required by the Fifth Global Partner Stock Ownership Scheme (Draft), the shares transferred shall be locked up for no less than 12 months from the disclosure date of the announcement on the completion of the transfer from the Company's securities account for repurchase. Therefore, the shares transferred to the securities account of the Fifth Global Partner Stock Ownership Scheme would be locked up from 11 July 2019 to 10 July 2020.

P. Overview of the Second Business Partner Stock Ownership Scheme

a. The Second Core Management and Business Partner Stock Ownership Scheme was approved at the 10th Meeting of the 3rd Board of Directors on 18 April 2019 and the 2018 Annual General Meeting of Shareholders on 13 May 2019. The shares for this scheme would be obtained from the Company's securities account for repurchase in a non-transaction transfer and put into the securities account of "Midea Group Co., Ltd.—the Sixth Employee Stock Ownership Scheme" for management.

b. The Second Business Partner Stock Ownership Scheme was funded by the Company's special fund and the performance bonuses for senior management of RMB93 million. With the average repurchase price as the price for transferring the shares in the repurchase securities account to the securities account of the Second Business Partner Stock Ownership Scheme, the shares to be transferred would be 1,867,845.

c. According to the Confirmation of Securities Transfer received by the Company from CSDC Shenzhen on 15 July 2019, 1,867,845 shares (0.0269% of the Company's total share capital) had been transferred from the Company's securities account for repurchase to the securities account of "Midea Group Co., Ltd.—the Sixth Employee Stock Ownership Scheme" in a non-transaction transfer on 12 July 2019. As required by the Second Business Partner Stock Ownership Scheme (Draft), the shares transferred shall be locked up for no less than 12 months from the disclosure date of the announcement on the completion of the transfer from the Company's securities account for repurchase. Therefore, the shares transferred to the securities account of the Second Business Partner Stock Ownership Scheme would be locked up from 16 July 2019 to 15 July 2020.

12. Significant Related Transactions

12.1 Related transactions arising from routine operation

√ Applicable □ N/A

Related transaction party	Relation	Type of the transaction	Contents of the transaction	Pricing principle	Transaction price	Transaction amount (RMB'000)	Proportion in the total amounts of transaction of the same kind (%)	Approved transaction line (RMB'000)	Over approved line	Mode of settlement	Obtainable market price for the transaction of the same kind	Disclosure date	Index to the disclosed information
Infore Environment Technology Group	Controlled by family member of Compa	Procurement	Procurement of goods	Market price	-	609,122	0.66%	1,500,000	No	Payment after delivery	-	20/04/2019	www.cninfo.com.cn

Co., Ltd.	ny's actual controller												
Orinko Advanced Plastics Co., LTD	Controlled by family member of Company's actual controller	Procurement	Procurement of goods	Market price	-	684,725	0.75%	1,700,000	No	Payment after delivery	-	20/04/2019	www.cninfo.com.cn
Total				--	--	1,293,847	--	3,200,000		--		--	--
Details of any sales return of a large amount				Zero									
Give the actual situation in the Reporting Period (if any) where a forecast had been made for the total amounts of routine related-party transactions by type to occur in the current period				The line for routine related transactions between the Company and the related parties and their subsidiaries did not exceed the total amount of routine related transactions estimated by the Company by type.									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				N/A									

12.2 Related transactions regarding purchase or sales of assets or equity interests

□ Applicable √ N/A

No such cases in the Reporting Period.

12.3 Related transitions arising from joint investments in external parties

□ Applicable √ N/A

No such cases in the Reporting Period.

12.4 Credits and liabilities with related parties

□ Applicable √ N/A

No such cases in the Reporting Period.

12.5 Other significant related transactions

√ Applicable □ N/A

The Proposal for Related Transactions Regarding Making Deposits in and Obtaining Loans from Shunde Rural Commercial Bank in 2019 was reviewed and approved at the 10th Meeting of the 3rd Board of Directors held on 18 April 2019 and later at the 2018 Annual General Meeting of Shareholders held on 13 May 2019.

In 2019, the deposit balance of the Company in Shunde Rural Commercial Bank shall not exceed RMB5 billion and neither shall the credit balance provided by the bank to the Company exceed RMB5 billion.

Index to the announcement about the said related transactions disclosed

Title of announcement	Disclosure date	Disclosure website
Announcement on Related Transactions Regarding Making Deposits in and Obtaining Loans from Shunde Rural Commercial Bank in 2019	20/04/2019	www.cninfo.com.cn

13. Occupation of the Company's Capital by the Controlling Shareholder or Its Related Parties for Non-Operating Purposes

□ Applicable √ N/A

No such cases in the Reporting Period.

14. Significant Contracts and Their Execution

14.1 Trusteeship, contracting and leasing

14.1.1 Trusteeship

□ Applicable √ N/A

No such cases in the Reporting Period.

14.1.2 Contracting

□ Applicable √ N/A

No such cases in the Reporting Period.

14.1.3 Leasing

☐ Applicable √ N/A

No such cases in the Reporting Period.

14.2 Major Guarantees

√ Applicable ☐ N/A

14.2.1 Guarantees provided

Unit: RMB'000

<table>
<tr><td colspan="9">Guarantees provided by the Company for external parties (excluding those for subsidiaries)</td></tr>
<tr><td>Guaranteed party</td><td>Disclosure date of the guarantee line announcement</td><td>Line of guarantee</td><td>Actual occurrence date (date of agreement signing)</td><td>Actual guarantee amount</td><td>Type of guarantee</td><td>Term of guarantee</td><td>Due or not</td><td>Guarantee for a related party or not</td></tr>
<tr><td colspan="9">No such cases</td></tr>
<tr><td colspan="2">Total external guarantee line approved during the Reporting Period (A1)</td><td colspan="2">0</td><td colspan="2">Total actual external guarantee amount during the Reporting Period (A2)</td><td colspan="3">0</td></tr>
<tr><td colspan="2">Total approved external guarantee line at the end of the Reporting Period (A3)</td><td colspan="2">0</td><td colspan="2">Total actual external guarantee balance at the end of the Reporting Period (A4)</td><td colspan="3">0</td></tr>
<tr><td colspan="9">Guarantees provided by the Company for its subsidiaries</td></tr>
<tr><td>Guaranteed party</td><td>Disclosure date of the guarantee line announcement</td><td>Line of guarantee</td><td>Actual occurrence date (date of agreement signing)</td><td>Actual guarantee amount</td><td>Type of guarantee</td><td>Term of guarantee</td><td>Due or not</td><td>Guarantee for a related party or not</td></tr>
</table>

Midea Group Finance Co., Ltd.	2019-4-20	9,900,000	-	-	Joint liability	One year	No	No
GD Midea Air-Conditioning Equipment Co., Ltd.	2019-4-20	12,426,000	2019-1-10	1,147,910	Joint liability	One year	No	No
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	2019-4-20	1,163,000	-	-	Joint liability	One year	No	No
Foshan Midea Carrier Air-Conditioning Equipment Co., Ltd.	2019-4-20	418,000	-	-	Joint liability	One year	No	No
Guangdong Midea Precision Molding Technology Co., Ltd.	2019-4-20	98,400	-	-	Joint liability	One year	No	No
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	2019-4-20	3,854,000	2019-1-10	756,060	Joint liability	One year	No	No
Guangdong Witol Vacuum Electronic Manufacture Co.,Ltd	2019-4-20	120,000	2019-1-16	16,470	Joint liability	One year	No	No
Guangdong De Yi Jie Appliances Co., Ltd.	2019-4-20	360,000	-	-	Joint liability	One year	No	No
GD Midea Heating & Ventilating Equipment Co., Ltd.	2019-4-20	1,789,800	2019-1-9	117,840	Joint liability	One year	No	No
Guangdong Midea-SIIX Electronics Co., Ltd.	2019-4-20	172,000	2019-1-31	70	Joint liability	One year	No	No
Guangdong Midea Commercial Air-Conditioning Equipment Co., Ltd.	2019-4-20	200,000	-	-	Joint liability	One year	No	No
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	2019-4-20	385,000	2019-1-10	267,360	Joint liability	One year	No	No
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	2019-4-20	540,000	2019-1-23	589,430	Joint liability	One year	No	No
GD Midea Environment Appliances Mfg. Co.,Ltd.	2019-4-20	752,000	2019-1-10	1,630	Joint liability	One year	No	No
Guangdong Midea Cuchen Company Ltd.	2019-4-20	54,000	-	-	Joint liability	One year	No	No
GD Midea Caffitaly Coffee Machine Manufacturing Co., Ltd.	2019-4-20	30,000	-	-	Joint liability	One year	No	No
Main Power Inno Tech (Shenzhen) Manufacturing Co., Ltd.	2019-4-20	24,000	-	-	Joint liability	One year	No	No
Foshan Shunde Midea Washing	2019-4-		2019-1-	120,070	Joint liability	One	No	No

Appliances Manufacturing Co., Ltd.	20	2,080,000	10			year		
Guangdong Midea Kitchen & Bath Appliances Manufacturing Co., Ltd.	2019-4-20	24,000	-	-	Joint liability	One year	No	No
Foshan Shunde Midea Water Dispenser Manufacturing Company Limited	2019-4-20	694,000	2019-3-5	2,430	Joint liability	One year	No	No
Foshan Midea Chungho Water Purification Equipment. Co., Ltd.	2019-4-20	81,000	-	-	Joint liability	One year	No	No
Guangdong Meizhi Compressor Limited	2019-4-20	150,000	2019-1-16	1,700	Joint liability	One year	No	No
Guangdong Meizhi Precision-Manufacturing Co., Ltd	2019-4-20	80,000	2019-1-10	1,127,220	Joint liability	One year	No	No
Guangdong Welling Motor Manufacturing Co., Ltd.	2019-4-20	192,000	2019-1-4	412,470	Joint liability	One year	No	No
Foshan Welling Washer Motor Manufacturing Co., Ltd.	2019-4-20	222,000	2019-2-19	13,730	Joint liability	One year	No	No
Guangdong Midea Environmental Technologies Co., Ltd.	2019-4-20	46,000	-	-	Joint liability	One year	No	No
Guangdong Welling Auto Parts Co. Ltd.	2019-4-20	40,000	-	-	Joint liability	One year	No	No
Ningbo Midea United Materials Supply Co. Ltd.	2019-4-20	924,000	2019-1-25	147,330	Joint liability	One year	No	No
Guangzhou Kaizhao Commercial and Trading Co.,Ltd	2019-4-20	70,400	-	-	Joint liability	One year	No	No
Guangdong Midea Intelligent Robotics Co., Ltd.	2019-4-20	50,000	-	-	Joint liability	One year	No	No
Servotronix Motion Technology Development (Shenzhen) Ltd.	2019-4-20	10,000	-	-	Joint liability	One year	No	No
Midea Group E-Commerce Co., Ltd.	2019-4-20	130,000	-	-	Joint liability	One year	No	No
Annto Logistics Technology Co., Ltd.	2019-4-20	70,000	2019-2-19	63,580	Joint liability	One year	No	No
Guangdong Midea Smart Link Technologies Co., Ltd.	2019-4-20	9,200	-	-	Joint liability	One year	No	No
GD Midea Group Wuhu Air-Conditioning Equipment Co.,Ltd.	2019-4-20	2,000,000	2019-1-29	500,720	Joint liability	One year	No	No
Wuhu Maty Air-Conditioning Equipment Co., Ltd	2019-4-20	326,000	-	-	Joint liability	One year	No	No

Wuhu Midea Kitchen Appliances Manufacturing Co., Ltd.	2019-4-20	164,000	-	-	Joint liability	One year	No	No
Hefei Hualing Co., Ltd.	2019-4-20	914,000	2019-4-30	-	Joint liability	One year	No	No
Hubei Midea Refrigerator Co., Ltd.	2019-4-20	250,800	2019-5-21	-	Joint liability	One year	No	No
Hefei Midea Refrigerator Co., Ltd.	2019-4-20	920,000	-	-	Joint liability	One year	No	No
Guangzhou Midea Hualing Refrigerator Co., Ltd.	2019-4-20	1,154,000	-	-	Joint liability	One year	No	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	2019-4-20	548,000	2019-3-28	-	Joint liability	One year	No	No
Hefei Midea-SIIX Electronics Co.,Ltd.	2019-4-20	230,000	2019-1-29	-	Joint liability	One year	No	No
Hefei M&B Air Conditioning Equipment Co., Ltd.	2019-4-20	40,800	-	-	Joint liability	One year	No	No
Wuhu Midea Life Appliances Mfg Co., Ltd.	2019-4-20	200,000	-	-	Joint liability	One year	No	No
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	2019-4-20	1,761,600	2019-3-1	5,900	Joint liability	One year	No	No
Anhui Meizhi Compressor Co., Ltd.	2019-4-20	30,000	2019-4-22	-	Joint liability	One year	No	No
Anhui Meizhi Precision Manufacturing Co., Ltd.	2019-4-20	72,000	2019-2-2	14,580	Joint liability	One year	No	No
Welling (Wuhu) Motor Manufacturing Co., Ltd.	2019-4-20	24,000	-	-	Joint liability	One year	No	No
Wuhu Welling Motor Sales Co., Ltd.	2019-4-20	1,200,000	-	-	Joint liability	One year	No	No
Wuxi Little Swan Company Limited	2019-4-20	3,109,600	2019-6-19	490	Joint liability	One year	No	No
Hefei Midea Laundry Appliance Co., Ltd.	2019-4-20	1,598,960	2019-3-15	269,180	Joint liability	One year	No	No
Jiangsu Midea Cleaning Appliances Co., Ltd	2019-4-20	510,000	2019-1-1	3,000	Joint liability	One year	No	No
Midea Group Wuhan Refrigeration	2019-4-	7,200	-	-	Joint liability	One	No	No

Equipment Co.,Ltd.	20					year		
Handan Midea Air-Conditioning Equipment Co.,Ltd.	2019-4-20	120,000	2019-2-22	1,830	Joint liability	One year	No	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	2019-4-20	148,000	2019-4-16	1,860	Joint liability	One year	No	No
Midea Intelligent Lighting & Controls Technology Co., Ltd.	2019-4-20	250,000	2019-3-28	580	Joint liability	One year	No	No
Changzhou Welling Motor Manufacturing Co., Ltd.	2019-4-20	24,000	-	-	Joint liability	One year	No	No
Huaian Welling Motor Manufacturing Co., Ltd.	2019-4-20	20,000	2019-2-2	-	Joint liability	One year	No	No
Zhejiang Meizhi Compressor Co., Ltd.	2019-4-20	2,000,000	2019-1-10	-	Joint liability	One year	No	No
Ningbo Annto Logistics Co., Ltd.	2019-4-20	15,000	-	-	Joint liability	One year	No	No
KUKA Industries Automation (Kunshan) Co., Ltd.	2019-4-20	120,750	-	-	Joint liability	One year	No	No
KUKA Systems (China) Co., Ltd.	2019-4-20	145,000	-	-	Joint liability	One year	No	No
KUKA Robotics Manufacturing China Co.,Ltd	2019-4-20	115,000	-	-	Joint liability	One year	No	No
KUKA Robotics (Shanghai) Co.,Ltd	2019-4-20	115,000	-	-	Joint liability	One year	No	No
Shanghai Swisslog Healthcare Co., Ltd.	2019-4-20	8,000	-	-	Joint liability	One year	No	No
Swisslog (Shanghai) Co., Ltd.	2019-4-20	110,000	-	-	Joint liability	One year	No	No
Shanghai Swisslog Logistics Technology Co., Ltd.	2019-4-20	60,000	-	-	Joint liability	One year	No	No
Midea International Corporation Company Limited	2019-4-20	11,480,000	2019-4-23	6,312,120	Joint liability	One year	No	No
Midea International Trading Company Limited	2019-4-20	2,222,430	2019-1-1	279,670	Joint liability	One year	No	No
Midea Investment Development Company Limited	2019-4-20	4,900,000	2019-1-1	4,575,160	Joint liability	One year	No	No
Welling International Hong Kong Ltd	2019-4-20	126,000	-	-	Joint liability	One year	No	No

Midea Electric Trading (Singapore) Co.,Pte. Ltd.	2019-4-20	5,384,000	2019-1-3	634,490	Joint liability	One year	No	No
Toshiba Lifestyle Products & Services Corporation and its subsidiaries	2019-4-20	4,608,000	2019-1-1	593,500	Joint liability	One year	No	No
Midea Consumer Electric Vietnam	2019-4-20	112,000	2019-2-13	41,540	Joint liability	One year	No	No
Concepcion Midea Inc.	2019-4-20	112,000	-	-	Joint liability	One year	No	No
Midea Italia S.r.l.	2019-4-20	140,000	-	-	Joint liability	One year	No	No
Midea Scott & English Electronics Sdn. Bhd.	2019-4-20	206,500	-	-	Joint liability	One year	No	No
Midea Mexico, S. DE R.L. DE C.V.	2019-4-20	105,000	-	-	Joint liability	One year	No	No
Midea Electric Trading (Thailand) Co., Ltd.	2019-4-20	105,000	-	-	Joint liability	One year	No	No
Midea America Corp	2019-4-20	669,000	-	-	Joint liability	One year	No	No
Pt. Midea Planet Indonesia	2019-4-20	56,000	-	-	Joint liability	One year	No	No
Midea Electrics Egypt	2019-4-20	175,000	-	-	Joint liability	One year	No	No
Midea Europe GmbH	2019-4-20	70,000	-	-	Joint liability	One year	No	No
Servotronix Motion Control Ltd.	2019-4-20	34,000	-	-	Joint liability	One year	No	No
Midea Austria GmbH	2019-4-20	35,000	-	-	Joint liability	One year	No	No
Clivet SPA	2019-4-20	73,500	-	-	Joint liability	One year	No	No
Clivet Mideast Fzco	2019-4-20	31,500	-	-	Joint liability	One year	No	No
Midea Electric Netherland (I)	2019-4-20	29,600,000	-	-	Joint liability	One year	No	No
Total guarantee line for subsidiaries approved during the Reporting Period (B1)		115,715,440		Total actual guarantee amount for subsidiaries during the Reporting Period		18,891,570		

				(B2)				
Total approved guarantee line for subsidiaries at the end of the Reporting Period (B3)		115,715,440		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)		18,019,920		
Guarantees between subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
No such cases								
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the Reporting Period (A1+B1+C1)		115,715,440		Total actual guarantee amount during the Reporting Period (A2+B2+C2)		18,891,570		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		115,715,440		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		18,019,920		
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company				19.46%				
Of which:								
Amount of guarantees provided for shareholders, the actual controller and their related parties (D)				0				
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)				8,989,590				
Portion of the total guarantee amount in excess of 50% of net assets (F)				0				
Total amount of the three kinds of guarantees above (D+E+F)				8,989,590				
Joint responsibilities possibly borne for undue guarantees (if any)				N/A				
Provision of external guarantees in breach of the prescribed procedures (if any)				N/A				

14.2.2 Illegal provision of guarantees for external parties

□ Applicable √ N/A

No such cases in the Reporting Period.

14.3 Other significant contracts

□ Applicable √ N/A

No such cases in the Reporting Period.

15. Social Responsibility

15.1 Major environmental issues

Whether the Company or any of its subsidiaries is declared a heavily polluting business by the environmental protection authorities

√ Yes □ No

Name of the Company or subsidiary	Major pollutants	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Concentration of the discharge	Pollutant discharge standards	Total discharge(kg)	Approved total discharge (kg)	Excess discharge
Hubei Midea Refrigerator Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The western side of wastewater treatment in freezer base	130 mg/L	Regulations of Hubei Province on prevention and control of water pollution	2,530.00	4,320	No
	Ammonia nitrogen				12.7 mg/L		24.40	700	No
	NMHC	15m high altitude discharge	36	16 refrigerator foams, 12 squeeze plates, 4 freezer foams, 4 freezer paintings	1.56 mg/m³	Emission standard of air pollutants for industrial kiln and furnace GB-9078-1996	395.97	648	No
	Particles				15mg/m³		308.16	7,660	No
Guangdong Midea Kitchen Appliances Manufacturing Co.,	COD	Discharge to the municipal sewage system after being treated by wastewater treatment system	1	The eastern side of wastewater treatment in Malong base	Less than the limit of 110mg/L	The discharge limits of water pollutants in Guangdong DB-44/26-2001	15,441.54	22,770	No
	Ammonia nitrogen				Less than the limit of 15mg/L		397.98	4,554	No

Ltd.	Particles	20m high altitude discharge	116	26 outlets at A1 plant, 50 outlets at A2 plant, 21 outlets at B2 plant, 9 outlets at C2 plant, 2 outlets at C3 plant, 1 outlet at wastewater treatment station and 7 outlets at canteen	Less than the limit of 200mg/m³	Emission standard of air pollutants for industrial kiln and furnace (GB-9078-1996) /The emission limit of gas pollutants in Guangdong (DB-44/27-2007)	11,580.93	No requirements	No
	Sulfur dioxide				Less than the limit of 50mg/m³		17.88	1,055	No
	Nitrogen oxide				Less than the limit of 200mg/m³		322.09	10,314	No
	Benzene	High altitude discharge after being treated by waste gas treatment station			Less than the limit of 1mg/m³		31.39	No requirements	No
	Toluene				Less than the limit of 40mg/m³		1,109.66	No requirements	No
	Xylene				Less than the limit of 70mg/m³		2,488.06	No requirements	No
	VOCs				Less than the limit of 30mg/m³		17,353.81	No requirements	No
	NMHC				Less than the limit of 100mg/m³		1,149.40	No requirements	No
	Styrene				-		14.25	No requirements	No

	Fume				Less than the limit of 2mg/m^3		108.52	No requirements	No
Hefei Midea Laundry Appliance Co., Ltd. (monitored by the municipal government)	COD	Discharge after being treated by wastewater treatment station	1	The eastern side of wastewater treatment station	75mg/L	Standards for Pipeline Access to the Western Group Wastewater Treatment Station in Feixi County, Hefei, Anhui Province	52,500	58,150	No
	Ammonia nitrogen				16.5mg/L		11,550	-	No
	Particles	15m high altitude discharge after being treated by cyclone + filter cartridge dust collector	2	1 outlet at #2 plant, 1 outlet at #6 plant	Less than 20mg/m^3	Integrated emission standards for atmospheric pollutants GB16297-1996 second-level	4,320	-	No
	Particles	15m high altitude discharge after being treated by water spraying + dedusting + UV photolysis + activated carbon	1	1 outlet at #1 plant, 1 outlet at #3 plant	Less than 20mg/m^3		5,040	-	No
	NMHC				3mg/m^3		756	-	No
	NMHC	15m high altitude discharge after being treated by environmental protection facilities	12	3 outlets at #2 plant, 6 outlets at #6 plant, 1 outlet at #1 plant, 1 outlet at #5 plant, 1 outlet at #3 plant	2mg/m^3	Emission control standard for industrial enterprises volatile organic compounds DB12/524-2014	12,960	-	No
GD Midea Air-Conditioning	COD	Discharge after being treated by wastewater treatment station	1	4# southeastern plant	84mg/L	The discharge standard of water pollutants for electroplating (DB441597-2015) chart 2 PRD	3,603	9,590	No
	Ammonia nitrogen				0.773mg/L		29.81	1,510	
	SS				25mg/L		1,008	-	

