

Midea Group Co., Ltd.

Semi-Annual Report 2020



August 2020

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 2020.

Mr. Fang Hongbo, Chairman of the Board and CEO 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.

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Definitions

Term	Definition
The “Company”, “Midea”, “Midea Group” or the “Group”	Midea Group Co., Ltd.
Midea Holding	Midea Holding Co., Ltd.
TLSC	Toshiba Lifestyle Products & Services Corporation
KUKA	KUKA Aktiengesellschaft
Reporting Period	1 January 2020 to 30 June 2020

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	You Mingyang
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 2019 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 2019 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 2020	H1 2019	Change (%)
Operating revenue (RMB'000)	139,067,022	153,770,300	-9.56%
Net profit attributable to shareholders of the Company (RMB'000)	13,928,295	15,187,069	-8.29%
Net profit attributable to shareholders of the Company before non-recurring gains and losses (RMB'000)	13,457,044	14,555,674	-7.55%
Net cash flows from operating activities (RMB'000)	18,405,491	21,787,890	-15.52%
Basic earnings per share (RMB/share)	2.01	2.32	-13.36%
Diluted earnings per share (RMB/share)	2.01	2.30	-12.61%
Weighted average ROE (%)	13.03%	16.97%	-3.94%
	30 June 2020	31 December 2019	Change (%)
Total assets (RMB'000)	334,662,664	301,955,419	10.83%
Net assets attributable to shareholders of the Company (RMB'000)	104,979,110	101,669,163	3.26%

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

Total share capital of the Company on the last trading session before disclosure (share)	7,023,022,068
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Fully diluted earnings per share based on the latest share capital above (RMB/share)	1.98
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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

Unit: RMB'000

Item	H1 2020	Note
Profit or loss from disposal of non-current assets	-11,070	
Except for effectively hedging business related to normal business operations of the Company, profit or loss arising from the change in the 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, as well as investment profit or loss produced from the disposal of the aforesaid financial assets and liabilities	240,361	
Other	422,455	
Less: Corporate income tax	90,684	
Minority interests (after tax)	89,811	
Total	471,251	--

Explain the reasons if the Company classifies an item as a recurring profit/loss item, which is defined 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 is enumerated as a non-recurring profit/loss in the said explanatory announcement

☐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 global technologies group in HVAC systems, consumer appliances, robotics & industrial automation systems, and digital business. Midea offers diversified products and services, including HVAC centered on residential air-conditioning, commercial air-conditioning, heating & ventilation systems; consumer appliances centered on laundry appliances, refrigerators, kitchen appliances, and various small home appliances; robotics and industrial automation systems centered on KUKA and Guangdong Midea Intelligent Robotics Co., Ltd.; and the digital business centered on smart supply chains, Industrial Internet and silicon chips.

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 400 million users, major customers 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 around 200 subsidiaries, 28 R&D centers, 34 major manufacturing bases, and approximately 150,000 employees. Its business covers more than 200 countries and regions. Overseas, Midea has 18 R&D centers and 17 manufacturing bases in more than ten countries, with around 30,000 employees. 22 currencies are used by Midea in settlement. In addition, Midea 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 home appliance industry

Midea ranks No. 229 on the 18th *Forbes Global 2000* list released in May 2020, moving up 24 places compared to last year. In addition, it ranks No. 307 on the *2020 Fortune Global 500* list, moving up 5

places from the year before and marking its fifth year on the list; and ranks No. 35 on the *2020 Fortune China 500* list, the highest-ranking among the home appliance industry in the country for six consecutive years. Meanwhile, Midea takes the lead among domestic home appliance makers by ranking No. 149 on the *2020 Brand Finance Global 500* list released by Brand Finance, a British brand assessment institution. Also, Midea ranks No. 33 on the *2019 BrandZ™ Top 100 Most Valuable Chinese Brands* list, with its brand value up 20%. 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.

Midea's major home appliances all took up a larger share in the domestic market in the first half of 2020. Its residential air-conditioners, in particular, saw a much bigger share in all channels, with the largest online market share of over 35% and an offline market share of over 30%.

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 2020:

Product category	Market share	Ranking
Residential air conditioners	33%	2
Laundry appliances	26%	2
Refrigerators	13%	2
Rice cookers	46%	1
Electric pressure cookers	46%	1
Food processors	36%	1
Electric radiators	45%	1
Water heaters	15%	2
Water purifiers	15%	2
Microwave ovens	45%	2
Range hoods	10%	3

Midea's online retail sales during the first half of 2020 exceeded RMB43 billion, up by over 30% YoY and accounting for 49% of its domestic sales. Midea boasts the largest online market share among home appliance makers in China and remains the best-selling home appliance manufacturer on major e-commerce channels such as JD, Tmall and Suning for eight consecutive years. During the business peak period of "618", Midea-branded products recorded total online sales of more than RMB12.5 billion, up by over 50% YoY.

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 2020:

Product category	Market share	Ranking
Residential air conditioners	36.5%	1
Laundry appliances	33.5%	2
Refrigerators	17.5%	2
Microwave ovens	50.6%	1
Pressure cookers	43.2%	1
Rice cookers	30.9%	1
Electric ovens	24.3%	1
Induction cookers	51.8%	1
Electric water heaters	34.4%	1
Gas water heaters	22.5%	1
Electric kettles	31.2%	1
Electric fans	24.3%	1
Water dispensers	24.8%	1
Water purifiers	12.4%	1
Garment steamers	27.3%	1
Gas stoves	13.3%	1
Vacuum cleaners	9.4%	2

Product category	Market share	Ranking
Dishwashers	28.6%	2
Sterilizing cabinets	17.1%	2
Range hoods	17.7%	3
Food processors	10.6%	3
Air-source heat pump water heaters	14.7%	3
Air purifiers	6%	4

2. Significant Changes in the Main Assets

2.1 Significant changes in the main assets

Main assets	Reasons for any significant change
Financial assets held for trading	Up 35% YoY, primarily driven by the changes in the fair value of financial assets held for trading
Derivative financial assets	Down 44% YoY, primarily driven by the changes in the fair value of derivative financial instruments
Accounts receivable	Up 38% YoY, primarily driven by the channel reform and the pandemic situation overseas
Inventories	Down 33% YoY, primarily driven by the reclassification of some inventories to contract assets
Other current assets	Up 44% YoY, primarily driven by an increase in monetary investments
Construction in progress	Up 33% YoY, primarily driven by an increase in construction in progress
Other non-current assets	Down 88% YoY, primarily driven by a decrease in structural deposits with a maturity of over one year
Short-term borrowings	Up 128% YoY, primarily driven by an increase in such borrowings obtained
Derivative financial liabilities	Up 208% YoY, primarily driven by the changes in the fair value of derivative financial instruments
Advances from customers	Down 100% YoY, primarily driven by the reclassification to contract liabilities
Current portion of non-current liabilities	Up 428% YoY, primarily driven by an increase in the current portion of long-term borrowings
Long-term payables	Down 38% YoY, primarily driven by the repayment of long-term payables
Other comprehensive income	Down 42% YoY, primarily driven by the changes in the translation of foreign currency financial statements

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, magnetrons and controllers), and ultimately based on its powerful capabilities in logistics and services. Midea owns top brands 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 smart 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 close to RMB40 billion invested in R&D over the past five years, the Group has set up a total of 28 research centers in 11 countries to gradually build up a “4+2+N” global R&D network and gain the advantage of scale in this respect. Domestically, Midea Global Innovation Center in Shunde District, Foshan City and Midea Global Innovation Center in Shanghai, which is underway, are the cores of Midea’s R&D arm. Overseas, with Midea America Research Center, Midea Germany Research Center, Midea Japan

Research Center and Midea Milan Design Center as the cores, Midea makes use of the regional advantages, integrates global R&D resources and refines its global R&D network. It has over 10,000 R&D employees and over 500 senior foreign senior experts. 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, The University of Sheffield, Polytechnic University of Milan, Tsinghua University, Shanghai Jiao Tong University, Zhejiang University, the Chinese Academy of Sciences, Harbin Institute of Technology, Xi'an Jiaotong University, Huazhong University of Science and Technology and South China University of Technology, in order to establish joint labs for deepening technological innovation. The Group also carries out strategic cooperation with tech giants such as BASF and Honeywell to build a global innovation ecosystem. The Group's long-term focus on building technology, marketing, product, design 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 17 overseas manufacturing bases and 24 overseas operating agencies. Midea's global operations system has been further improved through the reform of international business organizations towards diverse business models. It also increases investments in

overseas business operations, focuses on the needs of local customers and enhances product competitiveness in a bid to promote growth in its Own Branding & Manufacturing (OBM) 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 retail sales during the first half of 2020 exceeded RMB43 billion, up by over 30% YoY. It remains the best-selling home appliance manufacturer on major e-commerce channels such as JD, Tmall and Suning for eight consecutive years.

Making full use of the digital technology, Annto Logistics Technology Co., Ltd. (Annto), a subsidiary of Midea, refines its offline logistics network through the big data technology to build a smart and digital distribution platform. Annto concentrates its resources on urban distribution and is able to provide fully visualized direct distribution services covering every town and village of the country. Relying on nearly 140 urban distribution centers nationwide, it covers more than 97% of towns and villages across the country. It can finish the delivery to 21,418 (or 51% of) towns and villages within 24 hours and to 38,744 (or 87% of) towns and villages within 48 hours in the country. Additionally, Annto works closely with Midea's post-sale service network to provide one-stop services of delivery and installation, which has effectively improved user experience.

3.5 A user experience-oriented reform of “Comprehensive Digitalization and Comprehensive Intellectualization” to make Midea an icon in digitalization

Midea has put forward a user experience-oriented strategic objective of “Comprehensive Digitalization and Comprehensive Intellectualization”. On one hand, it promotes deep integration of the digital technology and business in the whole value chain, with the view to becoming an icon in digitalization. On the other hand, with foresight, it plans for whole new products, services and business models centering on smart technologies, products and scenes, so as to outcompete Internet companies. With continual investment and research in artificial intelligence (AI), silicon 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 judge, driven by the combination of big data and AI, in order to reduce obstacles for man-machine interaction to the minimum and create smart appliances without any assistance in interaction. Focusing on “people and their family”, Midea builds a whole value chain of IoT. Breakthroughs have been made in user data protection, content operation for smart scenes, smart connection technology, the smart home ecosystem, cloud platforms, the smart voice function, the big data-based cloud housekeeper services, etc. By doing so, Midea is able to offer complete smart home solutions for users, as well as to empower its business partners.

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, Product Ordering, 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 the industrial SaaS service to provide the 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 various products, the Group has also provided these solutions for over 200 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 professional and industrial 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 seven Stock Option Incentive Schemes, four Restricted Share Incentive Schemes, six Global Partner Stock Ownership Schemes and three Business Partner Stock Ownership Schemes for key managerial and technical personnel, marking the establishment of a governance structure aligning the interests of senior management and core business backbones with that of all 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

As China's consumer market took a heavy hit in the COVID-19 pandemic in the first half of 2020, people's life styles and spending habits have changed, giving birth to new spending trends and forms. 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 2020, the domestic retail sales of home appliances was RMB336.52 billion, down 18.4% year-on-year; and the exports of home appliances reached RMB187 billion, up 4.2% year-on-year. Currently, the world is still in a grave and complex situation due to the pandemic, with unprecedented challenges for economic development. Nevertheless, in the medium and long run, upgrading of the industrial structure, stable increase of household income, diversified consumption, the national policy support for the green and smart industries, as well as upgrading of the standards for home appliances will create new opportunities and growth points. According to the 2020 Semi-Annual Report of China's Household Electrical Appliance Industry published by CHEARI and the National Household Electrical Appliance Industry Information Center together, regarding overall development, the home appliance industry is experiencing deep changes in products, distribution channels and marketing that have never been seen before. The second half of the year is expected to see three trends. The first is the clustering of functions in home appliances. Shifting from one single function to comprehensive and diverse functions, new product categories with function clusters will emerge. Secondly, along with increasing online spending, low-level markets such as towns and villages are becoming the main arena for competition. And an increasing number of consumers in those markets are buying quality home appliances, particularly smart and high-end products. Finally, new marketing models such as live streaming will continue to bloom.