Equipment Co.,Ltd.	Petroleum products				3.16mg/L	standard	129.53	-	
	COD	Discharge after being treated by wastewater treatment station	1	2# eastern plant	94mg/L	The discharge limits of water pollutants in Guangdong (DB44/26-2001)	547.2	1,160	No
	SS				28mg/L		165.6	-	
	LAS				1.75mg/L		6.5	-	
	Petroleum products				1.88mg/L		8	-	
	VOCs (dusting)	15m high altitude discharge after being treated by spray tower + activated carbon	3	4# plant	20	Emission standard of volatile organic compounds for furniture manufacturing (DB44/814-2010) the second time period	1,440.00	5,930.00	No
	VOCs (screen printing)	15m high altitude discharge after being treated by green facilities	4	1#, 5#, 9#, 11# plants	4.6	Emission standard of volatile organic compounds for printing industry (DB44/815-2010)	1,324.80	5,930.00	No
	NMHC (evaporator & condenser)	15m high altitude discharge after being treated by green facilities	6	2#, 5# plants	10	Emission limits of air pollutants (DB44/27-2001) the second time period	43,200.00	-	No
	NMHC (electronic)	15m high altitude discharge after being treated by catalytic combustion	2	10# plant	6.2	Emission limits of air pollutants (DB44/27-2001) the second time period	267.84	-	No
Anhui	COD	Discharge after being treated by	1	At the southern side of	52 mg/L	Integrated wastewater	7,134	-	No

Meizhi Precision Manufacturing Co., Ltd.	Ammonia nitrogen	wastewater treatment system and reaching the standard		No.6 shift building at the northern side of plant	0.168mg/L	discharge standard (GB8978-1996) chart 4 third-level	23	-	No
	BOD				13mg/L		1,784	-	No
	SS				6mg/L		823	-	No
	Petroleum products				0.21mg/L		29	-	No
	Particles	Collected by gas trap hood+21m high exhaust cylinder	11	1-8# discharge outlet for the welding waste gas	11.6mg/m³	Integrated emission standards for atmospheric pollutants GB16297-1996 chart 2 second-level	5,237	-	No
				9#-10# discharge outlet for the welding waste gas	12.8mg/m³				
				Waste gas outlet of 1# heat-treating furnace	10.7 mg/m³	Emission standard of air pollutants for industrial kiln and furnace GB9078-1996 chart 2 second-level	1,535		No
				Waste gas outlet of 2# heat-treating furnace	1.2 mg/m³				
				Waste gas outlet of 3# heat-treating furnace	5.1 mg/m³				
				Waste gas outlet of 4# heat-treating furnace	2.6 mg/m³				
				Waste gas outlet of 5# heat-treating furnace	1 mg/m³				
				Waste gas outlet of 6# heat-treating furnace	3.5 mg/m³				
				Waste gas outlet of 7# heat-treating furnace	1.6 mg/m³				
				Waste gas outlet of 8# heat-treating furnace	1.7 mg/m³				

				Waste gas outlet of 9# heat-treating furnace	10.3 mg/m³				
	Sulfur dioxide	Collected by gas trap hood+21m high exhaust cylinder	9	Waste gas outlet of 1# heat-treating furnace	124 mg/m³	Emission standard of air pollutants for industrial kiln and furnace GB9078-1996 chart 2 second-level	25,381	-	No
				Waste gas outlet of 2# heat-treating furnace	34 mg/m³				
				Waste gas outlet of 3# heat-treating furnace	5 mg/m³				
				Waste gas outlet of 4# heat-treating furnace	143 mg/m³				
				Waste gas outlet of 5# heat-treating furnace	6 mg/m³				
				Waste gas outlet of 6# heat-treating furnace	146 mg/m³				
				Waste gas outlet of 7# heat-treating furnace	106 mg/m³				
				Waste gas outlet of 8# heat-treating furnace	4 mg/m³				
				Waste gas outlet of 9# heat-treating furnace	334 mg/m³				
	Nitrogen oxide	Collected by gas trap hood+21m high exhaust cylinder	9	Waste gas outlet of 1# heat-treating furnace	32 mg/m³	-	9,079	-	No
				Waste gas outlet of 2# heat-treating furnace	32 mg/m³				
				Waste gas outlet of 3# heat-treating furnace	8mg/m³				

				Waste gas outlet of 4# heat-treating furnace	18 mg/m³				
				Waste gas outlet of 5# heat-treating furnace	23 mg/m³				
				Waste gas outlet of 6# heat-treating furnace	6 mg/m³				
				Waste gas outlet of 7# heat-treating furnace	44 mg/m³				
				Waste gas outlet of 8# heat-treating furnace	19 mg/m³				
				Waste gas outlet of 9# heat-treating furnace	10 mg/m³				
	VOCs	Direct-fired waste gas incinerator+21m high exhaust cylinder	10	1-4# discharge outlets for drying waste gas	4.64 mg/m³	Integrated emission standards for atmospheric pollutants GB16297-1996 chart 2 second-level	352	-	No
				5-8# discharge outlets for drying waste gas	6.56mg/m³				
				9-10# discharge outlets for drying waste gas	4.79 mg/m³				
Anhui Meizhi Compressor Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The western side of integrated wastewater treatment station	110mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and integrated wastewater discharge standard (GB8978-1996) third-level	6,800	14,707	No
	Ammonia nitrogen				1.58mg/L		340	735	No

	Particles	Collected by gas trap hood+15m high exhaust cylinder	14	No. 1 workshop welding soot 1#~6# discharge outlet for waste gas	<20mg/m³	Integrated emission standards for atmospheric pollutants (GB16297-1996)	3,241	7,975	No
				No. 3 workshop welding 1#-8# discharge outlet for the welding waste gas	<20mg/m³				
				No.2 workshop 1#Chugai furnace and 2#Chugai furnace discharge outlet for waste gas	<20mg/m³	Emission standard of air pollutants for industrial kiln and furnace (GB9078-1996)			No
				No.2 workshop 4#Chugai furnace and Samchully furnace discharge outlet for waste gas	<20mg/m³	Emission standard of air pollutants for industrial kiln and furnace (GB9078-1996)			No
				No. 4 workshop 3# Chugai furnace discharge outlet for waste gas and die-casting molten aluminum I/J/F discharge outlet for waste gas combined with a discharge outlet	<20mg/m³	Integrated emission standards for atmospheric pollutants (GB16297-1996)			No
				No.4 workshop BAB boiler discharge outlet for waste gas	<20mg/m³	Emission standard of air pollutants for industrial kiln and furnace (GB9078-			No

				No.2 workshop die-casting molten aluminum A/B/E discharge outlet for waste gas	<20mg/m³	1996)			
				No.2 workshop die-casting molten aluminum C/D discharge outlet for waste gas	<20mg/m³				
				No.4 workshop die-casting molten aluminum I/J/F discharge outlet for waste gas	<20mg/m³				
				No. 4 workshop centrifugal pouring G/H and rotor furnace combined with a discharge outlet	<20mg/m³				
				The tail of 3# and 4# stator furnace and the general discharge outlet of four melting aluminum furnace	<20mg/m³				
				Furnace 1#-3# discharge outlet for waste gas	<20mg/m³	Emission standard of air pollutants for boiler (GB13271-2014)			No
	Sulfur dioxide	Collected by gas trap hood+15m high exhaust cylinder	3	Furnace 1#-3# discharge outlet for waste gas	Not detected	Emission standard of air pollutants for boiler	0	4.48	No

	Nitrogen oxide	Collected by gas trap hood+15m high exhaust cylinder	3	Furnace 1#-3# discharge outlet for waste gas	128mg/m³	(GB13271-2014)	7.62	10.07	No
	VOCs	Direct-fired waste gas incinerator+15m high exhaust cylinder	3	No.1 workshop of discharge outlet for drying waste gas	16.99mg/m³	Integrated emission standards for atmospheric pollutants (GB16297-1996)	770.4	7,766	No
				No.3 workshop 1# discharge outlet for drying waste gas	25.17mg/m³				
				No.3 workshop 2# discharge outlet for drying waste gas	9.93 mg/m³				
Guangdong Meizhi Precision-Manufacturing Co., Ltd.	COD	Discharge after being treated by wastewater treatment station	1	Near the northern side of wastewater treatment station	28.45 mg/m³	The discharge limits of water pollutants in Guangdong DB-44/26-2001 the second time period first-level	6,260	19,880	No
	Ammonia nitrogen				0.83mg/ m³	The discharge limits of water pollutants in Guangdong DB-44/26-2001 the second time period first-level	184.5	2,210	No
Guangdong Midea Consumer	CODcr	Discharge after being treated by wastewater treatment system and reaching the standard	1	Outlet of the wastewater treatment station of the water material plant	43.5mg/L	Table 2 of the Discharge Standard of Water Pollutants from	1,357.2	2,400	No
	Petroleum				0.755mg/L		23.556	-	No

Electric Manufacturing Co., Ltd.	Ammonia nitrogen				6.76mg/L	Electroplating（DB44/1597-2015）: Water Pollutant Discharge Limits for New Projects and Benchmark Effluent Volume Per Unit Product/Discharge Limits of the Pearl River Delta	210.912	480	No
	Benzene	High altitude discharge after being treated by waste gas treatment station	1	Outlet for waste gas from sheet metal spraying at the southeast side of the water material plant	Not detected	Table 1 of the Discharge Standard of Volatile Organic Chemical Compounds in the Furniture Making Industry (DB44/814-2010): Discharge Limits for VOCs through Exhaust Funnel/for Time Period II	-	-	No
	Toluene and xylene				5.94mg/m3		317.003	-	No
	VOCs				17.8mg/m3		949.94	-	No
	Particles	High altitude discharge after being treated by waste gas treatment station	1	Outside the polishing room	6.4mg/ m³	Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2	69.18	-	No
	NMHC		1	East side of the injection molding plant	3.15mg/ m³	Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Emission Limits of Air Pollutants	50.92	-	No

	Particles	High altitude discharge after being treated by waste gas treatment station	1	West side of the sheet metal plant	8.2mg/ m³	The Emission Limits of Air Pollutants from Industrial Furnaces (GB9078-1996) (Level 2) (Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001), Guangdong Province's local standard: Emission Limits of Industrial Waste Gas (Time Period 2) (Level 2) for nitrogen oxide)	437.61	-	No
	Sulfur dioxide				Not detected		-	-	No
	Cooking fume	High altitude discharge after being treated by waste gas treatment station	1	3rd floor of the canteen	0.56mg/ m³	Table 2 of the Emission Standard of Cooking Fume (Trial) (GB 18483-2001): The Upper Concentration Limit for Cooking Fume and the Lowest Removal Rate of Fume Purification Facilities/for Large Catering Units	16.919	-	No
Foshan Shunde Midea Electrical Heating Appliances Manufactur	CODcr	Discharge after being treated by wastewater treatment system and reaching the standard	2	Waste water treatment stations 1 and 2 of 3# plant	47.9mg/ m³	Discharge Standard of Water Pollutants from Electroplating （DB44/1597-2015）	4,190.16	106,520	No
	Petroleum				0.77mg/ m³		67.298	-	No
	Ammonia nitrogen				3.1mg/ m³		278.38	21,300	No
	Toluene and xylene	High altitude discharge after being treated by waste gas treatment station	4	Spraying waste gas from 3# plant and welding waste gas from 6# plant	1.4mg/ m³	Table 1 of the Discharge Standard of Volatile Organic Chemical	57.62	-	No

ing Co., Ltd.	VOCs	High altitude discharge after being treated by waste gas treatment station			8.11mg/ m³	Compounds in the Furniture Making Industry (DB44/814-2010): Discharge Limits for VOCs through Exhaust Funnel/for Time Period II	333.02	-	No
	NMHC	High altitude discharge after being treated by waste gas treatment station	1	Outlet of injection molding waste gas in the south side of 1# plant	3.98mg/ m³	Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Emission Limits of Air Pollutants	109.49	-	No
	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	2	Oxidation wire roof of 3# plant	Not detected	Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2	-	585.95	No
				Drying furnace of 3# plant	Not detected		-	585.95	No
	Cooking fume	Discharge after being treated by waste gas treatment station	2	South and east section canteens	1.13mg/ m³	Table 2 of the Emission Standard of Cooking Fume (Trial) (GB 18483-2001): The Upper Concentration Limit for Cooking Fume and the Lowest Removal Rate of Fume Purification Facilities/for Large Catering Units	41.4	-	No

Guangdong Meizhi Compressor Limited	COD	Discharge after being treated by wastewater treatment station	1	Near the wastewater treatment station in the north side of the plant	54 mg/L	Discharge Standard of Water Pollutants from Electroplating of Guangdong Province （DB44/1597-2015）	-	1,152	No
	Ammonia nitrogen	Discharge after being treated by wastewater treatment station			1.99mg/L		171	230. 4	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	East side of 1# plant	97mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and integrated wastewater discharge standard (GB8978-1996) third-level	575	3,920	No
	Ammonia nitrogen	Discharge after being treated by wastewater treatment system and reaching the standard			19.7mg/L		192	390	No
	Nitrogen oxide	High altitude discharge after being treated by waste gas treatment station	1	2# plant	5mg/m³	Integrated emission standards for atmospheric pollutants (GB16297-1996)	49.86	-	No
	NMHC		11	3 in 1# plant, 4 in 2# plant, 2 in 3# plant and 2 in 4# plant	28.97mg/m³		484.72	-	No
	Soot		11	3 in 1# plant, 4 in 2# plant, 2 in 3# plant and 2 in 4# plant	101.5mg/m³		1,695	-	No
Wuhu Midea Kitchen & Bath	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	Wastewater treatment station of the plant	80mg/L	Integrated wastewater discharge standard (GB8978-1996)	291.84	70,898	No
	Ammonia nitrogen				8.12 mg/L		29.62	2,496	No
	Soot	15m high altitude discharge	45	Workshops of the plant	<20mg/m³	Emission standard of air	666.20	-	No

Appliances Mfg. Co., Ltd.	Sulfur oxide				<50 mg/m^3	pollutants for boiler (GB13271-2014)	476.90	1,658	No
	Nitrogen oxide				<150mg/m^3		1,532.20	4,074.5	No
	Soot	High altitude discharge after being treated by waste gas treatment station			<50mg/m^3	Integrated emission standards for atmospheric pollutants (GB16297-1996)	3,361.24	35,049	No
	Xylene				<10 mg/m^3		174.16	-	No
	VOCs				<20 mg/m^3		224.90	29,650	No

The construction of pollution prevention facilities and their operation

A. Waste water treatments: The waste water from subsidiaries is classified as household waste water and industrial waste water. Household waste water is discharged to the municipal waste water treatment network and waste water treatment plants after being pre-treated in septic tanks, etc. And industrial waste water is discharged to the municipal waste water treatment network and waste water treatment plants after being pre-treated in the subsidiaries' waste water treatment stations.

B. Waste gas treatments: The waste gas from subsidiaries is mainly the industrial waste gas and dust produced during the production process. Corresponding waste gas treatment systems have been set up for different types of waste gas. The waste gas is let out at a high altitude after being treated in the corresponding treatment system. As for dust, the polishing machines operate in a closed environment, with a fully automated cleaner sucking in the dust in the waste gas.

C. Solid waste treatments: The solid waste from subsidiaries is classified into general solid waste, hazardous solid waste, and household solid waste. Hazardous solid waste, according to laws and regulations, is required to be treated by qualified treatment institutions; general solid waste, after being classified at the subsidiaries, is collected and treated by resource recycling plants; and household solid waste is treated by the local sanitation administration, which is in compliance with the relevant regulations.

The environmental effect evaluation of construction projects and other administrative permits in relation to environmental protection

All subsidiaries strictly observe the laws and regulations governing environmental protection, and all construction projects are in compliance with the environmental effect requirements and other rules, with no misdeeds during the Reporting Period. Once a construction project is finished, a third-party testing institution is hired to examine indexes including waste water, waste gas and noise, and the compilation and approval of the environmental effect evaluation report is finished in time.

Contingency plans for environmental accidents

All subsidiaries have finished the compilation and approval of their contingency plans for environmental accidents. Emergency mechanisms for environmental pollution accidents have been established and improved, and the subsidiaries' ability to deal with environmental pollution accidents has been enhanced, so as to maintain social stability, protect the lives, health and properties of the public, protect the environment, and promote a comprehensive, coordinated and sustainable development of the society.

According to the accident levels, subsidiaries have formulated rules covering working principles, contingency plans, risk prevention measures, commanding departments, responsibilities and labor division, and have filed these contingency plans with the government.

Environment self-monitoring plans

All subsidiaries have formulated their own environment self-monitoring plans according to China's relevant laws and regulations, and have entrusted third-party qualified institutions to monitor the discharge of waste including waste water and waste gas on a regular basis. Meanwhile, 11 factories have been equipped with an online waste water monitoring system, and such a system is underway for other operations.

Other environment-related information that should be made public

According to the national and local laws and regulations, information including pollutant discharge information, the construction and operation of pollution prevention facilities, environmental effect evaluations of construction projects and other administrative permits in relation to environmental protection, contingency plans for environmental accidents, and environment self-monitoring results is all made public through the official WeChat account on a regular basis.

Other environment-related information

None

15.2 Measures taken for targeted poverty alleviation

15.2.1 Summary of the work done for targeted poverty alleviation during the Reporting Period

Midea attaches great importance to helping those in need as a way to meet its social responsibility and give back to society. In 2019, in response to the call of the Guangdong provincial government, Midea has been trying to help reduce poverty through industrial development, creating more jobs and giving donations for public welfare. It has donated RMB10 million to the Beijiao Town Charity Federation for a 10th consecutive year for poverty alleviation and public welfare. And another RMB10 million has been given on the Guangdong Poverty Alleviation Day to improve education, medical care and housing.

15.2.2 Targeted poverty alleviation plans for the coming future

In order to implement the spirit of the 19th National Congress of the Communist Party of China, follow the guidance of President Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, and carry out the planning of the Guangdong Provincial CPC Committee and Government for poverty alleviation, Midea Group will adhere to a practical and realistic principle, beef up its poverty alleviation programs, stick to the basic strategy of targeted poverty alleviation, and ensure the implementation of every relevant measure. Meanwhile, it will also ensure that all the donated money will be used properly, and that the donation receiving institutions know exactly their responsibilities and how to make good use of the donated money.

16. Other Significant Events

√ Applicable □ N/A

Midea's merger with Little Swan in a share swap via A-share offering and the related transaction

A. On 12 March 2019, the Company received the CSRC Reply on the Approval of the Merger of Midea Group Co., Ltd. with Wuxi Little Swan Company Limited (ZJXK [2019] No. 352), approving the issuance of 342,130,784 shares by Midea Group to merge with Little Swan.

B. On 22 April 2019, the Company received the Reply of the Foshan Central Sub-Branch of the State Administration of Foreign Exchange on the Foreign Exchange Affairs in Midea Group Co., Ltd.'s Merger with Wuxi Little Swan Company Limited in a Share Swap via A-share Offering (FHF [2019] No. 1), according to which the Board of the Company would assist investors in handling the relevant foreign exchange affairs.

C. Trading in the Company's stock was suspended from 8 May 2019 for the implementation of the appraisal rights of dissenting shareholders. During the declaration period for the appraisal rights (15 May 2019 to 21 May 2019), no investor declared the exercise of appraisal rights.

D. As Little Swan and Midea Group conducted profit distribution before the completion of the merger, the following adjustments were made:

The swap prices for a Little Swan-A share and a Little Swan-B share were adjusted to RMB46.91 and RMB38.07, respectively. The issue price of a Midea Group share was adjusted from RMB 42.04 to RMB40.74. The respective swap ratios for Little Swan-A and Little Swan-B shares became 1:1.15144821 and 1:0.93446244. And the shares to be issued by Midea Group for this merger became 323,657,476.

E. On 21 June 2019, the total 323,657,476 new shares issued by the Company for this merger were allowed for public trading at the Shenzhen Stock Exchange. Upon the completion of this merger, Little Swan would be delisted and de-registered as a corporate body, and Midea Group or its wholly-owned subsidiary would take over all the assets, liabilities, business, personnel, contracts and all the other rights and obligations of Little Swan.

17. Significant Events of Subsidiaries

□ Applicable √ N/A

Section VI Changes in Shares and Information about Shareholders

1. Changes in Shares

1.1 Changes in shares

Unit: share

	Before		Increase/decrease in Reporting Period (+/-)			After	
	Shares	Percentage (%)	New issue	Other	Subtotal	Shares	Percentage (%)
1. Restricted shares	147,174,760	2.22	4,799,376	-12,064,773	-7,265,397	139,909,363	2.02
1.1 Shares held by other domestic investors	145,424,760	2.19	4,799,376	-11,694,773	-6,895,397	138,529,363	2.00
Among which: Shares held by domestic corporations	-	-	2,363,601	-	2,363,601	2,363,601	0.04
Shares held by domestic individuals	145,424,760	2.19	2,435,775	-11,694,773	-9,258,998	136,165,762	1.96
1.2 Shares held by foreign investors	1,750,000	0.03		-370,000	-370,000	1,380,000	0.02
Shares held by foreign individuals	1,750,000	0.03		-370,000	-370,000	1,380,000	0.02
2. Non-restricted shares	6,515,855,746	97.78	373,010,835	-87,053,659	285,957,176	6,801,812,922	97.98
2.1 RMB common shares	6,515,855,746	97.78	373,010,835	-87,053,659	285,957,176	6,801,812,922	97.98
3. Total shares	6,663,030,506	100.00	377,810,211	-99,118,432	278,691,779	6,941,722,285	100.00

Reasons for the changes in shares

√ Applicable □ N/A

a. As the conditions for the first unlocking period for the reserved restricted shares of the 2017 Restricted Share Incentive Scheme had been satisfied, the 1,629,000 restricted shares of a total of 50 eligible employees were unlocked and allowed for public trading on 20 February 2019, including 60,000 restricted shares of foreign employees.

b. As the conditions for the second unlocking period for the first phase of the 2017 Restricted Share Incentive Scheme had been satisfied, the 5,564,583 restricted shares of a total of 100 eligible employees were unlocked and allowed for public trading on 28 June 2019, including 150,000 restricted shares of foreign employees.

c. For the reason of certain incentive receivers' departure from the Company, violation of company rules, business unit's 2017 performance appraisal result being "just so-so", position change or other factors, the Company repurchased and retired 1,775,917 shares of 30 incentive receivers under the 2017 Restricted Share Incentive Scheme on 3 April 2019, and 2,237,500 shares of 47 incentive receivers under the 2018 Restricted Share Incentive Scheme, totaling 4,013,417 restricted shares.

d. 2,420,000 reserved restricted shares were granted to 32 employees for the Company's 2018 Restricted Share Incentive Scheme. These shares would be allowed for public trading on 10 May 2019.

e. The Company issued a total of 323,657,476 new A-shares for the merger with Little Swan in a share swap, including 321,278,100 non-restricted public shares and 2,379,376 restricted public shares (inclusive of such shares held by senior management). These shares would be allowed for public trading on 21 June 2019.

f. In H1 2019, the incentive receivers of stock options chose to exercise 51,732,735 shares, which have been registered into the Company's share capital.

g. In H1 2019, locked-up shares held by senior management decreased by 841,998 shares.

Approval of share changes

√ Applicable □ N/A

On 12 March 2019, the Company received the CSRC Reply on the Approval of the Merger of Midea Group Co., Ltd. with Wuxi Little Swan Company Limited (ZJXK [2019] No. 352), approving the issuance of 342,130,784 shares by Midea Group to merge with Little Swan.

Transfer of share ownership

□ Applicable √ N/A

Progress of any share repurchase

√ Applicable □ N/A

As of 31 July 2019, the Company has cumulatively repurchased 60,252,129 shares (0.8664% of the

Company's total share capital as of that date) by way of centralized bidding in its securities account for repurchase. With the highest trading price being RMB55.00/share and the lowest being RMB45.62/share, the total payment amounted to RMB3,099,683,600.75 (exclusive of trading fees). The repurchase was in line with the requirements of applicable laws and regulations, as well as the repurchase plan of the Company.

Progress of any repurchased share reduction through centralized price bidding

☐ Applicable √ N/A

Effects of changes in share price on basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the last year and the last Reporting Period

☐ Applicable √ N/A

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

☐ Applicable √ N/A

1.2 Changes in restricted shares

√ Applicable ☐ N/A

Unit: share

Name of shareholder	Opening restricted shares	Unlocked in current period	Increased in current period	Closing restricted shares	Reason for change	Date of unlocking
Incentive receivers of reserved restricted shares under 2018 Restricted Share Incentive Scheme	0	0	2,420,000	2,420,000	Lockup according to the Scheme	10 May 2021
Incentive receivers of reserved restricted shares under 2017 Restricted Share Incentive Scheme ①	5,235,000	1,629,000	0	3,208,000	Lockup according to the Scheme	20 February 2019

Incentive receivers of 2017 Restricted Share Incentive Scheme (first phase) ②	14,380,000	5,564,583	0	7,437,500	Lockup according to the Scheme	28 June 2019
Incentive receivers of 2018 Restricted Share Incentive Scheme (first phase) ③	20,570,000	0	0	18,332,500	Lockup according to the Scheme	21 June 2020
Zhang Xiaoyi	138,100	0	128,275	266,375	Lockup for senior management position	-
Jiang Peng	566,250	107,775	0	458,475	Lockup for senior management position	-
Xiao Mingguang	0	0	66,250	66,250	Lockup for senior management position	-
Zhong Zheng	0	0	11,152	11,152	Lockup of new shares for senior management position	-
Li Feide	1,195,000	1,195,000	0	0	Unlocking of locked-up shares of former senior management	26 March 2019
Zhu Fengtao	765,300	0	255,100	1,020,400	Lockup for senior management departure	26 March 2022
Total	42,849,650	8,496,358	2,880,777	33,220,652	--	--

Notes: ① 398,000 reserved restricted shares under the 2017 Restricted Share Incentive Scheme that had been granted but were still in lockup were retired on 3 April 2019, reducing the closing restricted shares by 398,000 shares.

② 1,377,917 restricted shares for the first phase of the 2017 Restricted Share Incentive Scheme that had been granted but were still in lockup were retired on 3 April 2019, reducing the closing restricted shares by 1,377,917 shares.

③ 2,237,500 restricted shares for the first phase of the 2018 Restricted Share Incentive Scheme that had been granted but were still in lockup were retired on 3 April 2019, reducing the closing restricted shares by 2,237,500 shares.

2. Issuance and Listing of Securities

√ Applicable □ N/A

Name of stock or its derivative securities	Issue date	Issue price (or interest rate)	Issue number	Date of public trading	Number allowed for public trading	Date of termination of trading	Index to disclosed information	Disclosure date
Stock								
Midea Group（000333）	21 June 2019	RMB40.74/ share	323,657,476	21 June 2019	323,657,476	-	Announcement of Midea Group Co., Ltd. on the A-share Offering for the Merger with Wuxi Little Swan Company Limited in a Share Swap & the Implementation of the Related-Party Transaction & the Listing of New Shares	19 June 2019

3. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of common shareholders at the end of the Reporting Period			213,103		Total number of preference shareholders with resumed voting rights at the period-end (if any) (see note 8)		0	
5% or greater common shareholders or top 10 common shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total common shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted common shares held	Number of non-restricted common shares held	Pledged or frozen shares	
							Status	Shares
Midea Holding Co., Ltd.	Domestic non-state-owned corporation	31.87%	2,212,046,613	0	0	2,212,046,613	Pledged	215,000,000
Hong Kong Exchanges and Clearing Limited	Foreign corporation	13.95%	968,551,080	68,430,913	0	968,551,080		
China Securities Finance Co., Ltd.	State-owned corporation	2.85%	198,145,134	0	0	198,145,134		
Fang Hongbo	Domestic individual	1.97%	136,990,492	0	102,742,869	34,247,623		

Canada Pension Plan Investment Board— self-owned capital (stock exchange)	Foreign corporation	1.73%	120,379,067	19,371,811	0	120,379,067		
Central Huijin Asset Management Ltd.	State-owned corporation	1.30%	90,169,354	11,694,454	0	90,169,354		
Huang Jian	Domestic individual	1.27%	88,043,300	36,200	0	88,043,300		
Hillhouse Capital Management Limited— HCM China Fund	Foreign corporation	0.89%	61,831,900	-9,632,700	0	61,831,900		
Yuan Liqun	Domestic individual	0.75%	52,038,500	-580,800	0	52,038,500	Pledged	9,044,900
Li Jianwei	Domestic individual	0.75%	51,791,941	0	0	51,791,941		
Strategic investors or general corporations becoming top-ten common shareholders due to placing of new shares (if any) (see note 3)		N/A						
Related-parties or acting-in-concert parties among the shareholders above		N/A						

Top 10 non-restricted common shareholders			
Name of shareholder	Number of non-restricted common shares held at the period-end	Type of shares	
		Type	Shares
Midea Holding Co., Ltd.	2,212,046,613	RMB common stock	2,212,046,613
Hong Kong Exchanges and Clearing Limited	968,551,080	RMB common stock	968,551,080
China Securities Finance Co., Ltd.	198,145,134	RMB common stock	198,145,134
Canada Pension Plan Investment Board— self-owned capital (stock exchange)	120,379,067	RMB common stock	120,379,067
Central Huijin Asset Management Ltd.	90,169,354	RMB common stock	90,169,354

Huang Jian	88,043,300	RMB common stock	88,043,300
Hillhouse Capital Management Limited－ HCM China Fund	61,831,900	RMB common stock	61,831,900
Yuan Liqun	52,038,500	RMB common stock	52,038,500
Li Jianwei	51,791,941	RMB common stock	51,791,941
GIC Private Limited	51,121,146	RMB common stock	51,121,146
Related-parties or acting-in-concert parties among the top ten non-restricted common shareholders and between the top ten non-restricted common shareholders and the top ten common shareholders	N/A		
Explanation on the top 10 common shareholders participating in securities margin trading (if any) (see note 4)	N/A		

Did any of the top 10 common shareholders or the top 10 non-restricted common shareholders of the Company conduct any promissory repurchase during the Reporting Period

□ Yes √ No

No such cases in the Reporting Period.

4. Change of Controlling Shareholder or Actual Controller in the Reporting Period

Change of the controlling shareholder during the Reporting Period

□ Applicable √ N/A

No such cases in the Reporting Period.

Change of the actual controller during the Reporting Period

□ Applicable √ N/A

No such cases in the Reporting Period.

Section VII Preference Shares

□ Applicable √ N/A

No such cases in the Reporting Period.

Section VIII Information about Directors, Supervisors and Senior Management

1. Changes in Shareholdings of Directors, Supervisors and Senior Management

√ Applicable □ N/A

Name	Office title	Incumbent / Former	Shares held at the year-begin (share)	Shares increased at the Reporting Period (share)	Shares decreased at the Reporting Period (share)	Shares held at the period-end (share)	Granted Restricted shares at the year-begin (share)	Restricted shares granted in the Reporting Period (share)	Granted restricted shares at the period-end (share)
Hu Ziqiang	Vice President	Incumbent	300,000	0	0	300,000	300,000	0	200,000
Xiao Mingguang	Vice President	Incumbent	280,000	75,000	0	355,000	250,000	0	200,000
Zhang Xiaoyi	Vice President	Incumbent	470,800	105,775	0	576,575	240,000	0	170,000
Zhong Zheng	Director of Finance	Incumbent	200,000	1,152	0	201,152	200,000	0	140,000
Xue Yunkui	Independent Director	Incumbent	0	179,914	0	179,914	0	0	0
Total	--	--	1,250,800	361,841	0	1,612,641	990,000	0	710,000

Note: Locked-up incentive shares were unlocked for trading in the public market on 28 June 2019 during the second unlocking period of the first phase of the 2017 Restricted Share Incentive Scheme, including 100,000 shares of Hu Ziqiang, 70,000 shares of Zhang Xiaoyi and 60,000 shares of Zhong Zheng. Locked-up incentive shares were unlocked for trading in the public market on 20 February 2019 during the first unlocking period of the reserved restricted shares of the 2017 Restricted Share Incentive Scheme, including 50,000 shares of Xiao Mingguang.

2. Changes in Directors, Supervisors and Senior Management

√ Applicable □ N/A

Name	Office title	Type of change	Date	Reason
Zhu Fengtao	Director and Vice President	Quitting	2019-3-22	Personal reason
Xiao Mingguang	Director of Finance	Dismissed	2019-3-22	Job change
Xiao Mingguang	Vice President	Appointed	2019-3-22	Job change
Zhong Zheng	Director of Finance	Appointed	2019-3-22	Senior management appointment

Section IX Corporate Bonds

Does the Company have any corporate bonds publicly issued on the stock exchange, which were undue before the date of this Report's approval or were due but could not be redeemed in full?

□ Yes √ No

Section X Financial Report

1. Auditor's Report

Have the H1 2019 financial statements been audited by a CPAs firm?

☐ Yes √ No

The H1 2019 financial statements are unaudited by a CPAs firm.

2. Financial Statements

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

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS
AS AT 30 JUNE 2019
(All amounts in RMB'000 Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Note	30 June 2019 Consolidated	31 December 2018 Consolidated	30 June 2019 Company	31 December 2018 Company
Current assets:					
Cash at bank and on hand	4(1)	35,890,088	27,888,280	25,693,887	15,361,626
Financial assets held for trading	4(2)	3,433,401		2,549,611	
Derivative financial assets		50,847	220,197	-	-
Notes receivable	4(3)	15,060,062	12,556,294	-	-
Accounts receivable	4(4)	23,017,823	19,390,174	-	-
Receivables financing		2,653,342		-	
Advances to suppliers	4(5)	2,099,422	2,215,888	54,531	55,069
Loans and advances	4(6)	14,672,687	11,328,392	-	-
Other receivables	4(4), 17(1)	2,512,193	2,971,368	13,106,026	11,593,020
Inventories	4(7)	24,106,604	29,645,018	-	-
Other current assets	4(8)	75,464,791	76,473,827	59,283,778	55,052,256
Total current assets		198,961,260	182,689,438	100,687,833	82,061,971
Non-current assets:					
Available-for-sale financial assets			1,906,878		56,579
Long-term receivables		1,293,523	34,815	-	-
Long-term equity investments	4(9), 17(2)	2,619,985	2,713,316	45,525,300	28,236,295
Other non-current financial assets	4(10)	1,420,416		476,723	
Investment properties		380,579	391,765	540,592	560,954
Fixed assets	4(11)	21,508,572	22,437,212	973,766	1,056,790
Construction in progress	4(12)	1,405,351	2,077,621	84,869	51,872
Intangible assets	4(13)	15,915,894	16,186,675	708,679	712,454
Goodwill	4(14)	29,103,917	29,100,390	-	-
Long-term prepaid expenses		1,212,499	1,191,373	150,541	174,684
Deferred tax assets	4(15)	5,467,296	4,421,313	90,832	202,703
Other non-current assets		4,744,533	550,352	4,200,939	4,576
Total non-current assets		85,072,565	81,011,710	52,752,241	31,056,907
TOTAL ASSETS		284,033,825	263,701,148	153,440,074	113,118,878

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D)
AS AT 30 JUNE 2019
(All amounts in RMB'000 Yuan unless otherwise stated)
[English translation for reference only]

LIABILITIES AND OWNERS' EQUITY	Note	30 June 2019 Consolidated	31 December 2018 Consolidated	30 June 2019 Company	31 December 2018 Company
Current liabilities:					
Short-term borrowings		1,338,324	870,390	529,000	575,000
Borrowings from the Central Bank		19,555	99,754	-	-
Customer deposits and deposits from banks and other financial institutions		64,801	44,386	-	-
Derivative financial liabilities		75,195	756,299	-	-
Notes payable	4(18)	29,274,952	23,325,115	-	-
Accounts payable	4(19)	39,004,928	36,901,626	-	-
Advances from customers	4(20)	10,417,962	16,781,666	-	-
Employee benefits payable	4(21)	4,758,403	5,788,004	559,335	573,632
Taxes payable	4(22)	3,918,391	3,875,298	168,384	280,499
Other payables	4(23)	3,419,347	3,346,129	94,548,901	74,714,012
Current portion of non-current liabilities		115,704	7,122,712	-	-
Other current liabilities	4(24)	41,516,316	31,319,709	8,495	44,414
Total current liabilities		133,923,878	130,231,088	95,814,115	76,187,557
Non-current liabilities:					
Long-term borrowings	4(25)	42,490,036	32,091,439	4,000,000	-
Long-term payables		45,424	88,890	-	-
Provisions		292,264	268,887	-	-
Deferred income		587,238	647,583	-	-
Long-term employee benefits payable	4(26)	2,500,722	2,480,318	-	-
Deferred tax liabilities	4(15)	4,551,299	4,422,074	56,033	-
Other non-current liabilities		1,040,961	1,016,352	-	-
Total non-current liabilities		51,507,944	41,015,543	4,056,033	-
Total liabilities		185,431,822	171,246,631	99,870,148	76,187,557
Shareholders' equity :					
Share capital	4(27)	6,938,903	6,663,031	6,938,903	6,663,031
Capital surplus	4(29)	18,658,065	18,451,307	24,924,388	10,615,389
Less: Treasury stock	4(28)	(2,652,334)	(4,918,427)	(2,652,334)	(4,918,427)
Other comprehensive income	4(30)	(859,738)	(1,332,153)	12,775	6,020
General risk reserve		366,947	366,947	-	-
Surplus reserve	4(31)	5,079,096	5,079,096	5,079,096	5,079,096
Undistributed profits	4(32)	65,058,040	58,762,315	19,267,098	19,486,212
Total equity attributable to shareholders of the Company		92,588,979	83,072,116	53,569,926	36,931,321
Minority interests		6,013,024	9,382,401	-	-
Total shareholders' equity		98,602,003	92,454,517	53,569,926	36,931,321
TOTAL LIABILITIES AND OWNERS' EQUITY		284,033,825	263,701,148	153,440,074	113,118,878

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

(All amounts in RMB'000 Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	For the six months ended 30 June 2019 Consolidated	For the six months ended 30 June 2018 Consolidated	For the six months ended 30 June 2019 Company	For the six months ended 30 June 2018 Company
1. Total revenue		154,332,643	143,735,916	876,450	866,310
Including: Revenue	4(34), 17(3)	153,770,300	142,623,837	876,450	866,310
Interest income	4(35)	561,697	1,112,014	-	-
Fee and commission income		646	65	-	-
2. Total cost of sales		(136,218,155)	(128,041,762)	708,863	43,073
Including: Cost of sales	4(34)	(108,441,289)	(103,881,438)	(24,059)	(21,954)
Interest costs	4(35)	(105,543)	(168,235)	-	-
Fee and commission expenses		(3,671)	(1,529)	-	-
Taxes and surcharges	4(36)	(928,590)	(847,650)	(11,003)	(17,701)
Selling and distribution expenses	4(37)	(19,529,822)	(16,892,503)	-	-
General and administrative expenses	4(38)	(4,110,125)	(3,335,291)	(212,140)	(167,898)
Research and development expenses	4(39)	(4,534,760)	(3,899,229)		
Financial expenses	4(40)	1,435,645	984,113	956,065	250,626
Including: Interest expenses		(401,129)	(304,703)	(643,784)	(277,458)
Interest income		2,088,716	757,815	1,594,250	530,954
Add: Other income	4(46)	661,949	626,278	143,303	184,077
Investment income	4(44), 17(4)	12,640	912,624	6,747,397	6,583,452
Including: Share of profit of associates and joint ventures		232,596	187,245	144,453	127,081
Including: Profits or losses arising from derecognition of financial assets measured at amortised costs		(709)		-	
Gains on changes in fair value	4(43)	347,862	(613,928)	-	-
Asset impairment losses	4(41)	(144,656)	(300,087)		286
Losses on credit impairment	4(42)	(179,047)		(1,055)	
Gains on disposals of assets	4(45)	(13,705)	(18,759)	-	263
3. Operating profit		18,799,531	16,300,282	8,474,958	7,677,461
Add: Non-operating income		150,363	150,800	30,188	4,418
Less: Non-operating expenses		(60,379)	(56,509)	(289)	(4,038)
4. Total profit		18,889,515	16,394,573	8,504,857	7,677,841
Less: Income tax expenses	4(47)	(2,829,592)	(2,614,882)	(170,074)	(7,930)
5. Net profit		16,059,923	13,779,691	8,334,783	7,669,911
(1) Classified by continuity of operations					
Net profit from continuing operations		16,059,923	13,779,691	8,334,783	7,669,911
Net profit from discontinued operations		-	-	-	-
(2) Classified by ownership of the equity					
Attributable to equity owners of the Company		15,187,069	12,936,846	8,334,783	7,669,911
Minority interests		872,854	842,845	-	-
6. Other comprehensive income, net of tax		172,153	(586,379)	6,755	96,914
Other comprehensive income attributable to equity owners of the Company, net of tax		134,968	(399,887)	6,755	96,914
(1) Other comprehensive income items which will not be reclassified to profit or loss		(78,752)	18,286	-	-
1. Changes arising from remeasurement on defined benefit plans		(78,752)	18,286	-	-
(2) Other comprehensive income items which will be reclassified to profit or loss		213,720	(418,173)	6,755	96,914
1. Other comprehensive income that could be reclassified to profit and loss under equity method		(251)	45,974	6,755	34,306
2. Changes in fair value of available-for-sale financial assets			14,579	-	62,608
3. Cash flow hedging reserve		34,124	(634,467)	-	-
4. Differences arising from translation of foreign currency financial statements		179,847	155,741	-	-
Other comprehensive income attributable minority shareholders, net of tax		37,185	(186,492)	-	-
7. Total comprehensive income		16,232,076	13,193,312	8,341,538	7,766,825
Attributable to equity owners of the Company		15,322,037	12,536,959	8,341,538	7,766,825
Attributable to minority interests		910,039	656,353	-	-
8. Earnings per share:					
(1) Basic earnings per share	4(48)	2.32	1.97	Not applicable	Not applicable
(2) Diluted earnings per share	4(48)	2.30	1.94	Not applicable	Not applicable

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Fang Hongbo	Zhong Zheng	Chen Lihong

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

(All amounts in RMB'000 Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	For the six months ended 30 June 2019 Consolidated	For the six months ended 30 June 2018 Consolidated	For the six months ended 30 June 2019 Company	For the six months ended 30 June 2018 Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		126,154,956	101,192,080	-	-
Net increase in customer deposits and deposits from banks and other financial institutions		20,415	-	-	-
Net decrease in deposits with the Central Bank and deposits with banks and other financial institutions		398,114	-	-	-
Net increase in borrowings from the Central Bank		-	30,367	-	-
Cash received for interest, fee and commission		582,748	656,777	-	-
Refund of taxes and surcharges		4,048,551	3,648,098	-	-
Cash received relating to other operating activities	4(49)(a)	2,381,473	3,556,377	20,283,213	9,646,377
Sub-total of cash inflows		133,586,257	109,083,699	20,283,213	9,646,377
Cash paid for goods and services		(68,459,015)	(62,574,802)	-	-
Net increase in loans and advances		(3,399,771)	(3,345,537)	-	-
Net decrease in customer deposits and deposits from banks and other financial institutions		-	(5,855)	-	-
Net increase in deposits with the Central Bank		-	(1,332,232)	-	-
Net decrease in borrowings from the Central Bank		(80,199)	-	-	-
Cash paid for interest, fee and commission		(114,519)	(169,952)	-	-
Cash paid to and on behalf of employees		(13,696,292)	(13,600,798)	(22,076)	(325,065)
Payments of taxes and surcharges		(8,210,106)	(6,994,367)	(75,289)	(17,702)
Cash paid relating to other operating activities	4(49)(b)	(17,838,465)	(13,446,468)	(549,409)	(1,592,701)
Sub-total of cash outflows		(111,798,367)	(101,470,011)	(646,774)	(1,935,468)
Net cash flows from operating activities	4(49)(c)	21,787,890	7,613,688	19,636,439	7,710,909
2. Cash flows from investing activities					
Cash received from disposal of investments		26,879,915	31,793,113	15,451,529	13,502,964
Cash received from returns on investments		695,269	1,007,924	5,866,529	7,568,060
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		102,266	36,333	-	-
Net cash received from disposal of subsidiaries and other business units		-	30,755	-	-
Cash received relating to other investing activities		-	-	-	-
Sub-total of cash inflows		27,677,450	32,868,125	21,318,058	21,071,024
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,931,628)	(2,368,539)	(74,831)	(115,266)
Cash paid to acquire investments		(43,598,143)	(39,300,659)	(39,801,205)	(21,358,367)
Net cash paid to acquire subsidiaries and other business units		(178,427)	(142,604)	-	-
Cash paid relating to other investing activities		-	-	-	-
Sub-total of cash outflows		(45,708,198)	(41,811,802)	(39,876,036)	(21,473,633)
Net cash flows from investing activities		(18,030,748)	(8,943,677)	(18,557,978)	(402,609)
3. Cash flows from financing activities					
Cash received from capital contributions		1,798,533	1,711,968	1,682,906	1,168,515
Including: Cash received from capital contributions by minority shareholders of subsidiaries		115,627	521,351	-	-
Cash received from borrowings		11,562,940	1,117,310	6,127,000	-
Sub-total of cash inflows		13,361,473	2,829,278	7,809,906	1,168,515
Cash repayments of borrowings		(7,720,691)	(2,493,061)	(2,173,000)	-
Cash payments for distribution of dividends, profits or interest expenses		(10,274,437)	(8,667,397)	(9,135,083)	(8,093,220)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(1,314,282)	(497,161)	-	-
Cash paid relating to other financing activities		(2,195,034)	(1,835,429)	(1,992,751)	(28,811)
Sub-total of cash outflows		(20,190,162)	(12,995,887)	(13,300,834)	(8,122,031)
Net cash flows from financing activities		(6,828,689)	(10,166,609)	(5,490,928)	(6,953,516)
4. Effect of foreign exchange rate changes on cash and cash equivalents		16,445	92,339	-	-
5. Net increase in cash and cash equivalents		(3,055,102)	(11,404,259)	(4,412,467)	354,784
Add: Cash and cash equivalents at the beginning of the period		17,952,282	21,831,653	10,181,934	25,978,543
6. Cash and cash equivalents at the end of the period		14,897,180	10,427,394	5,769,467	26,333,327

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong

MIDEA GROUP CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

(All amounts in RMB’000 Yuan unless otherwise stated)
[English translation for reference only]