According to the data from CCID, the domestic retail sales of air conditioners was RMB92.1 billion in the first half of 2020, down 22.5% year-on-year. In terms of product performance, the functions of air

conditioners have been expanded from cooling and heating to humidity, air cleanness and freshness, etc. As of June 2020, the market share of fresh-air air conditioners reached 2.9% (by retail sales), surging 541% year-on-year. Meanwhile, the higher energy efficiency standards in 2020 will boost integration and product upgrading in the air conditioning industry.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of laundry appliances was RMB29.94 billion in the first half of 2020, down 16.4% year-on-year. Product upgrading remained a prominent trend. By product category, front-loading washing machines have become the mainstream with a market share of 57.6% by unit sales. From a capacity perspective, 10KG washing machines have dominated the offline market with a market share of 44.6% by unit sales and a market share of 60% by sales revenue in the first half of the year. In respect of functions, washer-dryers took up an offline market share of 27.7% by unit sales and 45.9% by sales revenue in the first half of the year, representing steady growth. Meanwhile, products equipped with the air washing function took up an offline market share of 22.2% by unit sales, up 9.8% year-on-year.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of refrigerators was RMB40.75 billion in the first half of 2020, down 11.4% year-on-year. Nevertheless, product upgrading was prominent. The sales of multi-door refrigerators continued to grow with their offline and online market share up to 57.5% and 28.2% respectively. In the meantime, large-capacity refrigerators saw a larger market share, with 400L+ products accounting for an offline and online market share of 75% and 54% respectively by retail sales. In respect of functions, refrigerators have shifted from food storage to food management and can provide different refrigeration experience for different food. Fueled by smart technologies including smart display, Internet connection, image acquisition, information reading, speech recognition, etc, the offline market share of smart refrigerators has reached 28.3% in the first half of the year. And the market will continue to move towards high-end, smart and high-quality refrigerators.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of kitchen appliances was RMB65.15 billion in the first half of 2020, down 15.1% year-on-year. By product category, sales of range hoods and gas stoves were affected to a great extent by the pandemic for they need to be installed by technicians, while sterilizing cabinets was little affected,

with approximately flat retail sales in the first half of the year compared to the same period of last year. Water heaters recorded retail sales of RMB21.84 billion, down 17.9% year-on-year. From a capacity perspective, both electric and gas water heaters are evolving towards a large capacity, with the 16L gas water heaters taking up an offline market share of 47.5%. Emerging kitchen appliances saw impressive growth in retail sales, with the retail sales of dishwashers reaching RMB3.54 billion, up 20.1% year-on-year. Built-in dishwashers became more popular. Dishwashers were upgraded with the focus on no residual water in the chamber, better drying effect, high-temperature and UV sterilization, etc, representing the industry trend of a combo of dish washing, sterilization, drying and storage. Water purifiers recorded retail sales of RMB12.01 billion in the first half of the year, down 21.9% year-on-year. By category, water purifiers are evolving towards larger capacity, integrated functions of sterilization, purification and heating, no installation and self-service core changing. Reverse osmosis water purifiers took up an offline and online market share of over 90% and 70% respectively, large-capacity and Level 1 water efficiency products both recorded a larger offline market share, and the self-service core changing function is expected to become “a must” for water purifiers. Integrated kitchen appliances moved towards integrated functions, aesthetics, scenes, space, smart functions and cooking. The online market share of steamer-ovens reached 17.2%, up 10.7% against the prevailing trend.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic sales of small domestic appliances was RMB53.21 billion in the first half of 2020, down 6.1% year-on-year, of which the online sales took up a percentage of more than 70%. By products, rice cookers recorded domestic sales of RMB7.32 billion, with the retail sales down 15% year-on-year. IH rice cookers saw a growing presence in the offline market, with a market share of over 50% by retail unit sales. Small-capacity rice cookers exhibited excellent growth potential, with less-than-3L products achieving an online and offline market share of 30.9% and 17.9% respectively. As an emerging category, low-sugar and brown rice germinating rice cookers are blooming. In the first half of the year, the domestic sales of food processors reached RMB7.2 billion, with the retail sales up 10.1% year-on-year. Blenders are growing as a percentage of food processors, with an online and offline market share of over 50% and 97.6% by retail sales. The domestic sales of electric fans stood at RMB6.93 billion, with the retail sales down 5% year-on-year. Emerging products such as blade-less and circulating fans continue to thrive, with those two products recording an offline market share of 16.1% and 13.2%

respectively by retail sales in the first half of 2020, both up over 5% year-on-year. Variable frequency fans achieved an offline market share of nearly 25% for low energy consumption and steady draft. In the first half of the year, vacuum cleaners registered sales of RMB10.83 billion, up 1.7% year-on-year. As a helpful tool to clean the entire house, handheld vacuum cleaners with multiple heads took up an online and offline market share of 40.9% and 67% respectively by retail sales.

According to the data from the National Household Electrical Appliance Industry Information Center, the online retail sales of home appliances in China amounted to RMB152.35 billion in the first half of 2020, up 3.7% year-on-year, accounting for a market share of 45.3%; while the offline retail sales amounted to RMB184.17 billion, down 30.6% year-on-year, accounting for 54.7%. In light of channel retail sales, most product categories including refrigerators, laundry appliances, kitchen appliances and small domestic appliances achieved growth in the online market. The offline market, on the other hand, saw a decline in various product categories due to the impact of the pandemic, but it still has superiority for high-end products and product suites, and remains the mainstream channel for air conditioners, refrigerators, laundry appliances, kitchen and bathroom appliances, etc. In terms of channel evolvement, considering the huge potential demand in low-level markets in China, home appliance makers are expected to focus on these markets such as towns and villages in the coming future. Integration of the online and offline channels will speed up, and new ways of spending will spring up. After the pandemic, online promotion, online customer acquisition, online services and live streaming have become dominant marketing means. Meanwhile, the Internet, AI, big data and the like are pushing the retail sector into a new phase featuring “all channels, all scenes and all links”.

B. Robotics and Industrial Automation Industry

According to MIR, the shipment of industrial robotics was 74,327 units in China in the first half of 2020, representing a slight increase of 1.8% year-on-year. By quarter, Q1 2020 saw a hit from the pandemic and a year-on-year drop of 13.8%, while Q2 2020 saw a recovery of demand and a year-on-year growth of 15.3% as the pandemic became under control. By product category, SCARA robotics recorded a year-on-year increase of 39%, primarily driven by investments in smart handsets, smart wearable devices, smart speakers and new infrastructure. Benefiting from steady investments in medical supplies, daily chemical products, food, etc., DELTA robotics maintained a slight growth. Small six-axis robotics

with a payload of less than 20KG recorded a slight year-on-year drop of 0.6% mainly due to a sharp decline in demand from the industry of automobile components, but saw a strong growth in the 3C and engineering industries. Six-axis robotics with a payload of more than 20KG registered a significant year-on-year decline of 17.5%, which was mainly attributable to the sluggish automobile investments. Collaborative robotics encountered the first decline (down 12.9% year-on-year) as a result of unsuccessful marketing caused by pricing, performance efficiency and other factors. Meanwhile, according to GGII, automated guided vehicles (AGVs) achieved domestic unit sales of approximately 17,000 in the first half of 2020, representing a slight year-on-year increase, which was mainly attributable to demand from the service sector. GGII expects a faster growth in the unit sales of AGVs in the manufacturing and warehousing sectors in the second half of the year. In terms of policy support, the Ministry of Industry and Information unveiled in May 2020 the Guiding Opinions on the Development of Industrial Big Data for the purposes of implementing the national big data development strategy, furthering the digital transformation of industries, unlocking the potential of industrial data resource elements, and accelerating the development of the industrial big data industry. In March 2020, the Central Politburo Standing Committee of the Communist Party of China put forward in a meeting to speed up the construction of new infrastructure including 5G networks and data centers. In April 2020, the National Development and Reform Commission defined clearly the scope of new infrastructure for the first time, which comprises information, integrated and innovative infrastructure. In May 2020, it was mentioned in the Report on the Work of the Government 2020 that support should be focused on new infrastructure, new urbanization initiatives and major projects such as transportation and hydraulic engineering. As China vigorously encourages the construction of new infrastructure, the industrial robotics industry is considered to have enormous potential.

According to the latest statistics of IFR, in terms of industrial robotic density (the average number of industrial robotics per 10,000 workers), Singapore ranks No.1 in the world with 831 robotics while South Korea drops to second place. The robotic density of China has risen to 140, up 30% compared with that in 2017 and far beyond the global average of 99, indicating great potential and prospects. Supported by diverse factors such as flexible demands of the manufacturing sector, declining demographic dividend, emerging markets and the development of innovative technologies, industrial robotics will be applied to more and more areas.

1.2 Analysis of the Company's Main Business

Domestic consumption and production are expected to be affected to some degree in the short run by the COVID-19 outbreak in the first half of 2020. Meanwhile, the COVID-19 has been spreading overseas since late February 2020. And the political and economic environment has become more complicated both at home and abroad. In face of the tough challenges, the Company adhered to the core strategic objectives of "Leading Products, Efficiency Driven and Global Operations", focused on improving products, firmly implemented the core strategy of "Comprehensive Digitalization and Comprehensive Intellectualization", and continued to promote recreation of the corporate culture. Efforts were also made to promote high-performance operations in the whole value chain, continuously optimize the Company's product mix according to the consumption upgrade trends, and construct sustainable competitiveness for the future through internal growth. In light of its operating results of the performance of its team, Midea has weathered the storm in the first half of the year. From the quick response to the pandemic, to the resumption of work/production in the second phase, and to the normal operation in the third phase, Midea responded swiftly and performed quite well. Midea's "immunity" has been further boosted through the pandemic, which manifests the organizational agility and business resilience that Midea has long been cultivating. All these efforts have resulted in improving trends in various indicators such as channel inventories and net cash flows from operating activities, better product quality and reputation, as well as strengthened competitiveness in various product categories and global operation synergies. For H1 2020, Midea achieved, on a consolidated basis, total revenue of RMB139.7 billion, down 9.47% YoY; and a net profit attributable to shareholders of the Company of RMB13.9 billion, down 8.29% YoY.

In the first half of 2020, the Company carried out the following main tasks:

A. Focused on users, continuously refined the whole value chain, as well as upgraded business scenes, products and services

In order to carry on with the "customer-oriented" strategic reform, the Company creates more user value in business scenes, products and services which are in direct contact with users, builds a customer-oriented organization and digital experience management system, as well as continuously promotes experience refinement in the whole value chain. In terms of business scenes, offline flagship,

home decoration, combo and new retail stores are reshaped based on the new retail technology and user analysis. This, together with refined shopping paths and improving online consultation on e-commerce platforms, help sufficiently satisfy user demand for user scene-based interactions, shopping convenience and individualized shopping guide, thus further improving shopping experience. Meanwhile, the customer groups under the membership system in all distribution channels offer an opportunity for users to share, which can trigger fission expansion of the customer base. In terms of product development, an information experience platform is put in place to understand life styles and potential demand of customers in different scenes. Through involving customers in the whole R&D process and profound R&D and technological accumulation, the Company is able to solve experience bottlenecks and pain points in the industry, offer customers better-than-expected product innovation, and boost customer satisfaction and loyalty. In respect of smart products, the Company continues to create surprises based on customers' life styles and diverse user scenes. As for service experience, with the help of Internet tools, Midea goes beyond the traditional model to build a "service + Internet" platform, in addition to continuous investments in service certainty, value-added services and active service. Meanwhile, by means of digital 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 for consumers with home decoration needs. These measures to improve service experience are part of Midea's efforts to deliver better product experience throughout the product life cycle. In terms of innovation in products and industrial design, Midea leads the way in user experience and interaction upgrading with ongoing innovations. In the first half of 2020, Midea won a total of 79 industrial design awards, including 26 Red Dot Design Awards, 26 iF Design Awards and 27 IDEA Awards.

——**Residential Air Conditioners:** In the first half of 2020, Midea launched an array of new products including Children's Wall-Mounted Air Conditioner II, Kid Star II, Breezeless II, and DF Fresh Air Floor-Standing Air Conditioner. Children's Wall-Mounted Air Conditioner II has upgraded its smart cold-prevention function to achieve real-time monitoring. It is equipped with a customized breezeless and smart voice functions. Additionally, it is able to quickly distinguish a baby's crying and send notification to a parent's phone. The design of Kid Star II was inspired by Beijing's CITIC Tower. Its breezeless function has been upgraded to diverse options – breezeless, soft, non-direct blow, etc.- to

meet the needs of customers with different physiques. Kid Star II Premium is the first in the industry to be equipped with a central voice system that understands multiple dialects. Midea Breezeless II Floor-Standing Air Conditioner is equipped with a fresh air function. Its fresh air volume is 90m³/h, enough to purify a living room 24 times a day, allowing those indoors to enjoy healthy air without opening windows. The fresh air function is able to run independently. With H13 filters, it is able to achieve a one-time filtration efficiency of as high as 99.95%. It takes less than 1kWh to run the fresh air function for 48 hours. Having inherited the ultra-distant breeze, breezeless, and even breeze functions, Midea DF Fresh Air Floor-Standing Air Conditioner has been equipped with new features such as fresh air, smart voice, and ion sterilization. The ion sterilization function can eliminate 99% bacteria. Midea U is a new product lately launched for the North American market. Developed by using the CDOC approach and equipped with an innovative U-slot design, it allows users to freely open or close windows whenever running Midea U. In May 2020, a total of 20 Midea air conditioner models received the "CVC Hygiene and Health Certificate for Consumer Electric Appliance Product".

——**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. And the largest domestic market share remained with Midea Commercial Air Conditioners in 2019 according to ChinaIOL.com and the *Mechanical and Electrical Information-Central Airconditioning Market* magazine. As a customer-oriented, professional provider of integrated solutions for air management, Midea Commercial Air Conditioners has applied the PCI sterilization technology to its existing product portfolio during the COVID-19 pandemic to create a comfortable and healthy indoor environment for customers. The newly launched Variable Frequency Modular Air-Cooled Heat Pump Unit is able to run with a higher degree of stability and performance. It is equipped with an all DC variable-frequency enhanced vapor injection compressor and an all DC variable-frequency motor. With the application of stepless regulation, the modular unit can adjust according to load changes, effectively preventing the unit from over-frequent running. The fan can run at any of 32 air volumes according to system pressure and load, minimizing energy consumption. The heat pump unit has a new "I-type" condenser structure. Its window-type fins are able to greatly improve heat exchange and extend the life of the heat exchanger. Equipped with a fully intelligent defrosting function, the unit is able to control the defrosting time accurately and effectively avoid heat loss. Through a series of technological innovations, Midea V6R Heat Recovery VRF can heat

a room continuously, operate cooling at -15°C and discharge water at 80°C . Its refrigerant leakage sensor can help prevent refrigerant leaks. Based on the combination of "floor heating + commercial air conditioner", Midea All-Season Multi-Functional Series Floor-Heating Air Conditioner adopts the all DC variable frequency air-source heat pump technology and is equipped with a unique "multi-dimensional temperature control system". Its precise temperature control can help reduce temperature fluctuations and improve user experience while floor heating provides the comfort of "warm feet and a cool head", which is good for health. Users can connect to the Midea Meiju App via the smart Bluetooth gateway to control various smart home appliances by phone, smart gateway or other means, offering a smarter residential solution. Three innovation achievements of Midea Commercial Air Conditioners were certified as "Internationally Advanced" upon authoritative review, including "the Research and Application of Key Technology for Smart Energy Saving of Wide-Temperature-Range Heat Recovery VRF", which helps solve energy saving bottlenecks for the VRF and heat pump industry. In addition, Midea VRF LCD Segment Display Screen Wander Lead Controller is a winner of the iF Award for its outstanding appearance and interactive design. At the 2020 China Heat Pump Annual Conference & 9th International Air-Source Heat Pump Development Forum, Midea Commercial Air Conditioners was honored as the "2020 Leading Brand in China's Heat Pump Industry" for the eighth consecutive year.

——**Laundry Appliances:** With an ultra-large washing capacity of 15kg, COLMO Dual-Tub Front-Loading Washing Machine (COLMO being a brand under Midea) features an integrated, highly stable chassis based on the ring-beam structure used in buildings for earthquake resistance. In a true technological breakthrough, the upper and lower tubs are able to conduct washing and spinning at the same time, a first practice in the industry. Therefore, the washing machine can maintain extremely low vibration and noise, even when running at high intensity and a high speed. With an aircraft-grade piston pump and a big-data and AI-based sensing technology that takes the geographic location, texture of water, climate, volume of the laundry, etc. into account, it can automatically put in the right amount of detergent with $\pm 1\text{ml}$ accuracy. In this way, it can reduce detergent residual and keep people healthy. Supported by an innovative core engine, a super think tank from the Silicon Valley, and the big-data and AI-based sensing technology, COLMO Cloud Atlas Series Washer-Dryer is able to customize washing and drying experience for users, ensuring each laundry is accomplished with delicacy and delivering a quality life. Based on the unique "dual-stroke clutch mechanism", Midea Top-Loading Dual-Drive

Quick-Wash Series uses the counterrotating of the pulsator and the inner tub to produce dual forces, simulating the tumbling and rinsing effects of washing by hand with dual water flows. It can deliver more cleanness and effectively prevent clothes from tangling. According to tests, compared with the single-drive washing machine, this dual-drive product can deliver 15% more cleanness and 8% less tear and wear. Little Swan H36 Heat Pump Dryer is equipped with a unique steam-drying and non-iron technology. This technology guides water molecules into clothing fibers' non-crystalline areas, thereby maintaining swelling and enhancing the flexibility and softness of the fiber molecules. By doing so, it can smooth wrinkles and deliver fluffier, softer and more uniform drying effects. Equipped with a 10KG heat pump and a 125L capacity, the dryer is able to instantly dry a whole family's worth of bedding and clothes, thus saving balcony space. Equipped with a unique UV sterilization technology, it kills 99.9% of mites in the clothes, as certified by China's testing authorities. Meanwhile, five products won the Red Dot Award (one of the highest awards for industrial design), including Little Swan Ultra Fine Bubble Water Cube Drum TG100-14366WMUDT, COLMO Cloud Atlas Series Washer-Dryer CLDQ10, Beverly Tiancheng Series One-Tub Tech BVL3J110IY, Midea Front-Loading Washing Machine MD100V11D, and Toshiba Samurai T07.

——**Refrigerators:** In June 2020, the "Pesticide-Residue-Free Series" and the "Odor-Free Series", two of Midea's core technologies for refrigerators, were both certified as "Internationally Advanced" by industry experts. The technologically innovative "Pesticide-Residue-Free Series" adopts deep UVC light in its fruit&vegetables zone, a drawer design for the refrigerating chamber that allows for high photolysis efficiency, as well as the light energy ion technology to degrade pesticide residue in fruits and vegetables in a highly effective manner, thereby delivering a green and healthy life to all families. Likewise, the innovative "Odor-Free Series" generates low-temperature plasmas within the refrigerator via a miniaturized high-voltage power supply and the dielectric barrier discharge technology, so as to stimulate odor-decomposing catalysts for an odorless, highly sterile environment in just 19 minutes and keep the food safe. This technology is leading the industry into "a new era of fast and clean refrigerating experience". Six-Door Slim-Design Toshiba Refrigerator GR-RM485WE, launched by TLSC, adopts a pioneering star-rated cuisine and atomized fresh-keeping technology. This model is able to defrost food without compromising its original flavor, slightly freeze food in a short time, and accurately adjust ambient temperatures required for the optimal flavoring of meat ingredients. Its fruit&vegetables

compartment is equipped with imported UNIT moisturizing films to keep fruit and vegetables hydrated and fresh. The humanized design of the Itouch door, the middle fruit&vegetables compartment, and the external wall made from aircraft-grade insulation materials, all help to reduce the thickness of the safe and freezer walls by 60% and 44% respectively, achieving "large capacity in a compact size".

——**Kitchen Appliances:** Midea 2020 Easy & Pure Neo-Kitchen, a new solution launched, aims to create a healthy, relaxing, and tidy cooking and overall kitchen experience for younger-generation consumers. Yuejia Built-in Kitchen Appliance Suite, winner of the Best Product Award at AWE 2020, features a minimalist design. Based on the fourth generation's nearly-soundless dual air duct design, the range hood of the product suite is capable of a cooking-smoke escape rate as low as 3%. Its filter net is removable and dishwasher-washable. The embedded smoke sensor technology can reduce noise to as low as 42dB. The stove is equipped with two latest-technology latent wick burners, uniform temperature and intelligent cooking algorithms able to reproduce Michelin-grade chef cooking results, and enables automatic ingredient matching and cooking with 50+ smart recipes. With a modularized Chinese-style basket for bowls and dishes, an industry first, the dishwasher saves users from bending over and reduces wash times by 30%. With another industry first—the standing rinsing arm—the dishwasher's cleaning rate is increased by 60%. Dual-Nuclear-Magnetic-Cleaning Zero Cold Water HTL8 Gas Water Heater Series applies magnetic cleaning technology to Midea's pressurized circulating water pump and patented constant temperature chamber. Midea's zero-fluctuation e-control algorithm and four-segment precise combustion technology keep shower water temperatures constant. Meanwhile, the external magnetic cleaning device actively inhibits scale formation in water heaters and pipes, offering users comfortable shower experiences with quality water and constant temperature throughout. With a built-in TDS detection device, All-Time Magnetic Cleaning Electric Water Heater 32CQ6 conducts inner tank water quality inspection in real time, offering users with timely prompts when cleaning and sterilization are required. The transparent pre-tank filtering device effectively blocks impurities like sand and rust from entering the inner tank, thereby ensuring the health and safety of water at the source. COLMO B3 Dishwasher is equipped with a VF dual-drive system and disrotatory arms for thorough yet delicate tableware cleaning. COLMO B3 can clean valuable tableware to the third level of disinfection. With the application of intelligent storage technology, COLMO B3 can store tableware for up to 168 hours, making it a true "all-in-one" appliance for tableware washing, disinfection, drying, and storage. Utilizing the ultra

fine bubble technology, COLMO EVO Series Active Water Purifier V7 Pro can effectively oxidize and decompose organic pollutants and kill almost all bacteria found in drinking water. It is also equipped with a warm washing function. It is NSF-certified and a winner of the Best Product Award at AWE 2020 and the National Level Leader Honor. COLMO EVO Series Refrigeration Pipeline Machine is equipped with an ultra-real touch screen, a first practice in the industry. It can accurately carry out user-input instructions. With just one touch on its screen, users can immediately access iced or heated water, thus satisfying their diversified water needs. Midea Triumph Water Dispenser YR1908S-X responds to user concerns with enhanced load bearing, allowing users to place items on the top, which constitutes an industry first. With its "six new standards" and comprehensive technological upgrades in water storage, pipeline materials, high-temperature sterilization, dual-core instant water heating, and intelligent adjustment, the YR1908S-X is leading the way in new water drinking methods. Midea D3/D5 Jimu Microwave Oven pursues the best user experience. It is easy to operate with a large display screen and a single knob. Its food-grade cavity and a dual-power baking system make for truly unforgettable home baking experiences. Powered by twin turbochargers, Midea Turbo Fresh Steamer features adjustable superheated steam. With combined charcoal jet roasting technology and high-temperature steam degreasing algorithm, it achieves uniform-temperature cooking. Its M-type copper tubing can condense up to 10 liters of saturated steam per minute for zero steam overflow.