Item	Amounts of the current period								
	Attributable to equity owners of the Company								
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total shareholders’ equity
1. Balance at the end of the last year	6,663,031	18,451,307	(4,918,427)	(1,332,153)	5,079,096	366,947	58,762,315	9,382,401	92,454,517
Add: Changes in accounting policies	-	-	-	337,447	-	-	(337,447)	-	-
2. Balance at the beginning of the current year	6,663,031	18,451,307	(4,918,427)	(994,706)	5,079,096	366,947	58,424,868	9,382,401	92,454,517
3. Movements for the current year	275,872	206,758	2,266,093	134,968	-	-	6,633,172	(3,369,377)	6,147,486
(1) Total comprehensive income	-	-	-	134,968	-	-	15,187,069	910,039	16,232,076
(2) Capital contribution and withdrawal by shareholders	275,872	283,662	2,266,093	-	-	-	-	(3,034,147)	(208,520)
1. Capital contribution from shareholders	54,153	1,513,276	(57,088)	-	-	-	-	115,627	1,625,968
2. Business combinations	-	-	-	-	-	-	-	-	-
3. Share-based payment included in shareholders' equity	-	(7,953)	-	-	-	-	-	45,314	37,361
4. Others	221,719	(1,221,661)	2,323,181	-	-	-	-	(3,195,088)	(1,871,849)
(3) Profit distribution	-	-	-	-	-	-	(8,553,897)	(1,249,981)	(9,803,878)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-
2. Appropriations to general risk reserve	-	-	-	-	-	-	-	-	-
3. Profit distribution to shareholders	-	-	-	-	-	-	(8,553,897)	(1,249,981)	(9,803,878)
4. Others	-	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-
1. Transfer from capital surplus to paid-in capital	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to paid-in capital	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-
1. Increase in the current period	-	-	-	-	-	-	-	-	-
2. Usage in the current period	-	-	-	-	-	-	-	-	-
(6) Others	-	(76,904)	-	-	-	-	-	4,712	(72,192)
4. Balance at the end of the current period	6,938,903	18,658,065	(2,652,334)	(859,738)	5,079,096	366,947	65,058,040	6,013,024	98,602,003

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong

MIDEA GROUP CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

(All amounts in RMB'000 Yuan unless otherwise stated)
[English translation for reference only]

Item	Amounts of the last year								
	Attributable to equity owners of the Company								
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total shareholders' equity
1. Balance at the end of the last year	6,561,053	15,911,504	(366,842)	(244,692)	3,882,232	366,947	47,627,235	9,187,734	82,925,171
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
2. Balance at the beginning of the current year	6,561,053	15,911,504	(366,842)	(244,692)	3,882,232	366,947	47,627,235	9,187,734	82,925,171
3. Movements for the current year	101,978	2,539,803	(4,551,585)	(1,087,461)	1,196,864	-	11,135,080	194,667	9,529,346
(1) Total comprehensive income	-	-	-	(1,087,461)	-	-	20,230,779	1,291,276	20,434,594
(2) Capital contribution and withdrawal by shareholders	101,978	2,555,513	(4,551,585)	-	-	-	-	(372,510)	(2,266,604)
1. Capital contribution from shareholders	103,679	2,596,878	(717,841)	-	-	-	-	615,092	2,597,808
2. Business combinations	-	-	-	-	-	-	-	345,657	345,657
3. Share-based payment included in shareholders' equity	-	356,412	-	-	-	-	-	117,423	473,835
4. Others	(1,701)	(397,777)	(3,833,744)	-	-	-	-	(1,450,682)	(5,683,904)
(3) Profit distribution	-	-	-	-	1,196,864	-	(9,095,649)	(819,804)	(8,718,589)
1. Appropriation to surplus reserve	-	-	-	-	1,196,864	-	(1,196,864)	-	-
2. Appropriations to general risk reserve	-	-	-	-	-	-	-	-	-
3. Profit distribution to shareholders	-	-	-	-	-	-	(7,898,785)	(819,804)	(8,718,589)
4. Others	-	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-
1. Transfer from capital surplus to paid-in capital	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to paid-in capital	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-
1. Increase in the current period	-	-	-	-	-	-	-	-	-
2. Usage in the current period	-	-	-	-	-	-	-	-	-
(6) Others	-	(15,710)	-	-	-	-	(50)	95,705	79,945
4. Balance at the end of the current period	6,663,031	18,451,307	(4,918,427)	(1,332,153)	5,079,096	366,947	58,762,315	9,382,401	92,454,517

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong

MIDEA GROUP CO., LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019
(All amounts in RMB'000 Yuan unless otherwise stated)
[English translation for reference only]

Item	Amounts of the current period							
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
1. Balance at the end of the last year	6,663,031	10,615,389	(4,918,427)	6,020	-	5,079,096	19,486,212	36,931,321
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
2. Balance at the beginning of the current year	6,663,031	10,615,389	(4,918,427)	6,020	-	5,079,096	19,486,212	36,931,321
3. Movements for the current year	275,872	14,308,999	2,266,093	6,755	-	-	(219,114)	16,638,605
(1) Total comprehensive income	-	-	-	6,755	-	-	8,334,783	8,341,538
(2) Capital contribution and withdrawal by shareholders	275,872	14,355,340	2,266,093	-	-	-	-	16,897,305
1. Capital contribution from shareholders	54,153	1,513,276	(57,088)	-	-	-	-	1,510,341
2. Capital contribution from owners of other equity instruments	-	-	-	-	-	-	-	-
3. Share-based payment included in owners' equity	-	(26,333)	-	-	-	-	-	(26,333)
4. Others	221,719	12,868,397	2,323,181	-	-	-	-	15,413,297
(3) Profit distribution	-	-	-	-	-	-	(8,553,897)	(8,553,897)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	-	(8,553,897)	(8,553,897)
3. Others	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-
1. Transfer from capital surplus to paid-in capital	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to paid-in capital	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-
1. Increase in the current year	-	-	-	-	-	-	-	-
2. Usage in the current year	-	-	-	-	-	-	-	-
(6) Others	-	(46,341)	-	-	-	-	-	(46,341)
4. Balance at the end of the year	6,938,903	24,924,388	(2,652,334)	12,775	-	5,079,096	19,267,098	53,569,926

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong

MIDEA GROUP CO., LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2019
(All amounts in RMB'000 Yuan unless otherwise stated)
[English translation for reference only]

Item	Amounts of the last year							
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
1. Balance at the end of the last year	6,561,053	7,726,237	(366,842)	33,459	-	3,882,232	16,613,224	34,449,363
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
2. Balance at the beginning of the current year	6,561,053	7,726,237	(366,842)	33,459	-	3,882,232	16,613,224	34,449,363
3. Movements for the current year	101,978	2,889,152	(4,551,585)	(27,439)	-	1,196,864	2,872,988	2,481,958
(1) Total comprehensive income	-	-	-	(27,439)	-	-	11,968,637	11,941,198
(2) Capital contribution and withdrawal by shareholders	101,978	2,882,425	(4,551,585)	-	-	-	-	(1,567,182)
1. Capital contribution from shareholders	103,679	2,596,878	(717,841)	-	-	-	-	1,982,716
2. Capital contribution from owners of other equity instruments	-	312,656	-	-	-	-	-	312,656
3. Share-based payment included in owners' equity	(1,701)	(27,109)	(3,833,744)	-	-	-	-	(3,862,554)
4. Others	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	1,196,864	(9,095,649)	(7,898,785)
1. Appropriation to surplus reserve	-	-	-	-	-	1,196,864	(1,196,864)	-
2. Profit distribution to shareholders	-	-	-	-	-	-	(7,898,785)	(7,898,785)
3. Others	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-
1. Transfer from capital surplus to paid-in capital	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to paid-in capital	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-
1. Increase in the current year	-	-	-	-	-	-	-	-
2. Usage in the current year	-	-	-	-	-	-	-	-
(6) Others	-	6,727	-	-	-	-	-	6,727
3. Balance at the end of the year	6,663,031	10,615,389	(4,918,427)	6,020	-	5,079,096	19,486,212	36,931,321

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong

1 General information

The principal business activities of Midea Group Co., Ltd. (hereinafter referred to as "the Company") and its subsidiaries (hereinafter collectively referred to as "the Group") include heating & ventilation, as well as air-conditioner (hereinafter referred to as "HVAC") centred on household air-conditioner, central air-conditioner, heating and ventilation systems; consumer appliances centred on kitchen appliances, refrigerators, washing machines and various small appliances; robots and automation systems centred on KUKA Aktiengesellschaft (hereinafter referred to as "KUKA") and its subsidiaries (hereinafter referred to as "KUKA Group") and other robots corporations of Midea Group. Other services include service platform with Annto Technology providing the smart supply chain integrated solutions; sale, wholesale and processing of raw materials of household electrical appliances; and financial business involved in customer deposits, interbank lendings and borrowings, consumption credit, buyer's credit and finance lease.

The Company was set up by the Council of Trade Unions of Guangdong Midea Group Co. Ltd., and was registered in Market Safety Supervision Bureau of Shunde District, Foshan on 7 April 2000, with its headquarters located in Foshan, Guangdong. On 30 August 2012, the Company was transformed into a limited liability company. On 29 July 2013, the Company was approved to merge and acquire Guangdong Midea Electric Co., Ltd., which was listed on Shenzhen Stock Exchange. On 18 September 2013, the Company's shares listed on Shenzhen Stock Exchange.

As at 31 December 2019, the Company's registered capital is RMB 6,938,903,035 with the share capital of RMB 6,938,903,035, and the total number of shares in issue is 6,938,903,035, of which 165,650,113 shares are restricted tradable A shares and 6,773,252,922 shares are unrestricted tradable A shares.

The detailed information of major subsidiaries included in the consolidation scope in current period is set out in Note 5 and Note 6. Entities newly included in the consolidation scope in the current year include Midea Electrics Egypt, Anhui Welling Auto Parts Corporation Limited and Wuxi Little Swan Electric Co., Ltd. Please refer to Note 5(1)(a) for details. The detailed information of subsidiaries no longer included in the consolidation scope in the current year is set out in 5(1)(b).

These financial statements were authorised for issue by the Company's Board of Directors on 30 August 2019.

2 Summary of significant accounting policies and accounting estimates

The Group determines specific accounting policies and accounting estimates based on the features of production and operation, mainly including the recognition method of provision for expected credit losses on receivables (Note 2(9)), valuation method of inventory (Note 2(11)), depreciation of fixed assets and amortisation of intangible assets (Note 2(14), (17)), impairment of goodwill (Note 2(19)) and recognition time of revenue (Note 2(27)).

Critical judgements applied by the Group in determining significant accounting policies are set out in Note 2(33).

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as the "Accounting Standards for Business Enterprises" or "CAS") and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Rules on Financial Reporting* issued by the China Securities Regulatory Commission ("CSRC").

The financial statements are prepared on a going concern basis.

2 Summary of significant accounting policies and accounting estimates (Cont'd)

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

The financial statements of the Company for the year ended 31 December 2019 are in compliance with the Accounting Standards for *Business* Enterprises, and truly and completely present the consolidated and the Company's financial position of the Company as at 30 June 2019 and their financial performance, cash flows and other information for the six months ended 30 June 2019.

(3) Accounting period

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

(4) Functional currency

The functional currency of the Company is Renminbi ("RMB"). The subsidiaries determine their functional currency based on the primary economic environment in which the business is operated, mainly including EUR, JPY, USD and HKD. The financial statements are presented in RMB.

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. If the absorbing party was bought by the ultimate controller from a third party in prior years, the value of its assets and liabilities (including goodwill generated due to the combination) are based on the carrying amount in the ultimate controller's consolidated financial statements. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Business combinations (Cont'd)

(b) Business combinations involving enterprises not under common control (Cont'd)

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

(6) Preparation of consolidated financial statements

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

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

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

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Recognition criteria of cash and cash equivalents

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

(8) Foreign currency translation

(a) Foreign currency transaction

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

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

(b) Translation of foreign currency financial statements

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

(9) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

(i) Classification and measurement

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

The financial assets are measured at fair value at initial recognition. Related transaction costs that are attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are recognised directly in profit or loss for the current period.

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three ways:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly comprise cash at bank and on hand, loans and advances, notes receivable, accounts receivable, other receivables, structural deposits with banks, debt investments and long-term receivables, etc. Debt investments and long-term receivables that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets; debt investments with maturities of no more than one year (inclusive) at the time of acquisition are included in other current assets.

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets to both collect the contractual cash flows and sell such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. Such financial assets are included in receivables financing, other debt investments; other debt investments that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets; other debt investments with maturities no more than one year (inclusive) at the time of acquisition are included in other current assets.

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

Measured at fair value through profit or loss:

Debt instruments held by the Group that are not divided into those at amortised cost, or those measured at fair value through other comprehensive income, are measured at fair value through profit or loss and included in financial assets held for trading. At initial recognition, Group designates a portion of financial assets as at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. Financial assets that are due over one year as from the balance sheet date and are expected to be held over one year are included in other non-current financial assets.

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading; investments in equity instruments expected to be held over one year as from the balance sheet date are included in other non-current financial assets.

Derivative financial instruments

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

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

The effective portion of gains or losses on hedging instruments is recognised in other comprehensive income as cash flow hedging reserve, while the ineffective portion is recognised in profit or loss for the current period. Where the hedge is a forecast transaction which subsequently results in the recognition of a non-financial asset or liability, the amount originally recognised in other comprehensive income is transferred and included in the initially recognised amount of the asset or liability. For cash flow hedge beyond the foregoing scope, the amount originally recognised in other comprehensive income is transferred and included in profit or loss for the current period during the same time in which the profit or loss is influenced by the hedged expected cash flow. However, if all or part of net loss recognised directly in other comprehensive income will not be recovered in future accounting periods, the amount not expected to be recovered should be transferred to profit or loss for the current period.

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

Derivative financial instruments (Cont'd)

When the Group revokes the designation of a hedge, a hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, the Group will discontinue the hedge accounting treatments prospectively. Where the Group discontinues the hedge accounting treatment for cash flow hedging, for hedged future cash flows that will still happen, the accumulated gains or losses that have been recognised in other comprehensive income are retained and subject to accounting treatment under the subsequent treatment method of aforesaid cash flow hedging reserve; for hedged future cash flows that the forecast transaction will never happen, the accumulated gains or losses that have been recognised in other comprehensive income are transferred immediately and included in profit or loss for the current period.

(ii) Impairment

Loss provision for financial assets at amortised cost, investments in debt instruments at fair value through other comprehensive income, as well as financial guarantee contracts is recognised on the basis of expected credit losses.

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, and weighted by the risk of default, the Group recognises the expected credit loss ("ECL") as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

As at each balance sheet date, the expected credit losses of financial instruments at different stages are measured respectively. 12-month ECL provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime ECL provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime ECL provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

For the financial instruments with lower credit risk on the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition and recognises the 12-month ECL provision.

For the financial instruments in Stage 1, Stage 2 and with lower credit risk, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before deduction of the impairment provision). For the financial instrument in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (after deduction of the impairment provision from the gross carrying amount).

For notes receivable, accounts receivable and receivables financing, the Group recognises the lifetime ECL provision regardless of whether there exists a significant financing component.

The Group divides the receivables into certain groupings based on credit risk characteristics, then pursuant to which, calculates the expected credit losses.

The Group, on the basis of the exposure at default and the lifetime expected credit loss rate, calculates the expected credit losses of notes receivable and receivables financing that are classified into groupings with consideration to historical credit losses experience, current conditions and forecasts of future economic conditions.

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

With consideration to historical credit loss experience, current conditions and forecasts of future economic conditions, the Group prepares the cross-reference between the number of overdue days of accounts receivable and the lifetime expected credit loss rate, and calculates the expected credit losses of accounts receivable that are classified into groupings.

The Group, on the basis of the exposure at default and the 12-month or lifetime expected credit loss rate, calculates the expected credit losses of other receivables that are classified into groupings with consideration to historical credit losses experience, the current conditions and forecasts of future economic conditions.

The Group recognises the loss provision made or reversed into profit or loss for the current period. For debt instruments held at fair value through other comprehensive income, the Group adjusts other comprehensive income while the impairment loss or gain is recognised in profit or loss for the current period.

(iii) Derecognition

A financial asset is derecognised when: (i) the contractual rights to the cash flows from the financial asset expire, (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When a financial asset is derecognised, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that are previously recognised directly in other comprehensive income is recognised in profit or loss for the current period, except for those as investments in other equity instruments, the difference aforementioned is recognised in retained earnings instead.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(b) Financial liabilities (Cont'd)

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including notes and accounts payables, other payables, borrowings, debentures payable, etc. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Determination of fair value of financial instruments

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

(10) Receivables

Receivables comprise accounts receivable, other receivables and notes receivable. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients, and subsequently measured at amortised cost less provision for impairment using the effective interest method. Provision for impairment of receivables are set out in Note 2(9) (a).

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Inventories

(a) Classification of inventories

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

The amount of completed but unsettled works is determined on the basis of individual contract at the cost of contract incurred plus profits thereof and less losses recognised and amount settled. It is recognised as assets when the balance is positive and recognised as liabilities when the balance is negative.

(b) Costing of inventories

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

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

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

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

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

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

(d) Inventory system

The Group adopts the perpetual inventory system.

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

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(12) Long-term equity investments

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

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

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

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of equity of the party being absorbed in the consolidated financial statements of the ultimate controller at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For business combinations achieved by stages involving enterprises not under common control, the initial investment cost accounted for using the cost method is the sum of carrying amount of previously-held equity investment and additional investment cost. For previously-held equity accounted for using the equity method, the accounting treatment of related other comprehensive income from disposal of the equity is carried out on a same basis with the investee's direct disposal of related assets or liabilities. Shareholders' equity, which is recognised due to changes in investee's shareholders' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, is accordingly transferred into profit or loss in the period in which the investment is disposed.

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

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

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

(b) Subsequent measurement and recognition of profit and loss

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

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

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of the net losses of an investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. The changes of the Group's share of the investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, are recognised in the Group's equity and the carrying amounts of the long-term equity investment are adjusted accordingly. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment gain or losses are recognised. Any losses resulting from transactions between the Group and its investees attributable to asset impairment losses are not eliminated.

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

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

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

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

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

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

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint venture and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

(13) Investment properties

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

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

	Estimated useful lives	Estimated net residual values	Annual depreciation (amortisation) rates
Buildings	20 to 40 years	5%	2.38% to 4.75%
Land use rights	40 -to50 years	-	2% to 2.5%

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

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

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation methods of fixed assets

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

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

Categories	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	15 to 60 years	0% to 10%	6.7% to 1.5%
Machinery and equipment	2 to 18 years	0% to 10%	50% to 5.0%
Motor vehicles	2 to 20 years	0% to 10%	50% to 4.5%
Electronic equipment and other equipment	2 to 20 years	0% to 10%	50% to 4.5%
Land	Permanent	N/A	N/A

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Fixed assets (Cont'd)

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

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

Fixed assets held under a finance lease is depreciated on a basis consistent with the depreciation policy adopted for self-owned fixed assets. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the leased asset is depreciated over the shorter period of the lease term and the period of expected use.

(d) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(19)).

(e) Disposal of fixed assets

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

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below its carrying amount (Note 2(19)).

(16) Borrowing costs

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(16) Borrowing costs (Cont'd)

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

(17) Intangible assets

Intangible assets include land use rights, patents and non-patent technologies, trademark rights, trademark use rights, royalties and others, and are measured at cost.

(a) Land use rights

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

(b) Patents and non-patent technologies

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

(c) Trademark rights

The trademark rights is measured at cost when acquired and is amortised over the estimated useful life of 30 years. The cost of trademark rights obtained in the business combinations involving enterprises not under common control is measured at fair value. As some of the trademarks are expected to attract net cash inflows injected into the Group, the management considers that these trademarks have an indefinite useful lives and are presented based upon the carrying amounts after deducting the provision for impairment (Note 4(13)).

(d) Trademark use rights

The trademark use rights is measured at cost when acquired. The cost of trademark use rights obtained in the business combinations involving enterprises not under common control is measured at fair value, and is amortised over the estimated useful life of 40 years.

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(17) Intangible assets (Cont'd)

(e) Periodical review of useful life and amortisation method

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

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

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

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

- The development of production processes or products has been fully justified by technical team;
- The budget on the development of production processes or products has been approved by the management;
- There is market research analysis that demonstrates the product produced by the production process or product has the ability of marketing;
- There are sufficient technical and financial resources to support the development of production processes or products and subsequent mass production; and
- Expenditure attributable to the development of production processes or products can be reliably measured.

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

(g) Impairment of intangible assets

The carrying amounts of intangible assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

(18) Long-term prepaid expenses

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(19) Impairment of long-term assets

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

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

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

(20) Employee benefits

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

(a) Short-term employee benefits

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(20) Employee benefits (Cont'd)

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's defined contribution plans mainly include basic pensions and unemployment insurance, while the defined benefit plans are that TLSC and KUKA Group, the Group's subsidiaries, provide supplemental retirement benefits beyond the national regulatory insurance system.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentages by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

Supplementary retirement benefits

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method at the interest rate of treasury bonds with similar obligation term and currency. The charges related to the supplemental retirement benefits (including current service costs, past-service costs and gains or losses on settlement) and net interest costs are recognised in the statement of profit or loss or included in the cost of an asset, and the changes of remeasurement in net liabilities or net assets arising from the benefit plan are charged or credited to equity in other comprehensive.

(c) Termination benefits

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(20) Employee benefits (Cont'd)

(c) Termination benefits (Cont'd)

Early retirement benefits

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

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

(21) Financial assets sold under agreements to repurchase

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

(22) General reserve

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

(23) Dividend distribution

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

(24) Provisions

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(24) Provisions (Cont'd)

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

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

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(25) Share-based payments

(a) Type of share-based payment

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

Equity-settled share-based payment

The Group's equity-settled share-based payment contains share option incentive plan, restricted share plan and employee stock ownership plan. These plans are measured at the fair value of the equity instruments at grant date and the equity instruments are tradable or exercisable when services in vesting period are completed or specified performance conditions are met. In the vesting period, the services obtained in current period are included in relevant cost and expenses at the fair value of the equity instruments at grant date based on the best estimate of the number of tradable or exercisable equity instruments, and capital surplus is increased accordingly. If the subsequent information indicates the number of tradable or exercisable equity instruments differs from the previous estimate, an adjustment is made and, on the exercise date, the estimate is revised to equal to the number of actual vested equity instruments.

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(25) Share-based payments (Cont'd)

(b) Determination of the fair value of equity instruments

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

The fair value of other equity instruments are based on the share prices, the price that incentive objects pay and the number of the shares on the grant date, taking into account the effects of clause of the Group's relevant plans.

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

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. On the exercise or desterilisation date, the final number of estimated exercisable or tradable equity instruments is consistent with the number of exercised or tradable equity instruments.

(26) Treasury stock

The Group's treasury stock mainly comes from the repurchase of equity instruments and the issuance of restricted shares and so on.

Consideration and transaction costs paid by the Group for repurchasing equity instruments are deducted from equity and not recognised as financial assets. The considerations paid by the Group for repurchasing equity instruments are measured as treasury stock and the related transaction costs are included into owners' equity.

On the grant day of restricted shares, the Group recognise bank deposits and share capital and capital reserves (share premium) when receiving subscription from the employees. In the meanwhile, the Group measure the repurchase obligation as treasury stocks and liability. On the day of release of restricted shares, relevant treasury stocks, liabilities and capital surplus recognised in the vesting period are reverse based on the actual vesting results.

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Revenue

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

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

(a) Sales of products

The Group are principally engaged in the manufacturing and sales of home appliances (mainly comprises HVAC and consumer appliances), and robots and automatic system (mainly comprises robots and automatic system).

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

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

Revenue from sales of robots and automatic system is recognised when 1) the goods are delivered to buyers by the Group pursuant to contracts; 2) the amount of revenue is confirmed; 3) payments for goods are collected or receipts are acquired; and 4) the related economic benefits will flow to the Group; and the related costs can be measured reliably.

(b) Rendering of services

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

Revenue from providing automation system business and intelligent logistics integration solution is recognised according to the percentage of completion.