——**Small Domestic Appliances:** Focused on the new consumer trend of holistic health, Midea has launched a series of products including "Low-Sugar Rice Cooker", "Low-Fat Electric Pressure Cooker", "Smokeless Constant-Temperature Induction Cooker", and "Smart and Variable Frequency Blender". "Low-Sugar Rice Cooker" is a product of five years' R&D and innovative sugar-leaching technology. This consists of the three-step cooking technology of "high power boiling, powerful sugar leaching, and constant-temperature steaming", by which the rice cooker is able to reduce the reducing sugar and resistant starch content by 50% and 23% respectively, effectively reducing sugar intake and suppressing increases in blood glucose increase after meals. This is the first low-sugar rice cooker certified by China Household Electric Appliances Research Institute (CHEAR). It sets a new trend that "a rice cooker without a low-sugar function is not a good rice cooker". "Low-Fat Electric Pressure Cooker" is equipped with "mellow but fat-cutting" technology. Through precise pressure-variable boiling control and tidal oil draining, the cooker is able to make "soup that is thicker with a less oily taste" with a fat removal rate as

high as 93%. "Smokeless Constant-Temperature Induction Cooker" is equipped with the industry-leading technology of "protruding temperature measurement and frequency conversion temperature constancy", transforming the cooker from a conventional heating device to a professional cooking device with precise temperature control. The cooker is able to make a variety of constant-temperature foods without producing cooking smoke or other harmful substances throughout the entire process. The cooker supports different cooking methods, such as shallow frying, frying, boiling, stewing, and deep-frying. "Smart and Variable Frequency Blender" can adjust rotation speed to suit a variety of food materials, achieving extremely uniform and delicate cuts. Equipped with a 1500W concave-tray 3D high-power cooking dish, the meals it produces have a delicate taste and pleasant fragrance. Midea also launched its water-washable series of blenders, for which the blades are removable for easy cleaning, the entire body is washable in water, and the cover opens with the touch of one button—all technological firsts in the industry, solving the longstanding pain point of cleaning difficulty for blenders.

Based on users' demands for home environment, Midea Seasons Fan Heater is an innovative combo of fan, humidifier and heater for all seasons. It is equipped with the patented heating-and-cooling switching technology. It can cover a large space and rapidly increase the sensible temperature by over 20% through "heating+humidification" and a wide-angle swing. Meanwhile, supported by the Archimedes spiral air channel and a 90mm ultra-large cross-flow rotor, it can reach a speed of 185m/min, which is five times faster than the ordinary fan heaters. The humid wind enabled by its humidification function can bring much more coolness than an ordinary tower fan. The uniquely designed Midea FGD18YGR Air Circulation Fan realizes indoor circulation for a better indoor environment. Based on Midea's patented Turbo Flow technology, the FGD18YGR is able to circulate 1828m³/h at the ultra-long distance of 15m, making cross-room air delivery a real possibility and enabling full-house ventilation in just five minutes. Powered by Midea's unique internal rotation technology and universal ball joint technology, the FGD18YGR features free 360° rotation to accelerate air flow in a room. With a stepless slider, the FGD18YGR can circulate air without direct blowing, and, with a special infinite sliding rod, can also achieve 90° cycling without direct blowing. Midea M7 Robot Cleaner is able to remove dust efficiently. The robot features a high-performance LDS 8M detection radius, an environmental scanning frequency up to 3000Hz, a floating suction design, and a combination of bilateral and V-shaped roller brushes. With a high-capacity water tank and intelligent mopping technology, the M7 can sweep and mop floors

intelligently. Midea V5 Rechargeable Push-Rod Vacuum Cleaner has a high-efficiency digital motor, able to produce 100W of suction power. With an electric soft velvet brush, it efficiently removes and absorbs dust. Its handheld component, 1.4KG only, is convenient to operate. And it is capable of running for up to 45 minutes, thus meeting the requirements of whole-house cleaning.

——**Key Components:** Midea's orientation is towards rotor compressors, reciprocating compressors, motors, scroll compressors, auto parts, chips, and industrial frequency conversion, and they have mapped a technology layout for the entire industry. With the full integration of such professional disciplines as motor electromagnetics, solid mechanics, hydromechanics, noise and vibration, thermodynamics, and electronic control technology, Midea has effectively explored future trends of product technology through analyses of underlying technologies and thereby fundamentally enhanced the competitiveness of its electro-mechanical products. As exploration of user research models shifts from B2B to B2C, Midea has established a unique user research methodology for core components by collaborating with user research projects of the Terminal Products Division. As China's air-conditioning energy efficiency standards are upgraded for 2020, Midea brings its years of accumulated technical strengths to rapidly develop new compressors and motors meeting China's new standards for energy efficiency and is among the first ones in the industry to achieve mass production and supply. Among Midea's new developments is "Smart Core" Variable Frequency Compressor for Residential Air Conditioners under the New Energy Efficiency Standard. The compressor is equipped with a new nine-slot, six-pole motor design whose body design features a high-power circular rotor and a high-efficiency thin-diameter pump for a great improvement in energy efficiency. By means of the technology of active noise reduction via motor harmonic injection, the compressor is able to reduce frequency-sextupled noise by 4~5dB. BLDC Motor for "Wind Spirit" Residential Air Conditioners under the New Energy Efficiency Standard is based on IPM plus square wave drive technology and core, cutting-edge technology developed by Midea. The motor size is reduced by 20% with improved energy efficiency, providing clients with a more cost-effective fan solution.

B. Continued to invest in R&D to increase R&D efficiency, build a global R&D platform and put in place a R&D system featuring digitalization and responsive innovation

Midea kept reforming its product development model according to the strategic objective of "Leading

Products". A competitive R&D scale with "Three Generations" as the core strategy is being built to support the fulfillment of the goal of "Being the Number One or the Only One" in respect of various product categories. Also, the Company 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, reform of the whole value chain of R&D using digital technology, and deep integration of big data technology and R&D. Real-time, smart and efficient big data are used to drive and guide the whole process of R&D, which will help drive product innovation and create more value. Meanwhile, a simulation technology that has come into being through group development based on platforms across the world can help predict uncertainties in the R&D process, thus improving resource allocation and efficiency. In addition, through reforming the way of work in R&D, building a customer-oriented data process, and exploring new R&D models using big data, Midea is able to spot consumer demand faster, reduce costs in product development and increase R&D efficiency.

Midea Group never stops its core technology research. In the first half of 2020, a number of technological achievements made under the leadership of Midea were all certified as "Internationally Advanced" upon authoritative review, including "the Research of Key Technology for Oil and Salt Control", "Compact Efficient Magnetron", "the Research and Application of the Pesticide-Residue-Free Technology of Deep UV Light + Photocatalyst in the Home Appliance Industry", "the Research and Application of Key Technology for Smart Energy Saving of Wide-Temperature-Range Heat Recovery VRF", "the Research and Application of the Air-Source Heat Pump Efficient Heating System", and "the Development and Application of the Temperature-and-Humidity-Control Fast-and-Strong-Heating VRF System Technology". Additionally, Midea has a number of scientific research projects winning the China Association for Promotion of Private Sci-Tech Enterprises Sci-Tech Progress Award, the China Industry-University-Research Institute Collaboration Association Innovation Award, the Guangdong Province Science and Technology Invention Award, the Guangdong Province Sci-Tech Progress Award, the Shanghai Municipality Sci-Tech Progress Award, and the Chongqing Municipality Sci-Tech Progress Award, among others. In addition, Little Swan Front-Loading Washer-Dryer TD100-14366WMUDT, Midea Artistic Floor-Standing Air Conditioner KFR-72LW/BP3DN8Y-KW200(1), Midea Yuejia Built-in Kitchen Appliance Suite, COLMO Warming Washing Water Purifier CWRC700-A63 and Midea Vacuum Cleaner Z7 all won a Best Product Award at AWE 2020.

While carrying out the core technology research, Midea has attached great importance to the transformation of R&D achievements. In the first half of 2020, Midea filed 6,164 patent applications worldwide and was granted 1,649 invention patents (the most industrywide). By the end of June 2020, the total number of patent applications of Midea (inclusive of TLSC) exceeded 147,000 and 58,000 patents were granted. Midea continues to improve patent quality. A visualized tool for reviewing the quality of patent applications has been developed and fully utilized for better patent quality.

Midea Group has been sticking to the philosophy that “standard innovation drives product innovation” and making active steps towards contributing to the standardization of industrial technologies. In the first half of 2020, Midea Group took part in the formulation/revision of a great number of standards, including the industry’s first group standard for top-loading washing machines—*One Tub Automatic Washing Machine, Household and Similar Electrical Appliances—Test Code for the Determination of Airborne Acoustical Noise—Particular Requirements for Ovens, Grills, Microwave Ovens and Similar Appliances, IEC60705 Household Microwave Ovens - Methods for Measuring Performance, Technology Requirements for Intelligent Level of Household Electric Refrigerators, Intelligent High-Temperature Cleaning Room Air Conditioner, and Hygienic and Health Technical Requirements for Consumer Electrical Products—Part 1: Household and Similar Room Air Conditioners* (drafted by the team of Mr. Zhong Nanshan, the famous academician of Chinese Academy of Engineering), among others.

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

Midea continued to promote channel reform and transformation, flatten 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. Midea recorded a year-on-year growth of over 20% in B2B sales in the first half of 2020, with an addition of more than 70 trade

customers and over 40 product categories. The trade customer base in the real estate sector kept expanding, with a preliminary four-level customer receiving system in place. Further, Midea enhanced the collaboration system, reshaped the development logic for the business with apartment chain operators, and explored new opportunities by testing new business forms in respect of apartments to be fully furnished, live streaming, etc. Also, it reshaped the pricing logic for special channels and explored new business forms in respect of shopping platforms that allow installment buying, for the purposes of higher sales.

With the rising of different consumer circles and fragmented communication, online sales as a percentage of Midea's total sales reached as high as 49% during the pandemic in 2020, and online and offline markets integrate at a faster speed. In view of different levels and characteristics of different channels, as well as changes to customers' needs and ways of spending, Midea drives the retail transformation based on user demands, and keeps restructuring the retail operations system. This mainly involves the following aspects. Firstly, being customer experience-oriented, it provides just the shopping experience wanted by customers through more than 340 Midea Smart Life Experience Centers for users with house decoration demands in cities and prefectures across the country, over 2,000 Midea flagship stores in districts and counties, as well as 3,000 Midea combo stores in towns and villages. Secondly, innovative marketing approaches are adopted and furthered based on changes in the market environment, including targeted online introduction of customers, electronic subscription, community group buying, horizontal user base sharing, live streaming, offline sales promotion activities, etc. The third is the launch of smart scenes in stores. Midea has launched smart home appliance scenes in over 2,000 flagship stores and home decoration stores, more than half of its retail stores and 500 exclusive stores, promoting home appliance packages to distribution channels and users. Fourthly, it promotes the project of deep collaboration of supply chains together with e-commerce platforms, achieving rational restocking, automatic order reviewing, intelligent distribution of inventory and information breakpoint eliminating through data support and system connectivity. Additionally, it focuses on information flow improvement to drive the refinement of goods flows, capital flows and business flows, thus improving customer experience and the overall efficiency of the supply chain. As for the marketing approach of live streaming, multiple models such as all-star recommendation, boss live streaming and top geek recommendation are adopted to promote Midea's e-commerce marketing. By attracting more traffic to

live streaming rooms through more entrances, sales through the live streaming channel quickly rise as a percentage of total sales. Further, live streaming is also moving from offering preferences and benefits and introducing products to more professional and richer content. As external live streaming platforms can deliver “what you see is what you get” for consumers and formulate a trading closed loop, these platforms have become new channels contributing to growth in Midea’s sales.