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Revenue (Cont'd)

(c) Construction contract

Where the outcome of a construction contract can be estimated reliably, revenue and costs thereof are recognised using the "percentage-of-completion" method as at the balance sheet date. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

The outcome of a construction contract can be estimated reliably when all of the following conditions are concurrently met: (1) the total contract revenue can be measured reliably; (2) it is highly probable that the economic benefits associated with the contract will flow to the enterprise; (3) the contract costs incurred thus far can be clearly identified and measured reliably; (4) both the stage of completion and the costs necessary to complete the contract can be reliably measured.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs can be recovered actually. Contract costs are recognised as expenses in the period in which they are incurred. Otherwise, contract costs are recognised as expenses immediately, not as contract revenue. If the unexpected factors no longer exist which make construction contract unable to be estimated reliably, revenue and costs are recognised using the percentage-of-completion method.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

As at the balance sheet date, the actual total contract revenue multiply the percentage of completion less the total contract revenue recognised in previous accounting periods should be recognised as the revenue for the current period. Similarly, the total contract costs multiply the percentage of completion incurred less the total contract costs recognised in previous accounting periods should be recognised as the expenses for the current period.

(d) Interest income

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

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

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(27) Revenue (Cont'd)

(e) Dividend income

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

(f) Rental income

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

(g) Fee and commission income

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

(28) Government grants

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

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

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(28) Government grants (Cont'd)

Government grants related to assets are recorded as deferred income reasonably and systematically amortised to profit or loss over the useful life of the related asset.

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

The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income.

Loans to the Group at political preferential rate are recorded at the actual amount received, and the related loan expenses are calculated based on the principal and the political preferential rate. Finance discounts directly received offset related loans expenses.

(29) Deferred tax assets and deferred tax liabilities

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

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(29) Deferred tax assets and deferred tax liabilities (Cont'd)

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

Deferred tax assets and liabilities are offset when:

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

(30) Leases

(a) Operating leases

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

Fixed assets leased out under operating leases, other than investment prosperities (Note 2(13)), are depreciated in accordance with the depreciation policy stated in Note 2(14)(b) and provided for impairment loss in accordance with the policy stated in Note 2(19). Rental income from operating leases is recognised as revenue on a straight-line basis over the lease period. Initial direct costs in large amount arising from assets leased out under operating leases are capitalised when incurred and recognised as profit and loss for the current period over the lease period on a same basis with revenue recognition; initial direct costs in small amount are directly recognised as profit and loss for the current period. Contingent rentals are recognised as profit and loss for the current period when incurred.

(b) Finance leases

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(31) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount, and the excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment loss.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable and satisfies one of the following conditions: (1) it represents a separate major line of business or geographical area of operations; (2) it is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) it is a subsidiary acquired exclusively with a view to resale.

The net profit from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

(32) Segment information

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

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(33) Critical accounting estimates and judgements

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

Critical accounting estimates and key assumptions

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

(i) Provision for impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the asset groups and the combination of asset groups that contain the apportioned goodwill is determined by the higher value between the use value and the net value that is calculated by the fair value less the disposal costs. Accounting estimate is required for the calculation of the recoverable amount. The impairment testing is performed by assessing the recoverable amount of the groups of assets containing the relevant goodwill, based on the present value of cash flows forecasts. Key assumptions adopted in the impairment testing of goodwill included expected revenue growth rates, EBITDA margins, perpetual annual growth rates, discount rates, etc. which involved critical accounting estimates and judgement.

(ii) Income tax

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

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(34) Significant changes in accounting policies

The Ministry of Finance released *CAS 22 - Recognition and Measurement of Financial Instruments*, *CAS 23 - Transfer of Financial Assets, CAS 24 - Hedge Accounting* and *CAS 37 - Presentation of Financial Instruments* (hereinafter collectively referred to as "the new financial instruments standards") in 2017, and released the *Circular of the Ministry of Finance on* Revising *and Issuing the Formats of Corporate Financial Statements for 2019* (Cai Kuai [2019] No. 6) in 2019. The financial statements for the six months ended 30 June 2019 are prepared in accordance with the above standards and circular, and impacts are as follows:

(i) As at 1 January 2019, the financial assets were classified and measured according to the old/new accounting standards for financial instruments as follows:

The Group

Old financial instruments standards			New financial instruments standards		
Item	Measurement	Amount	Item	Measurement	Amount
Notes receivable	Amortised cost	12,556,294	Notes receivable	Amortised cost	11,049,539
			Receivables financing	Fair value through other comprehensive income	1,506,755
Accounts receivable	Amortised cost	19,390,174	Accounts receivable	Amortised cost	18,641,979
			Receivables financing	Fair value through other comprehensive income	748,195
Other receivables	Amortised cost	2,971,368	Other receivables	Amortised cost	2,960,939
			Financial assets held for trading	Fair value through profit or loss	10,429
Other current assets	Measured at fair value through other comprehensive income (wealth management products)	1,521,007	Financial assets held for trading	Fair value through profit or loss	1,521,007
Available-for-sale financial assets	Measured at fair value through other comprehensive income (equity instruments)	1,184,859	Financial assets held for trading	Fair value through profit or loss	1,122,609
			Other non-current financial assets	Fair value through profit or loss	62,250
	Measured at cost (equity instruments)	722,019	Other non-current financial assets	Fair value through profit or loss	722,019

The Company

Old financial instruments standards			New financial instruments standards		
Item	Measurement	Amount	Item	Measurement	Amount
Other current assets	Measured at fair value through other comprehensive income (wealth management products)	1,521,007	Financial assets held for trading	Fair value through profit or loss	1,521,007
Available-for-sale financial assets	Measured at cost (equity instruments)	56,579	Other non-current financial assets	Fair value through profit or loss	56,579

Note: The above table only lists items with differences between the old and new standards.

(ii) As at 1 January 2019, the carrying amount of financial assets is reconciled from the old financial instruments standards to the new financial instruments standards based on the new measurement:

Financial assets at amortised cost	Table 1
Financial assets at fair value through profit or loss	Table 2
Financial assets at fair value through other comprehensive income	Table 3

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(34) Significant changes in accounting policies (Cont'd)

Table 1: Financial assets at amortised cost under the new financial instruments standards

	Carrying amount	
Cash at bank and on hand	The Group	The Company
31 December 2018	27,888,280	15,361,626
Less: Transfer to financial assets at fair value through profit or loss	-	-
1 January 2019	27,888,280	15,361,626

Receivables		
31 December 2018	34,968,549	11,593,020
Less: Transfer to financial assets at fair value through other comprehensive income	(2,254,950)	-
Less: Transfer to financial assets at fair value through profit or loss	(10,429)	-
Remeasurement: Total expected credit losses	-	-
1 January 2019	32,703,170	11,593,020

Loans and advances		
31 December 2018	11,328,392	-
Less: Transfer to financial assets at fair value through other comprehensive income	-	-
Remeasurement: Total expected credit losses	-	-
1 January 2019	11,328,392	-

Other current assets - Structural deposits and swap deposits		
31 December 2018	70,402,509	53,164,300
Less: Transfer to financial assets at fair value through profit or loss	-	-
1 January 2019	70,402,509	53,164,300
Total financial assets measured at amortised cost (new financial instruments standards)	142,322,351	80,118,946

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(34) Significant changes in accounting policies (Cont'd)

Table 2: Financial assets at fair value through profit or loss under the new financial instruments standards

	Carrying amount	
Financial assets held for trading	The Group	The Company
31 December 2018	-	-
Add: Transferred from derivative financial instruments	-	-
Add: Transferred from other current assets - available-for-sale financial assets - wealth management products	1,521,007	1,521,007
Add: Transferred from available-for-sale financial assets	1,122,609	-
Add: Transfer from other receivables	10,429	-
1 January 2019	2,654,045	1,521,007

Derivative financial instruments		
31 December 2018	220,197	-
Less: Transfer to financial assets held for trading	-	-
1 January 2019	220,197	-

Other current assets - available-for-sale financial assets - wealth management products		
31 December 2018	1,521,007	1,521,007
Less: Transfer to financial assets held for trading	(1,521,007)	(1,521,007)
1 January 2019	-	-

Other current assets - hedging instruments		
31 December 2018	38,822	-
Less: Transfer to financial assets held for trading	-	-
1 January 2019	38,822	-

Other non-current financial assets		
31 December 2018	-	-
Add: Transferred from available-for-sale financial assets	784,269	56,579
Remeasurement: From amortised cost to fair value	-	-
1 January 2019	784,269	56,579

Available-for-sale financial assets		
31 December 2018	1,906,878	56,579
Less: Transfer to financial assets held for trading	(1,122,609)	-
Less: Transfer to other non-current financial assets	(784,269)	(56,579)
1 January 2019	-	-
Total financial instruments at fair value through profit or loss (new financial instruments standards)	3,697,333	1,577,586

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

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(34) Significant changes in accounting policies (Cont'd)

Table 3: Financial assets at fair value through other comprehensive income under the new financial instruments standards

	Carrying amount	
Receivables financing	The Group	The Company
31 December 2018	-	-
Add: Transfer from receivables	2,254,950	-
Remeasurement: From amortised cost to fair value	-	-
1 January 2019	2,254,950	-
Total financial assets at fair value through other comprehensive income (new financial instruments standards)	2,254,950	-

(iii) As at 1 January 2019, reconciliation from the provision for impairment of financial assets under the old financial instruments standards to loss provision under the new financial instruments standards is as below:

Measurement	Loss provision under the old financial instruments standards/provisions recognised according to accounting standards on contingencies	Reclassification	Remeasurement	Loss provision under the new financial instruments standards
Financial assets at amortised cost -				
Provision for bad debts of accounts receivable	982,109	-	-	982,109
Provision for impairment of loans	154,006	-	-	154,006
Provision for bad debts of other receivables	42,730	-	-	42,730
Financial assets at fair value through other comprehensive income -				
Provision for impairment of available-for-sale financial assets	2,287	(2,287)	-	-
Total	1,181,132	(2,287)	-	1,178,845

(iv) As at 1 January 2019, reconciliation from the provision for impairment of financial assets under the old financial instruments standards to loss provision under the new financial instruments standards is as below:

Measurement	Loss provision under the old financial instruments standards/provisions recognised according to accounting standards on contingencies	Reclassification	Remeasurement	Loss provision under the new financial instruments standards
Financial assets at amortised cost -				
Provision for bad debts of other receivables	6,840	-	-	6,840
Total	6,840	-	-	6,840

The preparation of financial statements requires management to make estimates and assumptions that affect application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

3 Taxation

(1) Main tax category and rate

Category	Tax base	Tax rate
Corporate income tax (a)	Levied based on taxable income	5%, 15%, 16.5%, 17%, 20 to 31.5%, 32% or 34.25%
Value-added tax ("VAT") (b)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	5%, 6%, 9%, 11%, 13%, 17% or 19%
City maintenance and construction tax	The amount of VAT paid	5% or 7%
Educational surcharge	The amount of VAT paid	3% or 5%
Local educational surcharge	The amount of VAT paid	2%
Property tax	Price-based property is subject to a 1.2% tax rate after a 30% cut in the original price of property. Rental-based is subject to 12% tax rate for the rental income.	1.2% or 12%

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

(a-1) The following subsidiaries of the Company are subject to a corporate income tax rate of 15% in 2019 as they qualified as high-tech enterprises and obtained the *High-tech Enterprise Certificate*.

Name of tax payer	No. of the *High-tech Enterprise Certificate*	Dates of issuance	Effective period
Jiangsu Midea Cleaning Appliances Company Limited	GR201732001675	17 November 2017	3 years
Guangdong Midea Environment Appliances Manufacturing Co., Ltd.	GR201644002286	30 November 2016	3 years
Midea Intelligent Lighting & Controls Technology Co., Ltd.	GR201736000187	23 August 2017	3 years
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	GR201844000250	28 November 2018	3 years
Guangdong Witol Vacuum Electronic Manufacture Co., Ltd.	GR201744000489	9 November 2017	3 years
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	GR201744002837	9 November 2017	3 years
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	GR201844010373	28 November 2018	3 years
Guangdong Midea Precision Molding Technology Co., Ltd	GR201644000331	30 November 2016	3 years
Foshan Shunde Midea Electric Science and Technology Co., Ltd.	GR201644000358	30 November 2016	3 years
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	GR201844008219	28 November 2018	3 years
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	GR201634000207	21 October 2016	3 years
Anhui Meizhi Precision Manufacturing Co., Ltd.	GR201834000890	24 July 2018	3 years
Guangzhou Midea Hualing Refrigerator Co., Ltd.	GR201644002925	30 November 2016	3 years
Guangdong Welling Motor Manufacturing Co., Ltd.	GR201744002062	9 November 2017	3 years
Foshan Welling Washer Motor Manufacturing Co., Ltd.	GR201744001025	9 November 2017	3 years
Huaian Weiling Motor Manufacturing Co., Ltd.	GR201632004278	30 November 2016	3 years
Annto Logistics Technology Co., Ltd.	GR201834001306	24 July 2018	3 years
Wuxi Little Swan Company Limited	GR201832001394	24 October 2018	3 years

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

3 Taxation (Cont'd)

(1) Main tax category and rate (Cont'd)

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

(a-1) The following subsidiaries of the Company are subject to a corporate income tax rate of 15% in 2019 as they qualified as high-tech enterprises and obtained the *High-tech Enterprise Certificate* (Cont'd):

Name of tax payer	No. of the *High-tech Enterprise Certificate*	Dates of issuance	Effective period
Wuxi Filin Electronics Co., Ltd.	GR201832001053	24 October 2018	3 years
Wuxi Little Swan General Appliance Co., Ltd.	GR201832001100	24 October 2018	3 years
Guangdong Midea Air-Conditioning Equipment Co., Ltd.	GR201744000337	9 November 2017	3 years
Handan Midea Air-Conditioning Equipment Co., Ltd.	GR201713000957	27 October 2017	3 years
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	GR201742002075	30 November 2017	3 years
Guangzhou Hualing Refrigerating Equipment Co., ltd.	GR201744010610	11 December 2017	3 years
Wuhu Maty Air-Conditioning Equipment Co., Ltd	GR201734001246	7 November 2017	3 years
Chongqing Midea General Refrigeration Equipment Co., Ltd.	GR201751100113	28 December 2017	3 years
Guangdong Meizhi Compressor Limited	GR201744000895	9 November 2017	3 years
Hubei Midea Refrigerator Co., Ltd.	GR201742001255	28 November 2017	3 years
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	GR201744006141	11 December 2017	3 years
Anhui Meizhi Compressor Co., Ltd.	GR201634000994	5 December 2016	3 years
Foshan Shunde Midea Water Dispenser Manufacturing Co., Ltd.	GR201744008471	11 December 2017	3 years
Midea Welling Motor Technology (Shanghai) Co., Ltd.	GR201731001731	23 November 2017	3 years
Welling (Wuhu) Motor Manufacturing Co., Ltd.	GR201834001144	24 July 2018	3 years
Hefei Midea Laundry Appliance Co., Ltd.	GR201834000882	24 July 2018	3 years
Hefei Hualing Co., Ltd.	GR201834000552	24 July 2018	3 years
Foshan Midea Chungho Water Purification Equipment. Co., Ltd.	GR201844007089	28 November 2018	3 years
Toshiba HA Manufacturing (Nanhai) Co., Ltd.	GR201844007107	28 November 2018	3 years
Guangdong Meizhi Precision-Manufacturing Co., Ltd	GR201844006181	28 November 2018	3 years
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	GR201834000818	24 July 2018	3 years
Guangdong Midea Intelligent Technologies Co., Ltd.	GR201844003941	28 November 2018	3 years

(a-2) The application for corporate income tax preferential treatment by Chongqing Midea Air-Conditioning Equipment Co., Ltd., the Company's subsidiary, was approved by the State Administration of Taxation of Chongqing Economical and Technological Development Zone on 3 June 2014. The subsidiary is subject to corporate income tax at the rate of 15% in 2019.

(a-3) The Company's subsidiaries in Mainland China other than those mentioned in (a-1) and (a-2) are subject to corporate income tax at the rate of 25%.

3 Taxation (Cont'd)

(1) Main tax category and rate (Cont'd)

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

(a-4) In August 2008, Midea Electric Trading (Singapore) Co.,Pte Ltd., the Company's subsidiary, was awarded with the *Certificate of Honour for Development and Expansion* (No. 587) by the Singapore Economic Development Board, which approves that qualified income exceeding a certain amount is subject to corporate income tax at the rate of 5% while the unqualified income is subject to the corporate income tax at the rate of 17%. Midea Singapore Trading Co.Pte.Ltd. and Little Swan International (Singapore) Co.,Pte Ltd., the Company's subsidiaries, are subject to corporate income tax at the rate of 17%.

(a-5) The Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5%. Such subsidiaries include Midea International Trading Company Limited, Midea International Corporation Company Limited, Midea Home Appliances Investments (Hong Kong) Co., Limited, Century Carrier Residential Air-conditioning Equipment Co., Limited, Midea Refrigeration (Hong Kong) Limited, Welling Holding Limited (Hong Kong), Welling International Hong Kong Ltd, and Midea Investment (Asia) Company Limited.

(a-6) The Company's subsidiaries in BVI and Cayman Islands are exempted from corporate income tax. Such subsidiaries include Mecca International (BVI) Limited, Titoni Investments Development Ltd., Midea Investment Holding (BVI) Limited, Midea Electric Investment (BVI) Limited, Welling Holding (BVI) Ltd., Midea Holding (Cayman Islands) Ltd. and Midea Investment Development Company Limited.

(a-7) Springer Carrier Ltda., the Company's subsidiary in Brazil, is subject to Brazil corporate income tax at the rate of 34%.

(a-8) TLSC, the Company's subsidiary in Japan, and its subsidiaries, are subject to Japan corporate income tax at the rate of 30.58%.

(a-9) Clivet S.P.A and Clivet España S.A.U. ("Clivet"), the Company's subsidiaries in Italy, are subject to Italy corporate income tax at the rate between 20% and 31.4%.

(a-10) KUKA Group, the Company's subsidiary in Germany, is subject to Germany corporate income tax at the rate of 32%.

(a-11) SMC, the Company's subsidiary in Israel, is subject to Israel corporate income tax at the rate of 23%.

(a-12) Miraco, the Company's subsidiary in Egypt, is subject to Egyptian corporate income tax at the rate of 22.5%.

3 Taxation (Cont'd)

(1) Main tax category and rate (Cont'd)

(b) Notes to the VAT rate of the principal tax payers with different tax rates

(b-1) Pursuant to the No. 39 Notice in 2019 and related regulations jointly issued by the Ministry of Finance, the State Administration of Taxation and the Customs Head Office, the applicable tax rate of revenue arising from sales of goods and rendering of repairing and replacement services of the Company's certain subsidiaries is 13% from 1 April 2019, while it was 16% before then.

(b-2) Pursuant to the No. 39 Notice in 2019 and related regulations jointly issued by the Ministry of Finance, the State Administration of Taxation and the Customs Head Office, the applicable tax rate of revenue arising from rendering of real estate leasing and transportation services of the Company's certain subsidiaries is 9% from 1 April 2019, while it was 10% before then.

(b-3) Financial services, consulting services and storage services provided by the Company and certain subsidiaries are subject to VAT at the rate of 6%.

(b-4) Rental revenue of Hefei Midea Laundry Appliance Co., Ltd., which is a subsidiary of the Company, is subject to easy levy of VAT at the rate of 5%.

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

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

Item	Ending Balance	Opening Balance
Cash on hand	2,214	3,803
Cash at bank (a)	32,262,828	15,857,413
Other cash balances (b)	256,203	123,197
Statutory reserve deposits with the Central Bank (c)	728,058	1,126,172
Surplus reserve with the Central Bank	255,357	204,073
Deposits with banks and other financial institutions (d)	2,385,428	10,573,622
Total	35,890,088	27,888,280
Including: Total amounts deposited with foreign banks (including Hong Kong, Singapore, Japan, Italy, Brazil and Germany, etc.)	4,937,131	6,316,807

(a) As at 30 June 2019, cash at bank included fixed deposits with the term of over three months, amounting to RMB 20,008,647,000 (31 December 2018: RMB 5,686,629,000).

(b) Other cash balances mainly includes security deposits, bank acceptance note and letter of credit.

(c) Statutory reserve with the Central Bank represents the statutory reserve deposited in People's Bank of China by the financial enterprise in accordance with relevant regulations, which are calculated at 7% and 5% for eligible RMB deposits and foreign currency deposits, respectively, and are not available for use in the Group's daily operations.

(d) As at 30 June 2019, deposits with banks and other financial institutions included no time deposits with the term of over three months (31 December 2018: RMB 3,000,000,000).

(2) Financial assets held for trading

Item	Ending Balance	Opening Balance
Wealth management products (a)	2,561,077	-
Equity investments and others	872,324	-
Total	3,433,401	-

(a) As at 30 June 2019, wealth management products under financial assets held for trading were all due within one year, and mainly presented non-principal-guaranteed WMPs with floating income (Note 15(1)).

(3) Notes receivable

Item	Ending Balance	Opening Balance
Bank acceptance notes	15,060,062	12,556,294

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

4 Notes to the consolidated financial statements (Cont'd)

(3) Notes receivable (Cont'd)

(a) As at 30 June 2019, the Group's notes receivable endorsed or discounted but not matured were as follows:

Item	Derecognised	Recognised
Bank acceptance notes	22,077,062	-

(4) Receivables

(a) Accounts receivable

Item	Ending Balance	Opening Balance
Accounts receivable	24,056,858	20,372,283
Less: Provision for bad debts	(1,039,035)	(982,109)
Total	23,017,823	19,390,174

The ageing of accounts receivable is analysed as follows:

Item	Ending Balance	Opening Balance
Within 1 year	23,637,383	19,990,263
1 to 2 years	236,904	187,071
2 to 3 years	86,661	88,294
3 to 5 years	61,627	84,069
Over 5 years	34,283	22,586
Sub-total	24,056,858	20,372,283

Accounts receivable are analysed by categories as follows:

	Ending Balance			
	Carrying amount		Provision for bad debts	
Categories	Amount	% of total balance	Amount	Provision ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	-	-	-	-
Provision for bad debts on grouping basis using the ageing analysis method	23,647,630	98.30%	1,013,580	4.29%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	409,228	1.70%	25,455	6.22%
Total	24,056,858	100.00%	1,039,035	4.32%

The expected credit losses are calculated through the exposure at default and the lifetime expected credit loss rate. According to the calculation results of different groupings, the accounts receivable with provision for bad debts on grouping basis using the ageing analysis method are analysed as follows:

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

4 Notes to the consolidated financial statements (Cont'd)

(4) Receivables (Cont'd)

(a) Accounts receivable (Cont'd)

	Ending Balance		
	Carrying amount	Provision for bad debts	
Ageing	Amount	Amount	Lifetime expected credit loss rate
Within 1 year	23,273,508	838,964	3.60%
1 to 2 years	193,637	50,709	26.19%
2 to 3 years	86,641	45,705	52.75%
3 to 5 years	61,004	45,362	74.36%
Over 5 years	32,840	32,840	100.00%
Total	23,647,630	1,013,580	4.29%

For the six months ended 30 June 2019, the provision for bad debts reversed amounted to RMB 142,227,000.

For the six months ended 30 June 2019, the accounts receivable written off by the Group were arising from transactions with third parties and there were no written-off accounts receivable that are individually significant.

As at 30 June 2019, the five largest accounts receivable aggregated by debtors were summarised and analysed as follows:

Item	Amount	Provision for bad debts	% of total balance
Total amount of the five largest accounts receivable	1,825,366	91,268	7.59%

(b) Other receivables

Item	Ending Balance	Opening Balance
Other receivables	2,451,958	2,838,170
Interest receivable	113,580	175,928
Sub-total	2,565,538	3,014,098
Less: Provision for bad debts	(53,345)	(42,730)
Total	2,512,193	2,971,368

Other receivables mainly include exercising accounts, current accounts, petty cash to staff and deposits.