Being customer-oriented, Midea improves customer experience based on consumer needs and service scenes through promoting digital transformation and business reform across the service system. Firstly, Midea’s service charges are available online and transparent. Customers can get access to all of Midea’s service charge standards. In the first half of the year, more than 12 million customers paid their rates in a transparent manner, online payments surpassed the RMB400 million mark, and inquiry calls about service charges went down over 90%. Secondly, supported by AI platforms comprising smart speaking robotics and human-robot collaboration, installation calls can be processed faster, especially during the peak seasons. Thirdly, in view of the realities of the pandemic, a remote diagnosis function is launched to enable users to consult after-sales engineers by remote video and have their problems quickly identified and solved. Fourthly, interaction between after-sales and pre-sales links in the value chain is further enhanced in bid to drive sales through service and increase user loyalty to Midea’s products and brands. To encourage repeat purchases, a “backpacker” model is promoted in after-sales service, which generated sales of over RMB600 million in the first half of 2020. Finally, Midea continues to improve its delivery-installation integrated service capability for all of its home appliances. By the first half of 2020, it has completed the delivery-installation integrated service network which covers over 2,700 districts and counties across the country, with more than 10,000 new installation technicians, as part of its efforts to offer users one-stop after-sales service solutions in respect of all household appliances.

Under the background of Midea Group promoting the T+3 business model deep reform, Annto further promoted the logistics reform. Upon completing the implementation of the unified warehousing and distribution strategy, Annto focuses on two new approaches--intercity shuttles and urban long-term-cooperation vehicles to boost delivery efficiency, thus providing a strong support for the improvement of circulation efficiency of the sales channels. Meanwhile, it comprehensively improves

B2C logistics. Based on user needs, Annto refines and integrates its warehouse network across the country, and strengthens the cultivation and expansion of end outlets, which enables it to provide accurate delivery-installation integrated service for users. In this way, products can be delivered directly to users without going through the stores in the offline retail link, thus significantly improving user experience. In terms of business expansion outside Midea Group, Annto closely focused on its core business of integrated warehousing and distribution services. Annto can distribute from one warehouse and multiple warehouses to anywhere in the country. A logistics service platform covering various industries, product categories and scenes has been put in place. Meanwhile, client service experience has further improved through enhancing direct purchase of transport capacity. In the first half of 2020, the urban distribution and home distribution business scale of Annto saw a year-on-year increase of over 130%, with a steadily increasing market share.

D. Steadily promoted Midea's globalized business layout, enhanced localized operations overseas 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 and regionalization. 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 builds a global user research network with foresight. Midea Germany Research Center is newly established to strengthen research on the needs of European users. And more resources have been provided for user research centers in the U.S., Italy, Brazil, India and Singapore. In the first half of 2020, Midea continued to expand and improve overseas channels. Over 11,000 new retail outlets were launched overseas to improve distribution channels. Also, it continued to refine the customer mix, dig down on core customers across the globe, and capture customer value in an effort to provide strong support for continual growth in the overseas business. Meanwhile, Midea accelerated the development of its e-commerce business and refined its global e-commerce system. An impressive performance was delivered on major markets. Midea is now aiming to rank in Top 10 in the U.S. online market for all product categories, with the best-selling vacuum cleaners, microwave ovens, refrigerators, etc. on major e-commerce platforms. In addition to breaking multiple sales records on the

local e-commerce platforms of ASEAN, Midea also successfully set foot in a number of new overseas markets. For example, it has covered major e-commerce platforms (Amazon, Shopee, Lazada, etc.) in Italy, the U.K. and France. Midea also embraces new marketing models. A series of diverse online marketing activities were launched across the world, including online business promotion conferences, KOL live streaming, new media promotion, etc., as means for boosting online B2B and B2C sales. And these new marketing models have become a new normal for Midea and continue to contribute to its growth. Meanwhile, Midea has deepened its global manufacturing network. Based on the existing overseas manufacturing bases, it further upgrades the manufacturing bases in Southeast Asia and India for better product quality and faster delivery. In the meantime, the pan-European base is in the pipeline, with an aim to cover more areas, refine the “Local Supply” cycle, improve the global manufacturing and delivery capability, and ensure the overseas operating capability amid the anti-globalization trend. Also, Midea improves its global service system, and continues to promote responsive and active global service. New progress has been made on the global platform integrating the call center, service quality tracking, spare parts deployment and technical training. Singapore Cloud Call Center has officially started operation, and the global information service system—iService3.0 has been successfully launched in Thailand, thus substantially improving service efficiency and user experience.

In face of a heavy hit to Japan’s consumer market from the COVID-19 pandemic in the first half of 2020, TLSC made full use of the online channel to promote its products and sales while ensuring the safety of its employees. It has proved that it has the ability to deal with market changes and maintain operating resilience. Through furthering the synergy and unification of value chains with the relevant business divisions of the Group, TLSC ensured its supply during the pandemic. Also, it optimized the product structure to increase gross profits and strictly controlled expenses and costs, which helped improve profitability significantly. In the first half of 2020, the retail sales of home appliances in Japan were flat year-on-year, while TLSC recorded a growth of 7% against the prevailing trend, with its market share for six major product categories up to nearly 13%, as well as a larger market share in respect of air conditioners, refrigerators, laundry appliances, microwave ovens, etc. In addition, TLSC deepened the reform of its organizational structure and business model. A dedicated team has been set up to work on the online channel, the pre-sales and after-sales teams have been refined, the divestiture of non-white goods businesses and the staff streamlining have been furthered, and a job rotation system has been

implemented to boost organizational vitality. Meanwhile, it works with the Group and its business divisions in global market planning and further strengthens their synergistic effects in brand building, R&D and innovation, integration of supply chain and quality improvement.

E. Stepped up the comprehensive digitalization and industrial internet programmes to improve operational efficiency of the whole value chain

In order to stay sustainably competitive, Midea put forward, in early 2020, a second round of crucial transformation—"Comprehensive Digitalization and Comprehensive Intellectualization". The key to the implementation of the said transformation is to evolve from a hardware-based company to a data-driven innovative technology group, achieve changes in the format of products, drive hardware sales through software sales and intensify contents and services; and to achieve changes in business methodology, promote reforms in research, production and sales, and foster disruptive changes in existing business models through an Internet mindset and Internet tools. The comprehensive digitalization program has produced preliminary results. In the product R&D link, the digital simulation capacity was fully promoted to realize model-based digital analysis and verification and a digital manufacturing process of "product-process-factory-resource". There have also been several independently developed systems - including PRM, GPM, MPLM, LIMS, DPM and MIoT.VC. Meanwhile, the supply chain management link saw pilot smart procurement. Procurement efficiency and the ability to respond fast were improved by introducing smart algorithms and data-driven technologies. The Midea Public Cloud platform was launched to assist the digital transformation of upstream suppliers, promote transparency and efficiency of data information in the value chain, and optimize suppliers' inventory management. With respect to manufacturing, Midea promoted the self-developed MRP system, smart scheduling and professional production scheduling as well as refinement of the multi-factory collaborative production plan and the value flow procurement plan. In terms of quality control, digital quality management was continuously propelled to extend to the suppliers and the market end. The quality cloud allows for more standardized and transparent control of the supply chain process and of finished products. Also, Midea promoted the application of mobile inspection and Bluetooth caliper to achieve paperless inspection. Relying on M.IoT, Midea continued to promote digitalization in respect of safety, environment and energy. It has materialized EHS visualized management and smart early warning systems in factories by such smart

means as mobile solutions and Internet access solutions for equipment. In the warehousing and distribution link, the whole process was barcoded and made paperless via "one code", while the end-to-end information flow was connected via "one-piece flow" to realize scene informatization of logistics planning, factory entry appointments, complete management, warehousing, direct delivery, etc. JIT incoming materials, JIT production and JIT shipment were all realized via "a shared inventory system"; automatic warehousing-in, one-key inventory recording and finished products' offline direct delivery were all realized via radio frequency identification (RFID); iterative upgrading was achieved via IoT, ultra-wide bandwidth (UWB), 5G, block chain, big data, intelligent hardware, and other technical applications to improve efficiency and shorten delivery time.

Midea accelerates in respect of 5G+Industrial Internet. Seizing new opportunities brought by 5G and making use of the advantages of its businesses, Midea accelerates the deployment of 5G infrastructure and the application of 5G+Industrial Internet to boost the implementation of the Group's "Comprehensive Digitalization and Comprehensive Intellectualization" strategy. Midea Microwave & Cleaning Appliance 5G+Industrial Internet Application Demonstration Park has achieved full 5G coverage and built a basic information network integrating the traditional network + 5G to realize efficient communication between the corporate intranet and the extranet. It has been recognized by the Department of Industry and Information Technology of Guangdong Province as one of the first demonstration industrial parks for "5G+Industrial Internet". In the first half of 2020, Midea Group launched "5G+Industrial Internet " pilot programs across 11 parks of 7 business divisions through strategic cooperation with the three major telecom carriers in China and such manufacturers as Huawei to achieve leadership in this area.

Midea continues with international digitalization. With the "International 632 Project" as the core, full digitalization support is provided for finance, R&D, the supply chain, marketing, after-sales service and operation. In the first half of 2020, the overseas marketing system was reshaped to help drive growth in TLSC's business. The global order processing mechanism was launched to connect overseas marketing and manufacturing in an effective and automatic manner. And a universal platform architecture for international microservice has been implemented to increase operational efficiency. In order to cope with the international situation and market changes in the pandemic, as well as to facilitate the achievement of the Company's global strategic objectives, a number of core programs have been launched, including

building of the overseas e-commerce platform, empowerment of overseas channels and retail terminals, building of the T+3 system for the overseas business, improvement of the global capital platform, as well as refinement of OTC, integrated foreign trade, spare parts-related reform and other projects. These moves are aimed to increase operational efficiency of the whole value chain and boost global competitiveness under the new circumstances.

Midea further promotes the business application of AI by fully covering the business scenes of intelligent manufacturing, intelligent offices, intelligent operations and PaaS capability open-up based on AI quality testing platforms and AI open platforms. In terms of intelligent manufacturing, facial recognition-based access control and key post recognition, among others, are now available, and the application of AI is promoted in inspection of PCB, the appearance of laundry appliances, cartons, ink-jet of cartons, components, the anti-creeping system in the footing, etc., which can help improve the yield substantially. Based on a facial recognition platform, PaaS modules are put on clouds, and AI applications are upgraded, including multi-person recognition sensor-free door access control, gate machine access control, key post recognition, intelligent conference room and facial recognition payment, empowering business innovation in buildings, logistics and marketing, as well as improving the experience of employees and users.

Midea fully promotes the application of cloud computing to support its strategy of comprehensive digitalization. Positioned as a leading cloud platform in the manufacturing sector, Midea Cloud Platform, which is easy to extend, takes into full account the development needs of the sector in the coming three years, as well as needs in respect of Midea Cloud Sales, Industrial Internet, the IoT ecosystem, knowledge bases and third-party developers. Midea Cloud Platform has been constructed under the standard of “light front-end”, “big middle platform” and “back-end resource sharing”, where products are developed on a unified basis. So far, 15 PaaS service products and 8 SaaS products have been launched, providing sharing service for faster delivery. PaaS efficiency increases 20% while the time taken by SaaS deployment is shortened from 10 minutes to just one minute. The SaaS platform targets corporate customers. Based on IaaS and PaaS, the SaaS platform provides complete management of applications through their entire life cycles and full customer service. It lowers the threshold for small- and medium-sized enterprises to gain cloud access. It also provides a one-touch function to active

business applications. With purchasing cloud as a trial program, Midea has provided SRM cloud, sourcing cloud, risk control cloud and other SaaS services for over 3,000 corporate customers.

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

Since late 2018, Midea Group has launched a number of new brands, including COLMO targeting high-end consumers, BUGU targeting online consumers, WAHIN targeting young consumers. Always upholding the brand philosophy of “Technology Serve the Nature of Life and Design Maximize the Value of Rationalism”, COLMO is committed to providing AI-powered home appliances with premium quality and the self-learning capability for high-end consumers. In the first half of 2020, in terms of branding, COLMO focused on the delivery of “rational aesthetics” (a primitive, minimalist and elevated way of living), another fundamental concept of the brand in addition to “AI-powered home appliances”. In terms of products, COLMO launched the whole new 145N Solution, which focuses on family life (four major scenes—living room, kitchen, bathroom, wash and care) and creates the whole scene of AI-powered high-end smart life for high-end consumers through intelligent integrated appliances, IoT interconnection systems and AI learning brain. A slew of other new products were also launched, including Mantle Lava Series Refrigerator, TURING Series Residential Central Air Conditioner, S67 Range Hood, B3 Dishwasher, V7 Water Purifier, etc. In respect of marketing, COLMO has provided service for over 40,000 families across the world since the launch of its products, with certain products enjoying a prominent high-end market share as an icon for high-end home appliances. For instance, COLMO enjoys a market share of 18.8% in respect of wall-mounted residential air conditioners with a unit price of over RMB7,000; a market share of 20.8% in respect of floor-standing residential air conditioners with a unit price of over RMB20,000; and a market share of 12% in respect of water purifiers with a unit price of over RMB5,000. As for user experience and channels, COLMO, being customer-oriented, builds diverse terminal experience space, including Product Category Zone, AI Smart Experience Space, and AI Smart Experience Hall. So far, nearly 3,000 stores and outlets have been put in place nationwide, which will provide more scene-based experience and smart experience.

In the first half of 2020, BUGU, the brand targeting online consumers, met the needs of modern users in the Internet era by integrating internal and external resources. Through research on different users'

personal experience, BUGU established all-scene ecosystem cooperation with external manufacturers to create innovative marketing and business models. Additionally, it gave play to its multi-category synergistic advantages and refined its existing product categories while exploring new ones. On the product side, BUGU has added personal care products, such as electric toothbrushes, hair dryers and eye massagers, which have had a good market response. BUGU has also expanded into maternity & child sector with full-cycle products - including the industry's first constant temperature milk modulator, baby food processor, and hair clippers for babies and children. BUGU has also carried out in-depth C2M cooperation with e-commerce platforms. To give an example, for Tmall, it customized space capsule electric lunch boxes, individualized blenders, egg boilers, portable kettles, etc., for people who often eat alone. On the ecosystem side, BUGU, with an "inclusive" and "open" philosophy, has opened up both channels and scenes for ecosystem cooperation. It has carried out various cooperation programs with Unilever, China Telecom, ORVIBO, YPOO and Himalaya. With regard to the product ecosystem, screen speakers, smart home sensor suites, visual doorbells, speech-based remote controllers, etc. are introduced into the ecosystem. On the user side, BUGU persists in taking the joint creation with users as its core strategy. Through the joint creation platform—the "BUGU Research Institute", users can take part in the whole product process from conceptual design to public testing. So far, "BUGU Research Institute" has launched three programs and received about 1,000 pieces of advice from nearly 300 users. Since its initial product launch, BUGU took only one year to attract up to one million end users. On the sales side, BUGU's sales over the first five months of this year exceeded last year's total sales, representing a noticeable year-on-year growth. During the "618" shopping festival in 2020, BUGU Countertop Dishwasher was the bestseller both by sales amount and unit sales among similar products on JD.com and Tmall, with a 1750% year-on-year increase on Tmall on the first day of the shopping festival. In addition, BUGU has also developed a customized portable juicer for fitness and sports enthusiasts. Considered a fashionable item among the new generation of users, it has a monthly sales of 150,000 units.

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. In 2019, WAHIN expanded cooperation from just one e-commerce platform to all the major e-commerce platforms, and achieved

impressive sales revenue. In the first half of 2020, a number of Midea's business divisions launched their product pipelines for WAHIN, which carried out active marketing on the Z-generation. On the eve of the "618" Shopping Festival in 2020, WAHIN launched its first celebrity live streaming for all product categories on all the major e-commerce platforms, covering over ten Midea stores on those platforms. The total number of viewers reached 6.1 million, while total interactions exceeded 4.6 million UV, facilitating WAHIN's sales to exceed RMB15 million on that day. In the first half of 2020, WAHIN had an eye-catching sales performance across all its product categories. On March 1, WAHIN Air Conditioners entered the top five bestsellers in the industry for its online sales, and its "618" sales alone exceeded RMB57 million. As of June 30, the online and offline sales of WAHIN Air Conditioners combined have exceeded RMB400 million. WAHIN Refrigerator is aimed at the trendy drinks catering to the young generation. Its "Xiaofendan" mini-fridge focusing on the cosmetics scene has emerged at just the right moment. The unit sales of this product reached 30,000 units within the month following its launch. Its 2020 "618" sales exceeded RMB70 million. It has accumulated more than 500,000 followers and 500,000 viewers have been attracted to the relevant stores through live streaming. In February 2020, as its debut on the Tmall Dishwasher Promotion, WAHIN Dishwasher saw its sales rank among the top three, with its star product—Vie1 Installation-Free Dishwasher ranking third in sales. WAHIN Integrated Stove released its first integrated stove—WAHIN WD26 Little Black Box—as a strategic product by joining hands with JD.com, providing open kitchen solutions for young consumers. WAHIN also worked with Tmall to launch its first fancy kitchen appliance suite—"Speed Player", which include a water heater, a range hood and cooking stoves, a dishwasher and a water purifier. This customized kitchen appliance solution for the younger generation recorded first-day sales of more than RMB5 million. WAHIN Washing Machine has completed a pipeline of four new products, among which Front-Loading Washing Machine HD100X1W won the 2019 Red Dot Award. As of July, the model has RMB20 million in sales, which is expected to climb to RMB50 million by the end of the year. In terms of branding, WAHIN deploys a 2D virtual spokesperson - WAHIN Girl - to carry its brand image. Through continuous cooperation with external platforms, WAHIN broadens its boundary while persists in appealing to the young consumers. For instance, WAHIN Air Conditioners joined hands with ZCOOL to launch the WAHIN Girl Image Design Campaign, making her debut together with Tmall at 2020 BILIBILI WORLD Shanghai. During the "618" shopping festival, WAHIN Refrigerator cooperated with 14 brands across nine industries to carry out scene-based marketing in respect of trendy drinks, creating ASMR videos targeting young consumers, in

addition to the adoption of other new marketing models such as Xiaohongshu promotion.

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

KUKA, a subsidiary of Midea, 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 collaborative 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 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. Meanwhile, it's worth mentioning that KUKA took part in a large-scale joint research platform program of Germany—ARENA2036 in 2019 for the first time. It is responsible for developing and testing streamline production techniques of Industry 4.0 to explore streamline car factories for the future. In the general industrial sector, KUKA launched in 2020 the Second-Generation New KR QUANTEC Casting Robot, which is equipped with a new digital motion mode and is able to deliver excellent production quality even in a high-temperature environment. In the motion control sector, KUKA launched Robot Control System KR C5 this year. With powerful compatible hardware, more intelligent software and better technical performance, robots equipped with this system consume less power under the same conditions. 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. In the electronics sector, KUKA launched a chip carrying solution in a clean-room environment in semi-conductor manufacturing, which is the world's first one-stop solution for automatic carrying of semi-conductor boxes. In view of the pandemic in 2020, KUKA continued to extend the application of its robots in the medical sector. Based on KUKA's LBR Med, Life Science Robotics, a Denmark-based company, developed automatic medical equipment ROBERT,

which can help move a patient's body when he is receiving treatment. This can reduce physical contact between the therapist and the patient and stop the COVID-19 virus from spreading through social distancing. KUKA's KR AGILUS Series Robot is used by the Aalborg University Hospital in Denmark for blood testing and classification. It can process 3,000 blood samples per day, which is much more efficient than the manual method. In the Bulovka Hospital in Prague, KUKA's LBR iiwa Robot helps medical workers carry out throat swab sampling on potential COVID-19 patients.

Affected by the COVID-19 pandemic spreading across the globe, economies worldwide have shut down one after another, and some of KUKA's customers have temporarily closed their factories and reduced their investment activities, resulting in a significant decline in KUKA's main business. Under the impact of the pandemic, demand for industrial robotics is expected to decline in 2020 compared to the prior year. Fortunately, in the mid-to-long term after the pandemic, demand for industrial robotics and automation solutions will further increase and related investment activities postponed due to the pandemic will also resume swiftly. Regarding the first half of 2020 in the automotive sector, KUKA received, at the beginning of the year, orders from a European customer for three automobile engine assembly lines worth millions of euros per line. In April, KUKA also signed a framework agreement with BMW Group to provide about 5,000 robots for BMW's new production lines of automobile across the world. KUKA also won a contract for Audi's automatic automobile production line to provide 42 industrial robotics for BIW seam sealing and installation. In the sector of new energy vehicles, KUKA obtained a battery assembly line contract worth as much as tens of millions of euros, which would be used for producing battery systems for high-end electric vehicles. In May, KUKA provided 50 robotics to the German SAR Group for its electric vehicle automatic production line. In the sector of logistics automation, the European cosmeceuticals chain retailer dm-drogerie markt GmbH built an innovative logistics center costing approximately 100 million euros in Germany this July, which would be equipped with a logistics automation system provided by KUKA's subsidiary Swisslog. In the sector of 3D printing, in response to the pandemic, the Italy-based Caracol-AM used KUKA's robotics to help manufacture protective masks by means of 3D printing, with a daily output of over 1,000 pieces. KUKA won the "Global Medical Robotics Company of the Year Award 2020" from Frost & Sullivan (a consultancy) and the title of "2019 Supplier of the Year" by GM for the fifth time.

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, the collaborative advantages of Midea and KUKA 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 2019, the KUKA China Division formulated the business development planning for the next five years and established a 432+X product system for the domestic market, i.e. 4 product families, 3 digital platforms, 2 production lines for fast iteration and the whole new business layout. In the first half of 2020, KUKA China saw a decline in orders from the automobile industry due to the COVID-19 pandemic. Whereas, thanks to the growth in its system integration business, the overall order situation was better than expected. With improvements in operational capability and benefits of resource integration, its profitability further improved. In the first half of 2020, KUKA China resolutely implemented the established strategic plan and made breakthroughs in many aspects. As for product R&D, it introduced experienced professionals, smoothly furthered the cooperation program in Germany, significantly improved local R&D and testing capabilities as well as the product matrix. Six software products, four applications, one six-axis robot, and one servo drive were launched in the first half of the year. Meanwhile, it initiated equipment productization in its system integration business. As for marketing, a value chain-driven business model has been put in place, significantly boosting the efficiency of sales and channel management of robot ontology. During the pandemic, 19 live webcasts organized by it were well-received by customers, indicating the gradual introduction of digital products into the market. Upon the application of KUKA Robot LBS, KMS, Martec, and WeChat 24-hour Online Customer Service further improved business operation efficiency through digital control measures in R&D, sales and post-sales. By business, the system integration business' profitability was significantly improved. The key components business of Servotronix was transferred to China from overseas and the industrial chain collaborative system essentially took shape. The increasing efficiency of the whole value chain is demonstrated by shortened product delivery, a guaranteed speed of response to customer demand, constantly improving supply systems and testing means, and significantly better material quality. As such, the customer-oriented principle has taken shape.