The ageing of other receivables is analysed below:

Item	Ending Balance	Opening Balance
Within 1 year	2,203,400	2,629,558
1 to 2 years	180,053	118,049
2 to 3 years	31,066	60,259
3 to 5 years	28,066	20,900
Over 5 years	9,373	9,404
Sub-total	2,451,958	2,838,170

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

4 Notes to the consolidated financial statements (Cont'd)

(4) Receivables (Cont'd)

(b) Other receivables (Cont'd)

Provision for losses and changes in book balance statements:

	Stage 1				
	Expected credit losses in the following 12 months (grouping)		Expected credit losses in the following 12 months (individual)		Sub-total
Item	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	Provision for bad debts
31 December 2018	2,668,855	42,730	169,315	-	42,730
Changes in accounting policies	-	-	-	-	-
1 January 2019	2,668,855	42,730	169,315	-	42,730
Increase in the current period	-	17,192	116,046	-	17,192
Decrease in the current period	(502,258)	-	-	-	-
Including: Write-off in the current period	-	-	-	-	-
Derecognition	(502,258)	-	-	-	-
Reversal in the current period	-	(6,779)	-	-	(6,779)
Currency translation differences	-	202	-	-	202
30 June 2019	2,166,597	53,345	285,361	-	53,345

As at 30 June 2019, the Group had no other receivables at stage 3.

As at 30 June 2019, other receivables with amounts that were individually significant and that the related provision for bad debts was provided on the individual basis were analysed as follows:

Name of entity	Ending balance	Provision for bad debts	Provision ratio	Reason
China Securities Depository and Clearing Corporation Limited Shenzhen Branch	285,361	-	-	Receivables related to share options without bad debt risks

For the six months ended 30 June 2019, the provision for bad debts reversed amounted to RMB 6,779,000.

As at 30 June 2019, the five largest other receivables aggregated by debtors were summarised and analysed as follows:

Name of entity	Amount	Provision for bad debts	% of total balance
Total balance of top 5 other receivables	341,174	2,791	17.84%

As at 30 June 2019, the Group' had no significant government grants recognised at amounts receivable.

(5) Advances to suppliers

Item	Ending Balance	Opening Balance
Advances paid for raw materials and others	2,099,422	2,215,888

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

	Ending Balance		Opening Balance	
Ageing	Amount	% of total balance	Amount	% of total balance
Within 1 year	1,967,498	93.72%	2,112,343	95.33%
1 to 2 years	73,349	3.49%	78,764	3.55%
2 to 3 years	46,277	2.20%	11,870	0.54%
Over 3 years	12,298	0.59%	12,911	0.58%
Sub-total	2,099,422	100.00%	2,215,888	100.00%

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

4 Notes to the consolidated financial statements (Cont'd)

(5) Advances to suppliers (Cont'd)

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

As at 30 June 2019, advances to suppliers over 1 year with a carrying amount of RMB 131,924,000 (31 December 2018: RMB 103,545,000) were mainly unsettled advances paid for raw materials.

As at 30 June 2019, the five largest advances to suppliers aggregated by debtors were summarised and analysed as follows:

Item	Amount	% of total balance
Total balance of top five advances to suppliers	466,259	22.21%

(6) Loans and advances

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

Item	Ending Balance	Opening Balance
Loans and advances measured at amortised cost		
Loans and advances to individuals	1,151,442	894,392
Loans and advances to corporations	13,730,727	10,588,006
Loans and advances measured at amortised cost	14,882,169	11,482,398
Less: Provision for loan impairments	(209,482)	(154,006)
Total loans and advances measured at amortised cost	14,672,687	11,328,392
Loans and advances measured at fair value through other comprehensive income		
Loans and advances to corporations	-	-
Total loans and advances measured at fair value through other comprehensive income	-	-
Total	14,672,687	11,328,392

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

Item	Ending Balance	Opening Balance
Unsecured loans	1,078,469	814,657
Guaranteed loans	1,166,228	614,688
Secured loans by monetary assets	12,637,472	10,053,053
Sub-total	14,882,169	11,482,398
Less: Loan impairment provision	(209,482)	(154,006)
Total	14,672,687	11,328,392

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

4 Notes to the consolidated financial statements (Cont'd)

(7) Inventories

(a) Inventories are summarised by categories as follows:

Item	Ending Balance			Opening Balance		
	Carrying amount	Provision for declines in the value of inventories	Carrying amount	Carrying amount	Provision for declines in the value of inventories	Carrying amount
Finished goods	13,318,209	(396,346)	12,921,863	18,600,407	(320,022)	18,280,385
Raw materials	4,546,247	(86,595)	4,459,652	5,181,916	(60,822)	5,121,094
Work in progress	1,612,640	-	1,612,640	2,040,228	-	2,040,228
Consigned processing material	209,226	-	209,226	239,741	-	239,741
Low value consumables	42,382	-	42,382	38,763	-	38,763
Completed but unsettled	4,860,841	-	4,860,841	3,924,807	-	3,924,807
Total	24,589,545	(482,941)	24,106,604	30,025,862	(380,844)	29,645,018

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

Item	Opening Balance	Increase in the current period	Decrease of reversal or write-off in the current period	ency translation differences	Ending Balance
Finished goods	320,022	109,735	(34,642)	1,231	396,346
Raw materials	60,822	39,209	(14,736)	1,300	86,595
Total	380,844	148,944	(49,378)	2,531	482,941

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

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

(8) Other current assets

Item	Ending Balance	Opening Balance
Wealth management products	-	1,521,007
Structural deposits and swap deposits	71,649,301	70,402,509
Deductible input VAT	2,011,769	2,803,315
Prepaid expenses	753,915	647,648
Others	1,049,806	1,099,348
Total	75,464,791	76,473,827

(9) Long-term equity investments

Long-term equity investments are classified as follows:

Item	Ending Balance	Opening Balance
Investment in associates (a)	2,619,985	2,713,316
Less: Provision for impairment of long-term equity investments	-	-
Total	2,619,985	2,713,316

(a) Investment in associates mainly refers to the investments in Foshan Shunde Rural Commercial Bank Co., Ltd. and Hefei Royalstar Motor Co., Ltd. and other companies by the Group.

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

4 Notes to the consolidated financial statements (Cont'd)

(10) Other non-current financial assets

Item	Ending Balance	Opening Balance
Measured at fair value		
- Equity of unlisted companies	1,420,416	-
Sub-total	1,420,416	-
Less: Provision for impairment of assets	-	-
Total	1,420,416	-

(11) Fixed assets

Item	Buildings	Land	Machinery and equipment	Motor vehicles	Electronic equipment and others	Total
Original carrying amount						
Opening Balance	17,396,391	1,289,251	18,935,114	747,441	4,151,719	42,519,916
Increase in the current period	29,610	-	632,865	11,313	270,479	944,267
1) Purchase	13,669	-	628,762	11,313	260,953	914,697
2) Transfers from construction in progress	15,941	-	4,103	-	9,526	29,570
Decrease in the current period	(217,033)	-	(179,587)	(18,518)	(146,080)	(561,218)
1) Disposal or retirement	-	-	(179,587)	(18,518)	(146,080)	(344,185)
2) Others	(217,033)	-	-	-	-	(217,033)
Differences on translation of foreign currency financial statements	32,835	14,658	38,405	108	4,484	90,490
Ending Balance	17,241,803	1,303,909	19,426,797	740,344	4,280,602	42,993,455
Accumulated depreciation						
Opening Balance	6,561,909	-	10,235,762	477,072	2,774,680	20,049,423
Increase in the current period	428,368	-	849,317	44,968	336,467	1,659,120
1) Depreciation charged	428,368	-	849,317	44,968	336,467	1,659,120
Decrease in the current period	-	-	(132,125)	(16,873)	(127,365)	(276,363)
1) Disposal or retirement	-	-	(132,125)	(16,873)	(127,365)	(276,363)
Differences on translation of foreign currency financial statements	6,115	-	14,541	30	1,023	21,709
Ending Balance	6,996,392	-	10,967,495	505,197	2,984,805	21,453,889
Provision for impairment loss						
Opening Balance	6,674	5,849	20,107	206	445	33,281
Increase in the current period	-	-	-	-	77	77
1) Provision	-	-	-	-	77	77
Decrease in the current period	-	-	(2,329)	-	(447)	(2,776)
1) Disposal or retirement	-	-	(2,329)	-	(447)	(2,776)
Differences on translation of foreign currency financial statements	83	182	124	9	14	412
Ending Balance	6,757	6,031	17,902	215	89	30,994
Carrying amount at the end of the period	10,238,654	1,297,878	8,441,400	234,932	1,295,708	21,508,572
Carrying amount at the beginning of the period	10,827,808	1,283,402	8,679,245	270,163	1,376,594	22,437,212

(a) For the six months ended 30 June 2019, the depreciation of fixed assets amounted to RMB 1,659,120,000 (for the six months ended 30 June 2018: RMB 1,686,509,000) and was included in the income statement.

(b) As at 30 June 2019, the Company is still in the course of obtaining the ownership certificate for the fixed asset with a carrying amount of RMB 464,806,000.

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

4 Notes to the consolidated financial statements (Cont'd)

(12) Construction in progress

(a) Movement of significant projects of construction in progress

Project name	Opening Balance	Increase in the current period	Transfer to fixed assets	Transfer to intangible assets	Other decreases	Translation of foreign currency financial statements	Ending Balance	Accumulative amount of capitalised borrowing costs	Including: Borrowing costs capitalised in the current period	Capitalisation rate of borrowing costs in the current period	Source of funds
Kuka Toledo Production Operations	1,152,820	126,102	-	-	(1,248,841)	(29,138)	943	-	-	-	Self-financing
Media Kuka Intelligent Manufacturing Plant	173,549	41,740	-	-	-	-	215,289				Self-financing
Other projects	751,252	493,111	(29,570)	(20,435)	(8,140)	2,901	1,189,119	-	-	-	Self-financing
Total	2,077,621	660,953	(29,570)	(20,435)	(1,256,981)	(26,237)	1,405,351	-	-		

As at 30 June 2019, there was no provision for impairment of construction in progress with the ending balance consistent with the carrying amount; and the cost of construction in progress matched the budget amount. The projects were carried out on schedule.

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

4 Notes to the consolidated financial statements (Cont'd)

(13) Intangible assets

Item	Land use rights	Patents and non-patent technologies	Trademark rights	Trademark use rights	Others	Total
Original carrying amount						
Opening Balance	4,586,857	2,061,849	5,005,403	2,601,880	4,721,765	18,977,754
Increase in the current period	18,875	5,162	-	-	336,518	360,555
1) Purchase	18,875	5,162	-	-	122,941	146,978
2) Others	-	-	-	-	213,577	213,577
Decrease in the current period	-	(327)	-	-	(173,036)	(173,363)
1) Disposal	-	(327)	-	-	(173,036)	(173,363)
Differences on translation of foreign currency financial statements	595	2,539	(18,080)	81,100	6,956	73,110
Ending Balance	4,606,327	2,069,223	4,987,323	2,682,980	4,892,203	19,238,056
Accumulated amortisation						
Opening Balance	819,030	488,412	75,176	168,088	1,228,235	2,778,941
Increase in the current period	46,299	54,310	16,373	30,478	371,495	518,955
1) Amortisation charged	46,299	54,310	16,373	30,478	371,495	518,955
Decrease in the current period	-	(139)	-	-	(10,774)	(10,913)
1) Disposal	-	(139)	-	-	(10,774)	(10,913)
Differences on translation of foreign currency financial statements	30	5,494	(245)	6,428	10,862	22,569
Ending Balance	865,359	548,077	91,304	204,994	1,599,818	3,309,552
Provision for impairment loss						
Opening Balance	-	10,951	-	-	1,187	12,138
Increase in the current period	-	118	-	-	-	118
1) Depreciation charged	-	118	-	-	-	118
Decrease in the current period	-	(39)	-	-	-	(39)
1) Disposal	-	(39)	-	-	-	(39)
Differences on translation of foreign currency financial statements	-	354	-	-	39	393
Ending Balance	-	11,384	-	-	1,226	12,610
Carrying amount at the end of the period	3,740,968	1,509,762	4,896,019	2,477,986	3,291,159	15,915,894
Carrying amount at the beginning of the period	3,767,827	1,562,486	4,930,227	2,433,792	3,492,343	16,186,675

(a) For the six months ended 30 June 2019, the amortisation of intangible assets amounted to RMB 518,955,000 (for the six months ended 30 June 2018: RMB 529,900,000) and was included in income statement in full amount.

(b) As at 30 June 2019, the Group had no certificates of land use right still in the process.

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

4 Notes to the consolidated financial statements (Cont'd)

(14) Goodwill

The Group's goodwill had been allocated to the asset groups and groups of asset groups at the acquisition date, and the allocation is as follows:

Name of investee	Ending Balance	Opening Balance
Wuxi Little Swan Company Limited	1,361,306	1,361,306
TLSC	2,971,561	2,881,760
KUKA Group	22,244,400	22,330,623
Others	2,526,650	2,526,701
Sub-total	29,103,917	29,100,390
Less: Provision for impairment	-	-
Total	29,103,917	29,100,390

(15) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

Item	Ending Balance		Opening Balance	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	1,914,509	562,596	1,844,308	558,896
Provision for asset impairments	1,445,987	251,716	1,332,124	272,227
Employee benefits payable	1,815,584	430,481	1,371,756	330,923
Other current liabilities	23,723,344	4,730,963	16,549,427	3,572,039
Others	3,936,214	876,993	5,201,746	1,087,280
Total	32,835,638	6,852,749	26,299,361	5,821,365

(b) Deferred tax liabilities before offsetting

Deferred tax liabilities	Ending Balance		Opening Balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value	270,010	63,994	49,939	11,131
Business combination involving enterprise not under common control	12,394,324	3,483,846	12,533,188	3,663,691
Others	8,217,215	2,388,912	8,308,900	2,147,304
Total	20,881,549	5,936,752	20,892,027	5,822,126

(c) The net balances of deferred tax assets and liabilities after offsetting are as follows:

Item	Balance after offsetting at the end of the period	Balance after offsetting at the beginning of the year
Deferred tax assets	5,467,296	4,421,313
Deferred tax liabilities	4,551,299	4,422,074

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

4 Notes to the consolidated financial statements (Cont'd)

(16) Details of provision for asset impairments

Item	31 December 2018	Changes in accounting policies	1 January 2019	Increase in the current period	Decrease in the current period		Currency translation differences	30 June 2019
					Reversal	Write-off		
Provision for bad debts	1,178,845		1,178,845	328,053	(149,006)	(57,331)	1,301	1,301,862
Including: Provision for bad debts of accounts receivable	982,109		982,109	255,385	(142,227)	(57,331)	1,099	1,039,035
Provision for impairment of loans	154,006		154,006	55,476	-	-	-	209,482
Provision for bad debts of other receivables	42,730		42,730	17,192	(6,779)	-	202	53,345
Provision for decline in the value of inventories	380,844		380,844	148,944	(4,483)	(44,895)	2,531	482,941
Provision for impairment of available-for-sale financial assets	2,287	(2,287)	-	-	-	-	-	-
Provision for impairment of fixed assets	33,281		33,281	77	-	(2,776)	412	30,994
Provision for impairment of intangible assets	12,138		12,138	118	-	(39)	393	12,610
Provision for impairment of investment properties	12,576		12,576	-	-	-	-	12,576
Total	1,619,971	(2,287)	1,617,684	477,192	(153,489)	(105,041)	4,637	1,840,983

(17) Assets with ownership or use rights restricted

As at 30 June 2019, assets with ownership restricted were as follows:

Item	Ending Balance	Opening Balance
Cash at bank and on hand	20,264,850	5,809,826
Balances with the Central Bank	728,058	1,126,172
Deposits with banks and other financial institutions	-	3,000,000
Total	20,992,908	9,935,998

(18) Notes payable

Item	Ending Balance	Opening Balance
Bank acceptance notes	29,274,952	23,325,115

(19) Accounts payable

Item	Ending Balance	Opening Balance
Material expenses payable	36,053,524	32,605,437
Others	2,951,404	4,296,189
Total	39,004,928	36,901,626

(a) As at 30 June 2019, accounts payable over 1 year with a carrying amount of RMB 935,194,000 (31 December 2018: RMB 803,286,000) were mainly unsettled accounts payable for materials.

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

4 Notes to the consolidated financial statements (Cont'd)

(20) Advances from customers

Item	Ending Balance	Opening Balance
Advances for goods	7,490,301	14,521,809
Settled but not completed	2,927,661	2,259,857
Total	10,417,962	16,781,666

As at 30 June 2019, advances from customers over 1 year with a carrying amount of RMB 431,880,000 (31 December 2018: RMB 410,800,000) were mainly unsettled advances on sales.

(21) Employee benefits payable

Item	Ending Balance	Opening Balance
Short-term employee benefits payable (a)	4,643,021	5,624,918
Others	115,382	163,086
Total	4,758,403	5,788,004

(a) Short-term employee benefits

Item	Opening Balance	Increase in the current period	Decrease in the current period	Ending Balance
Wages and salaries, bonus, allowances and subsidies	5,057,019	10,988,930	(11,924,319)	4,121,630
Staff welfare	407,405	373,590	(387,445)	393,550
Social security contributions	101,292	852,938	(875,458)	78,772
Including: Medical insurance	98,652	826,753	(848,147)	77,258
Work injury insurance	1,933	12,377	(12,980)	1,330
Maternity insurance	707	13,808	(14,331)	184
Housing funds	30,631	206,390	(213,315)	23,706
Labour union funds and employee education funds	19,310	44,112	(44,140)	19,282
Other short-term employee benefits	9,261	83,315	(86,495)	6,081
Sub-total	5,624,918	12,549,275	(13,531,172)	4,643,021

(22) Taxes payable

Item	Ending Balance	Opening Balance
Corporate income tax payable	2,592,269	2,530,018
Unpaid VAT	738,702	853,187
Others	587,420	492,093
Total	3,918,391	3,875,298

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

4 Notes to the consolidated financial statements (Cont'd)

(23) Other payables

Item	Ending Balance	Opening Balance
Other payables	3,296,863	3,140,082
Interest payable	86,677	94,852
Dividends payable	35,807	111,195
Total	3,419,347	3,346,129

(a) Other payables are mainly restricted share repurchase obligation, deposit and security deposit payable, reimbursed logistics expense, manufacturing equipment expense, and refund for energy-saving and beneficial to people.

(b) As at 30 June 2019, other payables with ageing over 1 year with a carrying amount of RMB 1,394,086,000 (31 December 2018: RMB 821,240,000) were mainly restricted share repurchase obligation, and deposit and security deposit payable, which are unsettled for related projects that are uncompleted.

(24) Other current liabilities

Item	Ending Balance	Opening Balance
Accrued sales rebate	26,133,544	19,583,366
Accrued installation and maintenance expenses	8,057,806	5,634,323
Accrued sales promotion expenses	2,482,494	1,780,246
Accrued transportation expenses	849,309	688,536
Others	3,993,163	3,633,238
Total	41,516,316	31,319,709

(25) Long-term borrowings

Item	Ending Balance	Opening Balance
Mortgage borrowings (a)	28,917,871	29,049,580
Guaranteed borrowings	6,551,066	2,126,618
Unsecured borrowings	7,060,184	3,081,282
Total	42,529,121.	34,257,480.
Less: Current portion of mortgage borrowings	(39,085)	(39,236)
Current portion of guaranteed borrowings	-	(2,126,618)
Current portion of unsecured borrowings	-	(187)
Total	42,490,036	32,091,439

(a) As at 30 June 2019, a cost of mortgage borrowings of RMB 28,917,871,000 was pledged by 81.04% equity of KUKA Group (31 December 2018: RMB 29,049,580,000), which was acquired by the subsidiary of the Company, and interest is paid on a semi-annual basis.

(b) As at 30 June 2019, the annual interest rate range of the long-term borrowings was 0.55% to 5.5% (31 December 2018: 0.4% to 5.5%).

(26) Long-term employee benefits payable

Item	Ending Balance	Opening Balance
Supplementary retirement benefits (a)	2,352,877	2,329,652
Others	147,845	150,666
Total	2,500,722	2,480,318

(a) Supplementary retirement benefits are produced by KUKA and TLSC.

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

4 Notes to the consolidated financial statements (Cont'd)

(27) Share capital

Item	Opening Balance	Movements for the current year					Ending Balance
		Share-based payment incentive plan	Desterilisation	Share issuance	Write-offs of repurchase	Sub-total	
RMB-denominated ordinary shares -		(a)					
RMB-denominated ordinary shares subject to trading restriction	147,175	30,980	(8,051)	2,379	(6,833)	18,475	165,650
RMB-denominated ordinary shares not subject to trading restriction	6,515,856	23,173	8,051	321,278	(95,105)	257,397	6,773,253
	6,663,031	54,153	-	323,657	(101,938)	275,872	6,938,903

(a) For the six months ended 30 June 2019, the share-based payment incentive plan increased the share capital to 54,153,000 shares. Some of the restricted shares have not met unlock condition at the end of the year, and the Company regarded them as treasury stock and recognised related liabilities for repurchase obligation.

(28) Treasury stock

Item	Opening Balance	Movements for the current year		Ending Balance
		Increase in the current period	Decrease in the current period	
Shares for share-based incentives	918,171	2,049,839	(315,676)	2,652,334
Shares for write-offs of repurchase	4,000,256	-	(4,000,256)	-
	4,918,427	2,049,839	(4,315,932)	2,652,334

(29) Capital surplus

Item	Opening Balance	Increase in the current period	Decrease in the current period	Ending Balance
Share premium (a)	14,478,244	4,347,267	(4,055,652)	14,769,859
Share option incentive plan (b)	1,299,655	347,445	(355,398)	1,291,702
Others	2,673,408	41	(76,945)	2,596,504
Total	18,451,307	4,694,753	(4,487,995)	18,658,065

(a) The increase in share premium arose from the exercise of share options with the amount of RMB 1,458,608,000, restricted shares subscription with amount of RMB 54,668,000 and newly issued shares with the amount of RMB 2,833,991,000 for share exchange and merge of equity held by minority shareholders of Little Swan, and the decrease in share premium arose from the repurchased restricted shares with the amount of RMB 150,501,000 and the write-off of the repurchased public shares with the amount of RMB 3,905,151,000.

(b) Share-based payment incentive plan included share option incentive plan and restricted share plan. The increase of share-based payment incentive plan arose from expenses attributable to shareholders' equity of the parent company in the share option incentive plan and restricted share plan with the amount of RMB 347,445,000, while the decrease arose from the transfer of RMB 355,398,000 to share premium due to exercise of share option.