In the automotive sector, against the backdrop of COVID-19 and the trade war-induced economic downturn, QUANTEC Series II was launched and found favor among automobile manufacturers in terms of product iteration. KUKA China signed a new framework agreement with SAIC Volkswagen and received orders from BMW and Mercedes-Benz factories in China. KUKA China also expanded its cooperation with Chinese auto manufacturers - for example, Geely. KUKA China is now a robot supplier for Geely's Changxing Production Base. In the new energy vehicle industry, KUKA China obtained orders respectively amounting to tens of millions euros from Weltmeister and Human Horizons. Capitalizing on the continuous growth in the commercial vehicle market, KUKA China also won commercial vehicle project orders from FAW FAC, FAW-GM, FAW Jiefang, Changan Kuayue, Chery Kaiyi, etc. In the sector of consumer electronics, KUKA China won orders from leading enterprises in the battery and 3C products industries for nearly 500 KUKA robotics, laying a solid foundation for future development. As for the medical logistics sector, at the beginning of the pandemic in China, Swisslog Healthcare under KUKA joined hands with Midea Group to donate 20 automated guided vehicles (AGVs) to makeshift hospitals in Wuhan for fighting COVID-19. The Shanghai Public Health Clinical Center, which also received and treated COVID-19 patients during the pandemic, was equipped with a steel pipe pneumatic logistics system from Swisslog Healthcare, greatly enhancing the efficiency of treatment. In the first half of 2020, this business showed significant year-on-year growth and developed dozens of new customers nationwide. Meanwhile, it simultaneously completed its R&D of related products in China and a strategic layout for hospitals' overall IV systems. In the sector of warehousing and logistics, Swisslog successfully won orders from a famous daily necessities direct selling enterprise in North America to provide a complete logistics automation system for its brand-new distribution center in Shanghai. The order was worth over RMB100 million. In addition, KUKA China successfully signed a contract with a world-leading semiconductor company in Shanghai to supply the AutoStore system and make it the most robot-equipped in the Asia-Pacific region. In addition, KUKA has effectively helped enhance Midea Group's intelligent manufacturing level. As of June 2020, the robot density of Midea has exceeded 230 units per 10,000 persons. In the coming three years, this number is expected to reach 300 units per 10,000 persons.

H. Created a new smart lifestyle—"Customize a Midea Smart Life for You"

In the first half of 2020, with the goal of "Providing the Best Overall User Experience", M.IoT carried out a series of changes to smart scenes, the IoT technology, ecosystem cooperation, member operation and more, focusing on connection technology and intelligent security system upgrades, while accelerating the launch of 5G products and platform-based IoT ecosystem scenes and service robots. At the same time, focusing on the five themes of safety, health, food, convenience and personality, smart scenes and the IoT technology are fully opened to ecosystem partners. And a business value chain of Midea Smart Home has been put in place in this way, providing users with all-scene services and more quality ecosystem value-added services to create a pan-Midea Meiju App ecosystem that focuses on "Customize a Midea Smart Life for You". Compared with the situation at the beginning of the year, the activation rate of Midea's smart appliances increased 33%; 78% of products displayed in the offline channel are smart appliances; and the intellectualization process accelerated, with over 140,000 smart scenes created for users. At present, more than 10 million families are users of Midea Meiju App, and the number of human-machine smart service interactions has exceeded 150 million. The number of users of smart cloud housekeeper services increased 88% in the first half of the year, and the Midea cloud platform received an average of 4.3 billion commands per day and an average of 7.8 billion heartbeats per day. In addition, the Midea Smart Home ecosystem also developed cooperation with 15 domestic and foreign mainstream terminal platforms, worked with five global automobile brands to establish vehicle-to-home connection systems, realizing remote control of smart appliances through vehicle-mounted systems. Moreover, through the power-saving system of Midea Smart Cloud Housekeeper, more than 1,000,000 kWh of energy was saved over the first half of the year.

Safeguarding user privacy and data security is the top priority for intellectualization. M.IoT is the first to receive the IT Product Information Security Certificate (Smart Home Products) from the China Cybersecurity Review Technology and Certification Center. It has additionally earned multiple international security and privacy certifications - including the ePrivacyApp certificate for Midea Meiju App, the UL certificate for smart products, the PCI DSS certificate at the financial level for data protection, the TRUSTe certificate for M.IoT, and the ISO 27001 Information Security Management System (ISMS) certificate for information security management. Therefore, Midea has reached an internationally advanced level in user data protection.

Through continuously opening up to the ecosystem and promoting innovative cooperation, M.IoT has gathered over 100 well-known enterprise partners. Its smart ecosystem covers the AI technology, IoT security, smart hardware, content resources, and Internet services. It has signed strategic cooperation agreements with Tencent, Huawei and Baidu to accelerate cross-border integration and innovation and to generate new interactions and services in terms of content services. Meanwhile, Midea join hands with quality chip makers to customize chips for home appliances. Midea HolaCon Chip encrypts algorithm through an additional security hardware to improve data and information security for smart appliances. In addition, Midea has delivered three cost-effective ecosystem smart modules to the industry, among which, the single WiFi module and the single Bluetooth module are both industry leaders in terms of performance and in the meantime extremely cost effective, providing a strong support for partners to enter Midea's smart ecosystem.

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

In 2020, 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. Midea has launched seven stock option incentive schemes, four restricted share incentive schemes, six global partner stock ownership schemes and three business partner stock ownership schemes, 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 RMB46.8 billion since Group listing in 2013. In addition to the consistent dividend payouts, the Company has carried out a string of share repurchase plans. Subsequent to a share repurchase of RMB4 billion in 2018, to further stabilize the market capitalization and protect the shareholders' interests, the Company launched share repurchase plans in both 2019 and 2020. And the repurchased shares would be used for equity incentive schemes and/or employee stock ownership schemes. During the period from 2019 to 31 July 2020, Midea has used nearly RMB4 billion for the share repurchases.

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 2020	H1 2019	YoY Change (%)	Main reasons for change
Operating revenue	139,067,022	153,770,300	-9.56%	
Cost of sales	103,523,657	108,441,289	-4.53%	
Selling and distribution expenses	12,631,101	19,529,822	-35.32%	Decreased sales revenue
General and administrative expenses	4,102,149	4,110,125	-0.19%	
Finance costs	-851,927	-1,435,645	40.66%	Decreased interest income
Income tax expenses	2,329,061	2,829,592	-17.69%	
Research and development expenses	4,410,737	4,534,760	-2.73%	
Investment income	1,088,547	12,640	8511.92%	Changes in gains/losses on delivered derivative financial instruments
Credit impairment losses	461,998	179,047	158.03%	Larger increase in accounts receivable in the current period compared to the same period of last year
Non-operating expenses	88,032	60,379	45.80%	Increased donation expenses
Minority interests	138,715	872,854	-84.11%	Acquisition of minority interests in Little Swan
Net cash flows from operating activities	18,405,491	21,787,890	-15.52%	
Net cash flows from investing activities	-24,944,355	-18,030,748	-38.34%	Increased cash paid to acquire investments
Net cash flows from financing activities	7,033,151	-6,828,689	202.99%	Increased cash received from commercial papers
Net increase in cash and cash equivalents	570,541	-3,055,102	118.68%	Increased net cash flows from financing 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 operating revenue:

Unit: RMB'000

	H1 2020		H1 2019		YoY Change (%)
	Amount	As a percentage of total operating revenue (%)	Amount	As a percentage of total operating revenue (%)	
Total	139,067,022	100%	153,770,300	100%	-9.56%
By business segment					
Manufacturing	126,588,566	91.03%	141,814,013	92.22%	-10.74%
By product category					
HVAC	64,030,471	46.04%	71,439,403	46.46%	-10.37%
Consumer appliances	53,034,680	38.14%	58,350,984	37.95%	-9.11%
Robotics and automation systems	9,523,415	6.85%	12,023,626	7.82%	-20.79%
By geographical segment					
PRC	77,233,142	55.54%	91,664,118	59.61%	-15.74%
Outside PRC	61,833,880	44.46%	62,106,182	40.39%	-0.44%

Business segments, products or geographical segments contributing over 10% of the operating revenue or profit

☒Applicable ☐N/A

Unit: RMB'000

	Operating revenue	Cost of sales	Gross profit margin	YoY change of operating revenue (%)	YoY change of cost of sales (%)	YoY change of gross profit margin (%)
By business segment						
Manufacturing	126,588,566	92,521,071	26.91%	-10.74%	-5.55%	-4.02%
By product category						
HVAC	64,030,471	48,535,087	24.20%	-10.37%	0.03%	-7.88%

Consumer appliances	53,034,680	36,271,844	31.61%	-9.11%	-9.54%	0.32%
Robotics and automation systems	9,523,415	7,714,140	19.00%	-20.79%	-17.39%	-3.34%
By geographical segment						
PRC	77,233,142	58,088,777	24.79%	-15.74%	-7.38%	-6.79%
Outside PRC	61,833,880	45,434,880	26.52%	-0.44%	-0.63%	0.14%

Reason for any over 30% YoY movements in the data above

☐Applicable ☒N/A

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 2020		31 December 2019		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	53,027,194	15.84%	70,916,841	23.49%	-7.65%	
Accounts receivable	25,671,899	7.67%	18,663,819	6.18%	1.49%	
Inventories	21,714,793	6.49%	32,443,399	10.74%	-4.25%	
Investment properties	423,821	0.13%	399,335	0.13%	0.00%	
Long-term equity investments	2,998,466	0.90%	2,790,806	0.92%	-0.02%	
Fixed assets	22,278,992	6.66%	21,664,682	7.17%	-0.51%	
Construction in progress	1,587,400	0.47%	1,194,650	0.40%	0.07%	
Short-term borrowings	12,997,800	3.88%	5,701,838	1.89%	1.99%	

Long-term borrowings	37,136,646	11.10%	41,298,377	13.68%	-2.58%	
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4.2 Assets and liabilities measured at fair value

√Applicable □N/A

Unit: RMB'000

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Amount provided for impairment in the period	Purchased in the period	Sold in the period	Other changes	Closing balance
Financial assets								
1. Financial asset held for trading (excluding derivative financial assets)	1,087,351	163,975			172,190		45,747	1,469,263
2. Derivative financial assets	295,984	-183,802	174,388				-7,174	279,396
3. Receivables financing	7,565,776				1,425,135			8,990,911
4. Investments in other equity instruments	-				48,020			48,020
5. Other non-current financial assets	1,750,107	74,108			332,500	16,535	-1,776	2,138,404
6. Other investments	50,557,518	157,304			59,960,000	56,990,000		53,684,822
7. Investments in other bonds	-				19,242,000		41,310	19,283,310
Sub-total of financial assets	61,256,736	211,585	174,388		81,179,845	57,006,535	78,107	85,894,126
Investment properties								
Productive living assets								
Other								
Sub-total of the above	61,256,736	211,585	174,388		81,179,845	57,006,535	78,107	85,894,126
Financial liabilities	27,132	57,952	47,801				-1,581	131,304

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

☐ Yes ☒ No

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 (%)
85,512,588	45,708,198	87.08%

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 assets measured at fair value

☒ Applicable ☐ N/A

Unit: RMB'000

Type of asset	Initial investment cost	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity in the period	Purchased in the period	Sold in the period	Investment income in the period	Closing balance	Funding source
Stocks	1,459,399	163,975	45,747	172,190	-	-	1,469,263	Own funds
Funds	914,094	71,348	-5,786	330,000	-1,374	-	1,337,473	Own funds