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

4 Notes to the consolidated financial statements (Cont'd)

(30) Other comprehensive income

	Other comprehensive income in the balance sheet					Other comprehensive income in the income statement				
Item	31 December 2018	Changes in accounting policies	1 January 2019	Attributable to the parent company after tax	30 June 2019	Amount arising before income tax for current period	Less: Reclassification of previous other comprehensive income to profit or loss	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive income items which will not be reclassified to profit or loss										
Remeasurement of changes in defined-benefit plan	50,068	-	50,068	(78,752)	(28,684)	(105,602)	-	22,306	(78,752)	(4,544)
Other comprehensive income items which will be reclassified to profit or loss										
Other comprehensive income accounted for using equity method which will be reclassified subsequently to profit or loss	(59,146)	-	(59,146)	(251)	(59,397)	(251)	-	-	(251)	-
Gains or losses arising from changes in fair value of available-for-sale financial assets	(337,447)	337,447	-	-	-	-	-	-	-	-
Cash flow hedge reserves	(101,270)	-	(101,270)	34,124	(67,146)	(67,856)	107,674	(5,455)	34,124	239
Difference on translation of foreign currency financial statement	(884,358)	-	(884,358)	179,847	(704,511)	221,337	-	-	179,847	41,490
Total	(1,332,153)	337,447	(994,706)	134,968	(859,738)	47,628	107,674	16,851	134,968	37,185

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

4 Notes to the consolidated financial statements (Cont'd)

(31) Surplus reserve

Item	Opening Balance	Increase in the current period	Decrease in the current period	Ending Balance
Statutory surplus reserve	5,079,096	-	-	5,079,096

(32) Undistributed profits

Item	Current figure	Comparative figure
Undistributed profits at the end of the prior year	58,762,315	47,627,235
Changes in accounting policies	(337,447)	-
Undistributed profits at the beginning of the current year	58,424,868	47,627,235
Add: Net profit attributable to the parent company for the current period	15,187,069	12,936,846
Less: Ordinary share dividends payable	(8,553,897)	(7,898,785)
Appropriation to general reserve	-	-
Undistributed profits at the end of the period	65,058,040	52,665,296

(a) Ordinary share dividends distributed in the current year

In accordance with the resolution at the Board of Shareholders' meeting, dated on 13 May 2019, the Company distributed a cash dividend to the shareholders at RMB 1.30 per share, amounting to RMB 8,561,590,000 calculated by 6,585,838,349 issued shares; 40,014,998 shares were not subject to dividend distribution due to the repurchase of public shares and 6,565,827,689 shares were actually subject to distribution. Based on the principle that the total dividend remains unchanged, it was actually RMB 1.3039620 per share; 6,833,000 repurchased incentive shares in the restricted shares incentive plan were written off (Note 4(27)), and cash dividend amounting to RMB 7,693,000 was cancelled. The actual cash dividend distributed in the current year amounted to RMB 8,553,897,000.

(33) Transactions with minority shareholders

The Company completed share exchange and merger of 47.33% of equity held by minority shareholders of Wuxi Little Swan Company Limited by issuing A shares. As at 30 June 2019, the Company held 100% of Wuxi Little Swan Company Limited's equity

(34) Revenue and cost of sales

Item	Current figure	Comparative figure
Revenue from main operations	143,143,028	133,077,713
Other operating income	10,627,272	9,546,124
Sub-total	153,770,300	142,623,837

Item	Current figure	Comparative figure
Cost of sales from main operations	99,246,019	95,385,475
Cost of sales from other operations	9,195,270	8,495,963
Sub-total	108,441,289	103,881,438

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

4 Notes to the consolidated financial statements (Cont'd)

(34) Revenue and cost of sales (Cont'd)

(a) Revenue and cost of sales from main operations

Product or business type	Current figure		Comparative figure	
	Revenue	Cost of sales	Revenue	Cost of sales
Heating & ventilation, as well as air-conditioner	71,439,403	48,518,866	63,873,960	44,548,938
Consumer appliances	58,350,984	40,096,559	55,279,120	40,043,342
Robots and automatic system	12,023,626	9,337,888	12,502,301	9,447,728
Others	1,329,014	1,292,705	1,422,332	1,345,467
Sub-total	143,143,027	99,246,018	133,077,713	95,385,475

For the six months ended 30 June 2019, cost of sales from main operations was mainly material costs and labour costs, which accounted for over 80% of total cost of sales from main operations (for the six months ended 30 June 2018: over 80%).

(b) Revenue and cost of sales from other operations

Item	Current figure		Comparative figure	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from sales of material	9,528,368	8,934,613	8,605,866	8,225,748
Others	1,098,904	260,657	940,258	270,215
Sub-total	10,627,272	9,195,270	9,546,124	8,495,963

For the six months ended 30 June 2019, cost of sales from other operations is mainly material costs, which accounts for over 80% of total cost of sales from other operations (For the six months ended 30 June 2018: over 80%).

(35) Interest income/(expenses)

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

Item	Current figure	Comparative figure
Interest income from loans and advances	503,691	430,800
Interest income from deposits with banks and other financial institutions and Central Bank	58,006	681,214
Interest income	561,697	1,112,014
Interest expenses	(105,543)	(168,235)

(36) Taxes and surcharges

Item	Current figure	Comparative figure
City maintenance and construction tax	400,925	377,860
Educational surcharge	292,839	274,527
Others	234,826	195,263
Total	928,590	847,650

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

4 Notes to the consolidated financial statements (Cont'd)

(37) Selling and distribution expenses

Item	Current figure	Comparative figure
Selling and distribution expenses	19,529,822	16,892,503

For the six months ended 30 June 2019, selling and distribution expenses were mainly maintenance and installation expenses, advertisement and promotion fee, transportation and storage fee, employee benefits and rental expenses, which accounted for over 80% of total selling and distribution expenses (for the six months ended 30 June 2018: over 80%).

(38) General and administrative expenses

Item	Current figure	Comparative figure
General and administrative expenses	4,110,125	3,335,291

For the six months ended 30 June 2019, general and administrative expenses were mainly employee benefits, expenses of depreciation and amortisation, technical maintenance expenses and administrative office expenses, which accounted for over 70% of total general and administrative expenses (for the six months ended 30 June 2018: over 70%).

(39) Research and development expenses

Item	Current figure	Comparative figure
Research and development	4,534,760	3,899,229

For the six months ended 30 June 2019, research and development expenses were mainly employee benefits, depreciation and amortisation and trial production and material input, which accounted for over 80% of total research and development expenses (for the six months ended 30 June 2018: over 80%).

(40) Financial expense

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

Item	Current figure	Comparative figure
Interest costs	401,129	304,703
Less: Interest income	(2,088,716)	(757,815)
Add: Exchange gains or losses	160,162	(585,871)
Add: Others	91,780	54,870
Total	(1,435,645)	(984,113)

(41) Asset impairment losses

Item	Current figure	Comparative figure
(Reversal)/Loss from bad debts (Note 4(4))	-	215,759
Losses on decline in the value of inventories (Note 4(7))	144,461	27,045
Impairment loss on fixed assets (Note 4(11))	77	7,079
Impairment loss on intangible assets (Note 4(13))	118	82
(Reversal)/Loss from impairment of loans (Note 4(6))	-	50,122
Total	144,656	300,087

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

4 Notes to the consolidated financial statements (Cont'd)

(42) Losses on credit impairment

Item	Current figure	Comparative figure
(Reversal)/Loss from bad debts (Note 4(4))	123,571	-
(Reversal)/Loss from impairment of loans (Note 4(6))	55,476	-
Total	179,047	-

(43) Gains on changes in fair value

Item	Current figure	Comparative figure
Financial instruments at fair value through profit or loss	347,862	(613,928)

(44) Investment income

Source of investment income	Current figure	Comparative figure
Investment income from wealth management products purchased from financial institutions	78,219	347,371
Investment income from disposal of financial assets at fair value through profit or loss	(422,174)	92,213
Investment income from long-term equity investment under equity method	232,596	187,245
Others	123,999	285,795
Total	12,640	912,624

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

(45) Gains on disposal of assets

Item	Current figure	Comparative figure
Gains on disposal of non-current assets	13,803	17,902
Losses on disposal of non-current assets	(27,508)	(36,661)
Total	(13,705)	(18,759)

(46) Other income

Item	Current figure	Comparative figure	Assets related/Income related
Special subsidy	661,949	626,278	Income related

(47) Income tax expenses

Item	Current figure	Comparative figure
Current income tax expenses	3,786,798	3,098,450
Deferred income tax expenses	(957,206)	(483,568)
Total	2,829,592	2,614,882

4 Notes to the consolidated financial statements (Cont'd)

(47) Income tax expenses (Cont'd)

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

Item	Current figure	Comparative figure
Total profit	18,889,515	16,394,573
Income tax calculated at tax rate of 25%	4,722,379	4,098,643
Effect of different tax rates applicable to subsidiaries	(1,363,283)	(1,018,015)
Effect of income tax annual filing for prior periods	(85,020)	(88,464)
Income not subject to tax	(86,580)	(156,177)
Costs, expenses and losses not deductible for tax purposes	172,898	154,906
Utilisation of previously unrecognised tax losses	(810)	(83,582)
Effect of the deductible temporary differences or deductible losses for which no deferred tax asset was recognised in the current period	10,633	18,168
Others	(540,625)	(310,597)
Income tax expenses	2,829,592	2,614,882

(48) Calculation of basic and diluted earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	Unit	Current figure	Comparative figure
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	15,187,069	12,936,846
Weighted average number of outstanding ordinary shares	Thousands shares	6,542,991	6,575,678
Basic earnings per share	RMB Yuan/share	2.32	1.97

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

Item	Unit	Current figure	Comparative figure
Consolidated net profit attributable to ordinary shareholders of the Company	RMB'000	15,187,069	12,936,846
Weighted average number of outstanding ordinary shares	Thousands shares	6,542,991	6,575,678
Weighted average number of ordinary shares increased from share options	Thousands shares	47,639	95,007
Weighted average number of diluted outstanding ordinary shares	Thousands shares	6,590,630	6,670,685
Diluted earnings per share	RMB Yuan/share	2.30	1.94

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

4 Notes to the consolidated financial statements (Cont'd)

(49) Notes to the cash flow statement

(a) Cash received relating to other operating activities

Item	Current figure	Comparative figure
Non-operating income	144,360	148,745
Other income	657,717	649,291
Other operating income	1,061,576	908,034
Financial interest income	225,405	140,352
Others	292,415	1,709,955
Total	2,381,473	3,556,377

(b) Cash paid relating to other operating activities

Item	Current figure	Comparative figure
General and administrative expenses and research and development expenses (excluding employee benefits and taxes and surcharges)	4,715,126	3,210,192
Selling and distribution expenses (excluding employee benefits and taxes and surcharges)	12,234,373	10,057,941
Others	888,966	178,335
Total	17,838,465	13,446,468

(c) Supplementary information to the cash flow statement

Reconciliation of net profit to cash flow from operating activities is as follows:

Supplementary information	Current figure	Comparative figure
1) Reconciliation from net profit to cash flows from operating activities:		
Net profit	16,059,923	13,779,691
Add: Provision for asset impairment	144,656	300,087
Provision for credit impairments	179,047	-
Depreciation and amortisation	2,443,803	2,431,629
Net losses on disposal of non-current assets	13,705	18,759
Losses on changes in fair value	(347,862)	613,928
Financial expenses	(1,352,564)	(356,164)
Investment income	(12,640)	(912,624)
Share-based payments	392,759	545,531
Decrease in deferred tax assets	(1,027,243)	(581,702)
Increase in deferred tax liabilities	139,686	105,493
Decrease in inventories	5,763,508	5,575,127
Decrease in operating receivables	(12,882,038)	(19,845,991)
Increase in operating payables	12,273,150	5,939,924
Net cash flows from operating activities	21,787,890	7,613,688
2) Net increase/(decrease) in cash and cash equivalents		
Cash at the end of the period	14,897,180	10,427,394
Less: Cash at the beginning of the period	(17,952,282)	(21,831,653)
Net increase in cash and cash equivalents	(3,055,102)	(11,404,259)

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

4 Notes to the consolidated financial statements (Cont'd)

(49) Notes to the cash flow statement (Cont'd)

(d) Composition of cash and cash equivalents

Item	Current figure	Comparative figure
Cash on hand	2,214	5,232
Cash at bank that can be readily drawn on demand	12,189,067	8,748,778
Other cash balances that can be readily drawn on demand	65,114	59,123
Deposits with the Central Bank that can be readily drawn on demand	255,357	81,100
Deposits with banks and other financial institutions	2,385,428	1,533,161
Cash and cash equivalents at the end of the period	14,897,180	10,427,394

(50) Monetary items denominated in foreign currency

Item	30 June 2019		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand			
USD	726,666	6.8747	4,995,611
JPY	4,936,129	0.0638	315,004
HKD	154,016	0.8797	135,482
EURO	127,951	7.8170	1,000,193
BRL	98,498	1.7939	176,699
Other currencies	Not applicable	Not applicable	1,098,796
Sub-total			7,721,785
Accounts receivable			
USD	1,196,162	6.8747	8,223,255
JPY	17,119,280	0.0638	1,092,484
HKD	58,136	0.8797	51,140
EURO	370,295	7.8170	2,894,596
BRL	386,485	1.7939	693,327
Other currencies	Not applicable	Not applicable	2,630,296
Sub-total			15,585,098
Other receivables			
USD	55,570	6.8747	382,027
JPY	4,107,857	0.0638	262,147
HKD	397,221	0.8797	349,419
EURO	38,611	7.8170	301,822
BRL	96,917	1.7939	173,862
Other currencies	Not applicable	Not applicable	168,340
Sub-total			1,637,617
Total			24,944,500

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

4 Notes to the consolidated financial statements (Cont'd)

(50) Monetary items denominated in foreign currency (Cont'd)

	30 June 2019		
Item	Foreign currency balance	Exchange rate	RMB balance
Short-term borrowings			
JPY	3,000,000	0.0638	191,448
EURO	97,776	7.8170	764,315
BRL	82,640	1.7939	148,250
Other currencies	Not applicable	Not applicable	234,311
Sub-total			1,338,324
Accounts payable			
USD	208,575	6.8747	1,433,891
JPY	10,895,967	0.0638	695,337
HKD	51,784	0.8797	45,552
EURO	243,822	7.8170	1,905,957
BRL	196,597	1.7939	352,681
Other currencies	Not applicable	Not applicable	1,218,137
Sub-total			5,651,555
Other payables			
USD	9,813	6.8747	67,461
JPY	6,330,826	0.0638	404,008
HKD	157,693	0.8797	138,716
EURO	1,774	7.8170	13,867
Other currencies	Not applicable	Not applicable	75,678
Sub-total			699,730
Current portion of non-current liabilities			
EURO	7,048	7.8170	55,094
JPY	124,472	0.0638	7,943
Other currencies	Not applicable	Not applicable	52,667
Sub-total			115,704
Long-term borrowings			
USD	149,484	6.8747	1,027,658
EURO	4,215,027	7.8170	32,948,866
JPY	69,459,994	0.0638	4,432,659
Other currencies	Not applicable	Not applicable	80,853
Sub-total			38,490,036
Total			46,295,349

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

4 Notes to the consolidated financial statements (Cont'd)

(50) Monetary items denominated in foreign currency (Cont'd)

	31 December 2018		
Item	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand			
USD	1,395,190	6.8632	9,575,470
JPY	2,338,433	0.0619	144,749
HKD	260,111	0.8762	227,909
EURO	120,307	7.8473	944,084
BRL	209,297	1.7714	370,748
Other currencies	Not applicable	Not applicable	1,047,083
Sub-total			12,310,043
Accounts receivable			
USD	932,695	6.8632	6,401,272
JPY	24,107,916	0.0619	1,492,280
HKD	16,236	0.8762	14,226
EURO	336,710	7.8473	2,642,265
BRL	524,032	1.7714	928,271
Other currencies	Not applicable	Not applicable	1,821,932
Sub-total			13,300,246
Other receivables			
USD	124,888	6.8632	857,132
JPY	2,067,932	0.0619	128,005
HKD	18,648	0.8762	16,339
EURO	74,408	7.8473	583,899
BRL	15,827	1.7714	28,036
Other currencies	Not applicable	Not applicable	156,264
Sub-total			1,769,675
Total			27,379,964

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

4 Notes to the consolidated financial statements (Cont'd)

(50) Monetary items denominated in foreign currency (Cont'd)

Item	31 December 2018		
	Foreign currency balance	Exchange rate	RMB balance
Short-term borrowings			
USD	22,169	6.8632	152,148
EURO	27,744	7.8473	217,714
BRL	92,000	1.7714	162,969
Other currencies	Not applicable	Not applicable	219,956
Sub-total			752,787
Accounts payable			
USD	300,761	6.8632	2,064,186
JPY	24,045,751	0.0619	1,488,432
HKD	57,062	0.8762	49,998
EURO	213,116	7.8473	1,672,382
BRL	106,504	1.7714	188,662
Other currencies	Not applicable	Not applicable	664,097
Sub-total			6,127,757
Other payables			
USD	21,765	6.8632	149,379
JPY	5,035,719	0.0619	311,711
HKD	153,811	0.8762	134,769
EURO	21,064	7.8473	165,293
Other currencies	Not applicable	Not applicable	70,231
Sub-total			831,383
Current portion of non-current liabilities			
USD	699,039	6.8632	4,797,644
EURO	276,024	7.8473	2,166,041
Other currencies	Not applicable	Not applicable	159,027
Sub-total			7,122,712
Long-term borrowings			
USD	162,918	6.8632	1,118,139
EURO	3,946,464	7.8473	30,969,089
BRL	846	1.7714	1,499
Other currencies	Not applicable	Not applicable	2,712
Sub-total			32,091,439
Total			46,926,078

5 Changes in the consolidation scope

(1) Changes in consolidation scope due to other reasons

(a) Increase of consolidation scope

The Company’s wholly-owned subsidiaries Midea Electric Trading (Singapore) Co. Pte. Ltd. and Midea Electrics Netherlands B.V. established Midea Electric by cash of 250,000 Egyptian pounds in March 2019, holding 99% and 1% of equity respectively. The Company's wholly-owned subsidiary Guangdong Welling Auto Parts Corporation Limited. established Anhui Welling Auto Parts Corporation Limited. In May 2019. The Company established Wuxi Little Swan Electric Co., Ltd. in May 2019.

(b) Decrease of consolidation scope

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

Name of company	Disposal method of the equity	Disposal time-point of the equity
Main Power Electrical Appliances (Guiyang) Limited	Deregistration	January 2019
Wuhu Midea Household Appliance Consultation Service Co., Ltd.	Deregistration	February 2019
Shenzhen Qianhai Midea Asset Management Co., Ltd.	Deregistration	March 2019
Midea Financial Holding (Shenzhen) Co., Ltd.	Deregistration	April 2019

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

6 Interests in other entities

(1) Interests in subsidiaries

(a) Composition of significant subsidiaries

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%) Direct	Shareholding (%) Indirect	Method of acquisition
Guangdong Midea Air-Conditioning Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture and sales of air conditioner	73%	7%	Business combinations involving enterprises not under common control
Guangdong Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture and sales of air conditioner	73%	7%	Business combinations involving enterprises not under common control
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	Wuhan, PRC	Wuhan, PRC	Manufacture of air conditioner	73%	7%	Establishment
Wuhu Maty Air-Conditioning Equipment Co., Ltd	Wuhu, PRC	Wuhu, PRC	Manufacture of air conditioner	87%	13%	Establishment
GD Midea Heating & Ventilation Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of air conditioner	90%	10%	Establishment
Zhejiang Meizhi Compressor Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Manufacture of compressor	100%	-	Establishment
Hefei Midea Refrigerator Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of refrigerator	75%	25%	Business combinations involving enterprises not under common control
Ningbo Midea United Material Supply Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Import and export of materials	100%	-	Establishment
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	-	100%	Establishment
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	-	100%	Establishment
Wuxi Little Swan Company Limited	Wuxi, PRC	Wuxi, PRC	Manufacture of washing machine	85%	15%	Business combinations involving enterprises not under common control
Midea Electric Trading (Singapore) Co.,Pte. Ltd.	Singapore	Singapore	Export trade		100%	Establishment
Midea Group Finance Co., Ltd.	Foshan, PRC	Foshan, PRC	Financial industry	95%	5%	Establishment
Midea Microfinance Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Petty loan	5%	95%	Business combinations involving enterprises not under common control
MECCA INTERNATIONAL (BVI) LIMITED	British Virgin Islands	British Virgin Islands	Investment holding	-	100%	Establishment
Midea International Corporation Company Limited	Hong Kong	Hong Kong	Investment holding	100%	-	Establishment
Midea Investment Development Company Limited	British Virgin Islands	British Virgin Islands	Investment holding	-	100%	Establishment
Wuhu Midea Life Appliances Mfg Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	100%	-	Establishment
Midea Electric Netherlands (I) B.V.	Netherlands	Netherlands	Investment holding	-	100%	Establishment
Toshiba Consumer Marketing Corporation	Japan	Japan	Manufacture of home appliances	-	100%	Business combinations involving enterprises not under common control
TLSC	Japan	Japan	Manufacture of home appliances	-	100%	Business combinations involving enterprises not under common control
KUKA	Germany	Germany	Manufacture and sales of robots	-	94.55%	Business combinations involving enterprises not under common control

6 Interests in other entities (Cont'd)

(2) Interests in associates and joint ventures

The Group's associates and joint ventures have no significant influence on the Group and are summarised as follows:

Item	Current figure	Comparative figure
Aggregated carrying amount of investments	2,619,985	2,753,940
Aggregate of the following items in proportion		
Net profit (i)	232,596	187,245
Other comprehensive income (i)	(251)	45,751
Total comprehensive income	232,345	232,996

(i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in joint ventures and associates and the unification of accounting policies adopted by the joint ventures and the associates to those adopted by the Company.

7 Segment information

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

The Group identified 4 reportable segments as follows:

- Heating & ventilation, as well as air-conditioner
- Consumer appliances
- Robots and automatic system
- Others

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

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

Operating expenses include cost of sales, interest expenses, fee and commission expenses, taxes and surcharges, selling and distribution expenses, general and administrative expenses, research and development expenses and financial expenses.

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

8 Segment reporting

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

Segment information for the six months ended 30 June 2019 and as at 30 June 2019 is as follows:

	Current figure					
Item	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robots and automatic system	Other segments and unallocated amount	Offsetting	Total
Revenue from external customers	79,778,444	60,426,835	12,084,387	2,042,977	-	154,332,643
Inter-segment revenue	993,792	264,787	47,256	3,661,828	(4,967,663)	-
Operating expenses	(71,907,225)	(52,887,636)	(12,140,447)	(4,260,502)	4,977,655	(136,218,155)
Segment profit	8,865,011	7,803,986	(8,804)	1,444,303	9,992	18,114,488
Other profit or loss						775,027
Total profit						18,889,515
Total assets	121,477,633	103,830,902	30,350,434	94,354,997	(65,980,141)	284,033,825
Total liabilities	82,545,313	68,130,341	28,194,003	86,580,130	(80,017,965)	185,431,822
Long-term equity investments in associates and joint ventures	188,801	86,822	95,577	2,248,785	-	2,619,985
Investment income from associates and joint ventures	56,685	(3,690)	(14,086)	193,687	-	232,596
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	859,981	586,123	385,257	186,190	-	2,017,551
Losses on/(Reversal of) asset impairment	95,918	(5,346)	51,295	2,789	-	144,656
Losses on/(Reversal of) credit impairment	240,705	92,404	(111,056)	1,406	(44,412)	179,047
Depreciation and amortisation	799,036	832,223	528,676	283,868	-	2,443,803

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

8 Segment reporting (Cont'd)

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

Segment information for the six months ended 30 June 2018 and as at 30 June 2018 is as follows:

	Comparative figure					
Item	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robots and automatic system	Other segments and unallocated amount	Offsetting	Total
Revenue from external customers	71,054,762	57,431,088	12,527,883	2,722,183	-	143,735,916
Inter-segment revenue	683,380	169,729	27,628	3,026,975	(3,907,712)	-
Operating expenses	(63,576,472)	(51,468,763)	(12,482,078)	(4,452,768)	3,938,319	(128,041,762)
Segment profit	8,161,670	6,132,054	73,433	1,296,390	30,607	15,694,154
Other profit or loss						700,419
Total profit						16,394,573
Total assets	102,561,819	91,717,760	27,920,064	95,439,400	(66,641,242)	250,997,801
Total liabilities	69,244,032	64,756,334	19,205,830	89,728,014	(79,875,011)	163,059,199
Long-term equity investments in associates and joint ventures	328,824	65,662	114,220	2,245,234	-	2,753,940
Investment income from associates and joint ventures	41,003	(3,538)	(10,705)	160,485	-	187,245
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	731,745	932,421	1,217,350	118,287	-	2,999,803
Losses on/(Reversal of) asset impairment	206,497	(20,413)	24,230	121,847	(32,074)	300,087
Losses on/(Reversal of) credit impairment	-	-	-	-	-	-
Depreciation and amortisation	770,940	890,286	513,702	256,701	-	2,431,629

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

8 Segment reporting (Cont'd)

(b) Geographical area information

The Group's revenue from external customers domestically and in foreign countries or geographical areas, and the total non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets) located domestically and in foreign countries or geographical areas (including Germany, Japan, Hong Kong, Macau, Singapore and Brazil, etc.) are as follows:

Revenue from external customers	Current figure	Comparative figure
Domestic	92,226,461	85,166,057
In other countries/geographical areas	62,106,182	58,569,859
Total	154,332,643	143,735,916

Total non-current assets	Current figure	Comparative figure
Domestic	22,478,988	22,617,962
In other countries/geographical areas	18,488,441	18,262,671
Total	40,967,429	40,880,633

9 Related parties and significant related party transactions

(1) Information of the parent company

(a) General information of the parent company

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

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

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

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

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

Name of the parent company	Ending			Opening		
	Shareholding (%)		Voting rights (%)	Shareholding (%)		Voting rights (%)
	Direct	Indirect		Direct	Indirect	
Midea Holding Co., Ltd.	31.87%	-	31.87%	33.20%	-	33.20%

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

9 Related parties and significant related party transactions (Cont'd)

(2) Information of the Company's subsidiaries

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

(3) Other related parties

Name of other related parties	Relationship
Guangdong Wellkey Electrician Material Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholders
Anhui Wellkey Electrician Material Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholders
Guangdong Infore Material-Tech Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholders
Orinko New Material Co., Ltd	Under the common control of the direct relatives of the Company's ultimate controlling shareholders
Foshan Micro Midea Filter MFG Co., Ltd.	Associates of the Company
Foshan Shunde Rural Commercial Bank Co., Ltd.	Associates of the Company

(4) Information of related party transactions

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

(a) Purchase of goods:

Related parties	Nature of related party transactions	Pricing policies of related party transactions	Current figure	Comparative figure
Orinko New Material Co., Ltd	Purchase of goods	Agreed price	684,725	170,578
Guangdong Wellkey Electrician Material Co., Ltd.	Purchase of goods	Agreed price	449,341	449,123
Foshan Micro Midea Filter MFG Co., Ltd.	Purchase of goods	Agreed price	136,125	93,526
Anhui Wellkey Electrician Material Co., Ltd.	Purchase of goods	Agreed price	159,781	165,746
Total			1,429,972	878,973

(5) Receivables from and payables to related parties

Receivables from related parties:

Item	Related parties	Ending Balance	Opening Balance
Cash at bank and on hand	Foshan Shunde Rural Commercial Bank Co., Ltd.	3,000,108	88,084

Payables to related parties:

Item	Related parties	Ending Balance	Opening Balance
Accounts payable	Guangdong Wellkey Electrician Material Co., Ltd.	184,128	169,592
	Foshan Micro Midea Filter MFG Co., Ltd.	46,989	60,885
	Orinko New Material Co., Ltd	116,023	59,011
	Anhui Wellkey Electrician Material Co., Ltd.	61,722	25,321
Sub-total		408,862	314,809

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

10 Share-based payment

(1) Share option incentive plan

(a) Pursuant to the fifth reserved share option incentive plan (the "Fifth Reserved Share Option Incentive Plan") approved at the eighth meeting of the 3rd Board of Directors held during the year 2019, the Company granted 5,340,000 share options with exercise price of RMB 47.17 to 97 employees. Under the circumstance that the Company meets expected performance, 1/4 of the total share options granted will become effective after 2 years, 3 years, 4 years and 5 years respectively since 11 March 2019.

Determination method for fair value of share options at the grant date

Exercise price of options:	RMB 47.17
Effective period of options:	6 years
Current price of underlying shares:	RMB 46.58
Estimated fluctuation rate of share price:	37.02%
Estimated dividend rate:	2.95%
Risk-free interest rate within effective period of options:	2.42%

The fair value of the Fifth Reserved Share Option Incentive Plan calculated pursuant to the above parameters is: RMB 46,628,000.

Pursuant to the sixth share option incentive plan (the "Sixth Share Option Incentive Plan") approved at the shareholders' meeting of 2018 held during the year 2019, the Company granted 46,540,000 share options with exercise price of RMB 52.87 to 1,131 employees. Under the circumstance that the Company meets expected performance, 1/4 of the total share options granted will become effective after 2 years, 3 years, 4 years and 5 years respectively since 30 May 2019.

Determination method for fair value of share options at the grant date

Exercise price of options:	RMB 52.87
Effective period of options:	6 years
Current price of underlying shares:	RMB 49.45
Estimated fluctuation rate of share price:	37.04%
Estimated dividend rate:	2.62%
Risk-free interest rate within effective period of options:	2.68%

The fair value of the Sixth Share Option Incentive Plan calculated based on the above parameters was: RMB 417,556,000.

10 Share-based payment (Cont'd)

(1) Share option incentive plan (Cont'd)

(b) Movements of share options during the six months

Item	For the six months ended 30 June 2019 (share options in thousands)	For the six months ended 30 June 2018 (share options in thousands)
Share options issued at the beginning of the year	229,836	253,541
Share options granted during current period	51,880	54,520
Share options exercised during current period	(51,733)	(41,605)
Share options lapsed during current period	(8,916)	(501)
Share options issued at the end of the year	221,067	265,955

As at 30 June 2019, the residual contractual maturity date of the Second Share Option Incentive Plan is on 27 May 2020. The residual contractual maturity date of the Third Share Option Incentive Plan is on 27 June 2021. The residual contractual maturity date of the Fourth Share Option Incentive Plan is on 11 May 2021. The residual contractual maturity date of the Fifth Share Option Incentive Plan is on 6 May 2024. The residual contractual maturity date of the Fifth Reserved Share Option Incentive Plan is on 10 March 2025. The residual contractual maturity date of the Sixth Share Option Incentive Plan is on 29 May 2025.

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

The total share option expenses recognised for the six months ended 30 June 2019 were RMB 224,467,000 (for the six months ended 30 June 2018: RMB 346,659,000).

(2) Restricted shares

(a) Pursuant to the reserved restricted share incentive plan for 2018 (the "Reserved Restricted Share Incentive Plan for 2018") approved at the eighth meeting of the 3rd Board of Directors held during the year 2019, the Company granted 2,420,000 restricted shares with exercise price of RMB 23.59 to 32 employees. Under the circumstance that the Company meets expected performance, 1/4 of the total restricted shares granted will be unlocked after 2 years, 3 years, 4 years and 5 years respectively since 11 March 2019.

Pursuant to the restricted share incentive plan for 2019 (the "Restricted Share Incentive Plan for 2019") approved at the shareholders' meeting for 2018 held during the year 2019, the Company granted 28,560,000 restricted shares with exercise price of RMB 25.79 to 423 employees. Under the circumstance that the Company meets expected performance, 1/4 of the total restricted shares granted will be unlocked after 2 years, 3 years, 4 years and 5 years respectively since 30 May 2019.

(b) Movements of restricted shares during the six months (Cont'd)

Item	For the six months ended 30 June 2019 (share options in thousands)	For the six months ended 30 June 2018 (share options in thousands)
Restricted shares issued at the beginning the of the year	40,185	28,605
Restricted shares granted during current period	30,980	20,570
Restricted shares unlocked at the beginning of the period	(7,193)	(7,198)
Restricted shares lapsed during current period	(6,833)	(1,876)
Restricted shares issued at the end of the period	57,139	40,101

10 Share-based payment (Cont'd)

(2) Restricted shares (Cont'd)

(c) Impact of restricted the Company's transactions on financial position and financial performance

The total expenses on restricted share recognised for the six months ended 30 June 2019 were RMB 168,292,000 (for the six months ended 30 June 2018: RMB 198,872,000).

11 Contingencies

As at 30 June 2019, the amount in tax disputes involving Brasilian subsidiary with 51% interests held by the Company is about BRL 669 million (equivalent to RMB 1,201 million) (Some cases have lasted for more than 10 years. The above amount includes the principal and interest). As at 30 June 2019, relevant cases are still at court. Original shareholders of Brazilian subsidiary have agreed to compensate the Company according to verdict results of the above tax disputes. The maximum compensation amount is about BRL 157 million (equivalent to RMB 282 million). With reference to judgements of third-party attorneys, management believes that the probability of losing lawsuits and making compensation is small, and expects no significant risk of debt default, therefore, no provisions are made and appropriate disclosures are made in the financial statements.

12 Commitments

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

13 Subsequent events

Nil

14 Financial risk

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

- Market risk (mainly including foreign exchange risk, interest rate risk and price risk)
- Credit risk
- Liquidity risk

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

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

14 Financial risk (Cont'd)

(1) Market risk

(a) Foreign exchange risk

The Group mainly operates in Mainland China, Europe, America, Asia, Brazil and Africa for the manufacturing, sales, investments and financing activities. Any foreign currency denominated monetary assets and liabilities other than in RMB would subject the Group to foreign exchange exposure.

The Group's finance department at its headquarters has a professional team to manage foreign exchange risk, with approach of the natural hedge for settling currencies, signing forward foreign exchange hedging contracts and controlling the scale of foreign currency assets and liabilities, to minimise foreign exchange risk, and to reduce the impact of exchange rate fluctuations on business performance.

(b) Interest rate risk

The Group's interest rate risk arises from interest bearing borrowings including long-term borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2019, the Group had no long-term interest bearing borrowings at floating rates (31 December 2018: nil) (Note 4(25)).

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

(c) Other price risk

The Group's other price risk arises mainly from financial assets held for trading measured at fair value (Note 4(2)) and other non-current financial assets (Note 4(10)) held by the Group. As at 30 June 2019, the expected price changes of the above investments held by the Group will affect the Group's profit or loss arising from changes in fair value.

14 Financial risk (Cont'd)

(2) Credit risk

Credit risk mainly arises from cash at bank and on hand, deposits with the Central Bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, receivables financing, loans and advances, other receivables and derivative financial assets at fair value through profit or loss that are not included in impairment assessment. As at the balance sheet date, the carrying amount of the Group's financial assets represented the largest credit exposure. The Group didn't provided any guarantee that made the Group possibly undertake the credit risk.

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

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

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements. As at the balance sheet date, monetary assets held by the Group, including cash at bank and on hand, note assets, discounted assets, wealth management funds and structural deposits and other monetary assets amounted to RMB 136,846,044,000.

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

14 Financial risk (Cont'd)

(3) Liquidity risk (Cont'd)

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

	30 June 2019				
Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings (including interest)	1,362,924	-	-	-	1,362,924
Borrowings from the Central Bank (including interest)	19,555	-	-	-	19,555
Customer deposits and deposits from banks and other financial institutions	64,801	-	-	-	64,801
Notes payable	29,274,952	-	-	-	29,274,952
Accounts payable	39,004,928	-	-	-	39,004,928
Other payables	3,419,347	-	-	-	3,419,347
Derivative financial liabilities	75,195	-	-	-	75,195
Other current liabilities	15,382,772	-	-	-	15,382,772
Current portion of non-current liabilities (including interest)	116,071	-	-	-	116,071
Long-term borrowings (including interest)	521,501	1,767,891	41,703,394	-	43,992,786
Other non-current liabilities		189,761	185,188	666,012	1,040,961
Sub-total	89,242,046	1,957,652	41,888,582	666,012	133,754,292

	31 December 2018				
Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings (including interest)	897,699	-	-	-	897,699
Borrowings from the Central Bank (including interest)	100,260	-	-	-	100,260
Customer deposits and deposits from banks and other financial institutions	44,386	-	-	-	44,386
Notes payable	23,325,115	-	-	-	23,325,115
Accounts payable	36,901,626	-	-	-	36,901,626
Other payables	3,346,129	-	-	-	3,346,129
Derivative financial liabilities	756,299	-	-	-	756,299
Other current liabilities	11,736,343	-	-	-	11,736,343
Current portion of non-current liabilities (including interest)	6,967,940	-	-	-	6,967,940
Long-term borrowings (including interest)	390,253	1,609,425	31,453,442	-	33,453,120
Other non-current liabilities	-	190,496	159,844	666,012	1,016,352
Sub-total	84,466,050	1,799,921	31,613,286	666,012	118,545,269

15 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

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

15 Fair value estimates (Cont'd)

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

As at 30 June 2019, the assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

Item	Fair value at the end of the period			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value -				
Financial assets held for trading	872,324	-	2,561,077	3,433,401
Derivative financial assets	-	50,847	-	50,847
Receivables financing		2,653,342		2,653,342
Other current assets - hedging instruments	-	28,433	-	28,433
Other non-current financial assets	-	-	1,420,416	1,420,416
Total assets	872,324	2,732,622	3,981,493	7,586,439
Financial liabilities at fair value -				
Derivative financial liabilities	-	75,195	-	75,195
Other financial liabilities - hedging instruments	-	224,835	-	224,835
Total liabilities	-	300,030	-	300,030

As at 31 December 2018, the assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

Item	Fair value at the beginning of the year			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value -				
Derivative financial assets	-	220,197	-	220,197
Other current assets - hedging instruments	-	38,822	-	38,822
Available-for-sale financial assets -				
Other current assets - wealth management products	-	-	1,521,007	1,521,007
Available-for-sale financial assets	1,122,609	-	62,250	1,184,859
Total assets	1,122,609	259,019	1,583,257	2,964,885
Financial liabilities at fair value -				
Derivative financial liabilities	-	756,299	-	756,299
Other financial liabilities - hedging instruments	-	146,496	-	146,496
Total liabilities	-	902,795	-	902,795

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There was no significant transfer of fair value measurement level of the above financial instruments among the three levels. The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. Inputs of valuation technique mainly comprise risk-free interest rate, estimated interest rate and estimated annual yield.

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

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

15 Fair value estimates (Cont'd)

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

The changes in Level 3 financial assets are analysed below:

Item	Amount
1 January 2019	1,583,257
Impact of changes in standards	732,448
Increase	3,200,646
Decrease	(1,701,464)
Total gains of current period	
Investment income recognised in the income statement	162,407
Gains recognised in other comprehensive income	4,199
30 June 2019	3,981,493

Item	Amount
1 January 2018	22,174,966
Increase	1,576,579
Decrease	(22,660,142)
Total gains of current period	
Investment income recognised in the income statement	519,042
Gains recognised in other comprehensive income	(27,188)
31 December 2018	1,583,257

Information about the Level 3 fair value measurement is as follows:

	Fair value as at 30 June 2019	Valuation technique	Inputs			
			Name	Range	Relationship with fair value	Observable/ Unobservable
Financial assets held for trading - Wealth management products	2,561,077	Discounting cash flow	Estimated annual yield	3.0% to 5.3%	Positive	Unobservable
Other non-current financial assets (a)	1,420,416					
	3,981,493					

(a) The Fair value of this part of available for sale financial assets is measured using discounted cash flows approach. The judgement of Level 3 of the fair value hierarchy is based on the materiality of unobservable inputs towards calculation of whole fair value. Significant unobservable inputs mainly include the financial data of targeted company and risk adjusted discount rates.

Assets and liabilities subject to the Level 2 fair value measurement are mainly receivables financing and forward exchange contracts, which are evaluated by market approach and income approach respectively.

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

15 Fair value estimates (Cont'd)

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

The Group's financial assets and financial liabilities measured at amortised cost mainly include: cash at bank and on hand, deposits with the Central Bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, loans and advances, other receivables, other current assets, long-term receivables, other non-current assets, accounts payable, notes payable, short-term borrowings, long-term borrowings, customer deposits and deposits from banks and other financial institutions, financial assets sold under repurchase agreements and other current liabilities, etc.

Carrying amounts of the Group's financial assets and financial liabilities as at 30 June 2019 and 31 December 2018 approximated to their fair value.

16 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts. The Group is not subject to external mandatory capital requirements, and monitors capital structure on the basis of gearing ratio (total assets divide total liabilities).

As at 30 June 2019 and 31 December 2018, the Group's gearing ratios were as follows:

Item	Ending Balance	Opening Balance
Total liabilities	185,431,822	171,246,631
Total assets	284,033,825	263,701,148
Gearing ratio	65.29%	64.94%

17 Notes to the Company's financial statements

(1) Other receivables

Item	Ending Balance	Opening Balance
Other receivables	11,621,451	11,171,833
Interest receivable	102,857	117,138
Dividends receivable	1,389,613	310,889
Sub-total	13,113,921	11,599,860
Less: Provision for bad debts	(7,895)	(6,840)
Total	13,106,026	11,593,020

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

17 Notes to the Company's financial statements (Cont'd)

(1) Other receivables (Cont'd)

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

Ageing	Ending Balance	Opening Balance
Within 1 year	11,541,886	11,146,053
1 to 2 years	74,876	21,110
2 to 3 years	4,689	4,670
Sub-total	11,621,451	11,171,833
Less: Provision for bad debts	(7,895)	(6,840)
Total	11,613,556	11,164,993

(b) Provision for losses and changes in book balance statements:

	Stage 1				
	Expected credit losses in the following 12 months (grouping)		Expected credit losses in the following 12 months (individual)		Sub-total
Item	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	Provision for bad debts
31 December 2018	129,368	6,840	11,042,465	-	6,840
Changes in accounting policies	-	-	-	-	-
1 January 2019	129,368	6,840	11,042,465	-	6,840
Increase in the current period	17,283	1,055	432,335	-	1,055
Decrease in the current period	-	-	-	-	-
Including: Write-off in the current period	-	-	-	-	-
Derecognition	-	-	-	-	-
Reversal in the current period	-	-	-	-	-
Currency translation differences		-		-	-
30 June 2019	146,651	7,895	11,474,800	-	7,895

As at 30 June 2019, the Company had no other receivables at stage 3.

(c) As at 30 June 2019, the five largest other receivables aggregated by debtors were analysed as follows:

Name of entity	Nature	Carrying amount	Ageing	% of total balance	Provision for bad debts
Company A	Current accounts	6,611,700	Within 1 year	57%	-
Company B	Current accounts	4,000,000	Within 1 year	34%	-
Company C	Exercise of options	285,361	Within 1 year	2%	-
Company D	Current accounts	167,890	Within 1 year	1%	-
Company E	Current accounts	150,000	Within 1 year	1%	-
Sub-total		11,214,951		95%	-

(2) Long-term equity investments

Long-term equity investments are classified as follows:

Item	Ending Balance	Opening Balance
Subsidiaries (a)	44,059,630	26,586,165
Associates (b)	1,465,670	1,650,130
Sub-total	45,525,300	28,236,295
Less: Provision for impairment	-	-
Total	45,525,300	28,236,295

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

17 Notes to the Company's financial statements (Cont'd)

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

(a) Subsidiaries

Name of investee	Opening Balance	Movements for the current year				Ending Balance	Cash dividends declared in the current year
		Increase in investment	Movements from share-based payments	Decrease in investment	Others (Note)		
Wuxi Little Swan Company Limited	2,822,571	-	27,119	-	17,247,707	20,097,397	955,792
Midea Group Finance Co., Ltd.	3,354,009	-	4,179	-	-	3,358,188	-
Foshan Shunde Midea Household Appliances Industry Co., Ltd.	2,949,000	-	-	-	-	2,949,000	-
Guangdong Midea Microwave Oven Manufacturing Co., Ltd.	1,880,041	-	-	-	-	1,880,041	-
Guangdong Midea Air-Conditioning Equipment Co., Ltd.	1,436,506	-	107,706	-	-	1,544,212	-
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	1,065,941	-	3,165	-	-	1,069,106	1,132,080
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	1,073,448	-	16,344	-	-	1,089,792	-
Hubei Midea Refrigerator Co., Ltd.	843,928	-	1,545	-	-	845,473	-
Anhui Meizhi Precision Manufacturing Co., Ltd.	821,916	-	2,411	-	-	824,327	621,624
Wuhu Maty Air-Conditioning Equipment Co., Ltd	753,225	-	2,545	-	-	755,770	-
GD Midea Heating & Ventilation Equipment Co., Ltd.	645,564	-	25,977	-	-	671,541	1,305,613
Hefei Midea Refrigerator Co., Ltd.	500,247	-	7,794	-	-	508,041	-
Ningbo Midea United Material Supply Co., Ltd.	491,350	-	1,748	-	-	493,098	593,117
Guangdong Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	352,041	-	-	-	-	352,041	-
Midea International Corporation Company Limited	176,974	-	-	-	-	176,974	-
Others	7,419,404	50,000	126,873	(151,648)	-	7,444,629	1,666,981
Total	26,586,165	50,000	327,406	(151,648)	17,247,707	44,059,630	6,275,207

Note: During the current year, the Company completed share swap and merger with Wuxi Little Swan Company Limited by issuing shares.

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

17 Notes to the Company's financial statements (Cont'd)

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

(b) Associates

Investment in associates mainly refers to the investments in Foshan Shunde Rural Commercial Bank Co., Ltd. and Hefei Royalstar Motor Co., Ltd. and other companies by the Group.

(3) Operating Income

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

(4) Investment income

Item	Current figure	Comparative figure
Income from long-term equity investment under cost method	6,275,207	6,275,165
Investment income from wealth management products purchased from financial institutions	78,219	257,771
Investment income from long-term equity investment under equity method	144,453	127,081
Others	249,518	(76,565)
Total	6,747,397	6,583,452

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

SUPPLEMENTARY INFORMATION
(All amounts in RMB'000 Yuan unless otherwise stated)
[English translation for reference only]

1 Details of non-recurring profit or loss

Item	Current figure	Comparative figure
Disposal gains of non-current assets, including the portion written off in provision for asset impairment	(13,705)	266,895
Except for the effective hedging activities related to the Group's ordinary activities, profit or loss arising from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other non-current financial assets and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other non-current financial assets	(74,312)	(521,715)
Others	944,851	1,065,178
Sub-total	856,834	810,358
Less: Corporate Income tax effect (of which the decrease is represented by "-")	(227,883)	(253,535)
Minority interests effect (after tax)	2,444	(120,230)
Net non-recurring profit or loss attributable to shareholders of the parent company	631,395	436,593

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

Under the requirements in *Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public - Non-recurring Profit or Loss [2008]* from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 Return on net assets and earnings per share

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

Item	Weighted average return on net assets (%)		Earnings per share (RMB/share)			
			Basic earnings per share		Diluted earnings per share	
	Current figure	Comparative figure	Current figure	Comparative figure	Current figure	Comparative figure
Net profit attributable to shareholders of the Company	16.97%	16.43%	2.32	1.97	2.30	1.94
Net profit attributable to shareholders of the Company net of non-recurring profit or loss	16.27%	15.88%	2.22	1.90	2.21	1.87

Section XI Documents Available for Reference

1. The original of The Semi-Annual Report 2019 of Midea Group Co., Ltd. signed by the legal representative;

2. The financial statements signed and stamped by the legal representative, the Chief Financial Officer and the accounting supervisor;

3. The originals of all company documents and announcements that are disclosed to the public via newspaper designated for information disclosure during the Reporting Period; and

4. The electronic version of The Semi-Annual Report 2019 that is released on http://www.cninfo.com.cn.

Midea Group Co., Ltd.

Legal Representative: Fang Hongbo

31 August 2019