Derivative financial instruments	279,396	-183,802	167,214	-	-	39,993	279,396	Own funds
Others	81,831,382	160,064	4,010	80,677,655	-57,005,161	679,418	82,807,994	Own funds
Total	84,484,271	211,585	211,185	81,179,845	-57,006,535	719,411	85,894,126	

5.5 Financial investments

5.5.1 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 change in fair value during the period	Cumulative fair value change charged to equity	Purchased in the period	Sold in the period	Profit or loss in the period	Closing carrying amount	Accounting title	Funding source
Overseas listed stock	1810	XIAOMI-W	1,272,584	Fair value method	936,358	185,290	41,427	-	-	-	1,163,075	Financial asset held for trading	Own fund
Overseas listed stock	DNK	Danke	172,190	Fair value method	-	-55,362	4,320	172,190	-	-	121,148	Financial asset held for trading	Own fund
Domestically listed stock	688018	Espressif Systems	14,625	Fair value method	150,993	34,047	-	-	-	-	185,040	Financial asset held for trading	Own fund
Total			1,459,399	--	1,087,351	163,975	45,747	172,190	-	-	1,469,263	-	--

5.5.2 Derivatives investments

√Applicable □N/A

Unit: RMB'000

Operating party	Relationship with the Company	Related transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Opening investment amount	Purchased in Reporting Period	Sold in Reporting Period	Amount provided for impairment (if any)	Closing investment amount	Closing investment amount as a percentage of the Company's closing net assets	Actual gain/loss in Reporting Period
Futures company	No	No	Futures contracts	1,377	01/01/2020	31/12/2020	1,377	-	-	-	156,835	0.1494%	136,645
Bank	No	No	FX derivatives	267,475	01/01/2020	31/12/2020	267,475	-	-	-	-8,743	-0.0083%	-115,767
Total				268,852	--	--	268,852	-	-	-	148,092	0.1411%	20,878
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)				30/04/2020									
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)				-									
Risk analysis of				For the sake of eliminating the cost risk of the Company's bulk purchases of raw materials as a									

<p>positions held in derivatives during the Reporting Period and explanation of control measures (Including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)</p>	<p>result of significant fluctuations in raw material prices, the Company not only carried out futures business for some of the materials, but also made use of bank financial instruments and promoted forex funds business, with the purpose of avoiding the risks of exchange and interest rate fluctuation, realizing the preservation and appreciation of forex assets, reducing forex liabilities, as well as achieving locked-in costs. The Company has performed sufficient evaluation and control against derivatives investment and position risks, details of which are described as follows:</p> <p>1. Legal risk: The Company's futures business and forex funds businesses shall be conducted in compliance with laws and regulations, with clearly covenanted responsibility and obligation relationship between the Company and the agencies.</p> <p>Control measures: The Company has designated relevant responsible departments to enhance learning of laws and regulations and market rules, conducted strict examination and verification of contracts, defined responsibility and obligation well, and strengthened compliance check, so as to ensure that the Company's derivatives investment and position operations meet the requirements of the laws and regulations and internal management system of the Company.</p> <p>2. Operational risk: Imperfect internal process, staff, systems and external issues may cause the Company to suffer from loss during the course of its futures business and forex funds business.</p> <p>Control measures: The Company has not only developed relevant management systems that clearly defined the assignment of responsibility and approval process for the futures business and forex funds business, but also established a comparatively well-developed monitoring mechanism, aiming to effectively reduce operational risk by strengthening risk control over the business, decision-making and trading processes.</p> <p>3. Market risk: Uncertainties caused by changes in the prices of bulk commodity and exchange rate fluctuations in foreign exchange market could lead to greater market risk in the futures business and forex funds business. Meanwhile, inability to timely raise sufficient funds to establish and maintain hedging positions in futures operations, or the forex funds required for performance in forex funds operations being unable to be credited into account could also result in loss and default risks.</p> <p>Control measures: The futures business and forex funds business of the Company shall always be conducted by adhering to prudent operation principles. For futures business, the futures transaction volume and application have been determined strictly according to the requirements of production & operations, and the stop-loss mechanism has been implemented. Besides, to determine the prepared margin amount which may be required to be supplemented, the futures risk measuring system has been established to measure and calculate the margin amount occupied, floating gains and losses, margin amount available and margin amount required for intended positions. As for forex funds business, a hierarchical management mechanism has been implemented, whereby the operating unit which has submitted application for funds business should conduct risk analysis on the conditions and environment affecting operating profit and loss, evaluate the possible greatest revenue and loss, and report the greatest acceptable margin ratio or total margin amount, so that the Company can update operating status of the funds business on a timely basis to ensure proper funds arrangement before the</p>
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	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 disclosed for analysis of fair value of derivatives	<p>1. Gain from futures contracts during the Reporting Period was RMB136.645 million.</p> <p>2. Loss from FX derivatives during the Reporting Period was RMB-115.767 million.</p> <p>3. Public quotations in futures market or forward forex quotations announced by the Bank of China are used in the analysis of derivatives fair value.</p>
Explanation of significant changes in accounting policies and specific financial accounting principles in respect of the Company's derivatives for the Reporting Period as compared to the previous Reporting Period	No change
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	The Company's independent directors are of the view that the futures hedging business is an effective instrument for the Company to eliminate price volatility and implement risk prevention measures through enhanced internal control, thereby improving the operation and management of the Company; the Company's foreign exchange risk management capability can be further improved through the forex funds business, so as to maintain and increase the value of foreign exchange assets and the abovementioned investment in derivatives can help the Company to fully bring out its competitive advantages. Therefore, it is practicable for the Company to carry out derivatives investment business, and the risks are controllable.

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 RMB million)	Net assets (in RMB million)	Operating revenue (in RMB million)	Operating profit (in RMB million)	Net profit (in RMB million)
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD72 million	13,986.99	5,660.16	6,794.51	1,163.84	1,008.06
GD Midea Air-Conditioning Equipment Co., Ltd.	Subsidiary	Manufacturing of air conditioners	RMB854 million	40,820.62	4,672.53	25,656.50	70.76	107.64
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD42 million	13,680.11	6,931.94	4,266.90	731.65	624.29
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	Subsidiary	Manufacturing of water heaters	RMB60 million	10,122.81	935.24	5,462.86	821.53	701.53

Acquisition and disposal of subsidiaries during the Reporting Period

√Applicable □N/A

The detailed information of major subsidiaries included in the consolidation scope in current year is set out in Notes 5 and 6. Entities newly included in the consolidation scope in current year include Media Group (Shanghai) Co., Ltd., Chongqing Midea Commercial Factoring Co., Ltd., Tianjin Annto Network Technology Co., Ltd., Western-style Electric Products Company, Hiconics Eco-Energy Technology Co., Ltd. and its subsidiaries (hereinafter "Hiconics"). Please refer to Note 5(1) and Note 5(2)(a) for details. The detailed information of subsidiaries no longer included in the consolidation scope in current year is set out in Note 5(2)(b).

8. Structured Bodies Controlled by the Company

☐Applicable ☒N/A

9. Forecast of Business Performance from January to September in 2020

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 associated with the COVID-19 outbreak

Domestic consumption and production are expected to be affected to some degree in the short run by the COVID-19 outbreak in early 2020. Therefore, the offline retail stores of the Company are expected to see lower footfall in the short run. Meanwhile, the COVID-19 has been spreading overseas since late February 2020. Should the epidemic last for a long time, the Company could face a challenge in 2020.

B. 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 or 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.

C. 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.

D. 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.

E. 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.

F. 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 2020. 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 the Reporting Period

1.1 General meetings of shareholders convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to disclosed information
First Extraordinary General Meeting of Shareholders of 2020	Extraordinary	54.4367%	13 March 2020	14 March 2020	Announcement No. 2020-023 on Resolutions of First Extraordinary General Meeting of Shareholders of 2020, disclosed on www.cninfo.com.cn
2019 Annual General Meeting of Shareholders	Annual	57.2182%	22 May 2020	23 May 2020	Announcement No. 2020-050 on Resolutions of 2019 Annual General Meeting of Shareholders, disclosed on www.cninfo.com.cn
Second Extraordinary General Meeting of Shareholders of 2020	Extraordinary	57.9386%	22 June 2020	23 June 2020	Announcement No. 2020-076 on Resolutions of Second Extraordinary General Meeting of Shareholders of 2020, disclosed on www.cninfo.com.cn

1.2 Extraordinary general meetings of shareholders convened at the 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 2020.

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

No such cases in the Reporting Period.

4. Engagement and Disengagement of CPA Firm

Have the H1 2020 financial statements been audited by a CPA firm?

☐ Yes ☒ No

The H1 2020 financial statements are unaudited by a CPA 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. Doubts from Media

☐ Applicable ☒ N/A

The Company had no issues about which media generally raised doubts in the Reporting Period.

10. Punishments and Rectifications

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

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

☐ Applicable ☒ N/A

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

☒ Applicable ☐ N/A

A. Overview of the Second Stock Option Incentive Scheme

a. The Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, at which the Proposal for the Retirement of Unexercised Stock Options under the Second Stock Option Incentive Scheme upon Expiry was reviewed and approved. As the Second Stock Option Incentive Scheme expired on 26 May 2020, the Company agreed to retire the 22,000, 34,000, 37,000 and 47,900 stock options that had been previously granted to Xia Manyu, Yu Xiaoping, Fu Shengbin and Zeng Min respectively but were unexercised upon expiry.

During the Reporting Period, 9,744,890 shares were exercised under the Second Stock Option Incentive Scheme.

B. Overview of the Third Stock Option Incentive Scheme

a. The Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, at which the Proposal for the Adjustment to the Exercise Price for the Third Stock Option Incentive Scheme was

reviewed and approved. As the 2019 Annual Profit Distribution had been carried out, the exercise price for the Third Stock Option Incentive Scheme was revised from RMB17.85 to RMB16.26 per share.

b. The Company convened the 23rd Meeting of the 3rd Board of Directors on 24 July 2020, at which the Proposal for the Retirement of Unexercised Stock Options under the Third Stock Option Incentive Scheme upon Expiry was reviewed and approved. As the second exercise period of the Third Stock Option Incentive Scheme expired on 27 June 2020 and the relevant unexercised stock options were not allowed for exercise from that date, the Company agreed to retire the 75,000, 70,000, 75,000, 60,000 and 30,000 stock options that had been previously granted to Fu Shengbin, Ren Junfu, Yuan Dong, Yang Hui and Liao Zhiwen respectively but were unexercised upon expiry.

During the Reporting Period, 16,791,299 shares were exercised under the Third Stock Option Incentive Scheme.

C. Overview of the Fourth Stock Option Incentive Scheme

a. The Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, 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 2019 Annual Profit Distribution had been carried out, the exercise price for the Fourth Stock Option Incentive Scheme was revised from RMB30.22 to RMB28.63 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 locked-up stock options granted to them was reduced from 26,740,000 to 23,867,600.

b. The Proposal for Matters Related to the Stock Option Exercise for the Third Exercise Period of the Fourth Stock Option Incentive Scheme was also reviewed and approved. Because the exercise conditions have grown mature for the third exercise period, a total of 1,070 incentive receivers who have been verified for the Fourth Stock Option Incentive Scheme have been allowed to exercise 23,867,600 stock options in the third exercise period (ended 11 May 2021).

c. The Proposal for the Retirement of Unexercised Stock Options under the Fourth Stock Option Incentive Scheme upon Expiry was also reviewed and approved. As the Fourth Stock Option Incentive Scheme expired on 11 May 2020, the Board of Directors of the Company agreed to retire the 19,500 and 30,000 stock options that had been previously granted to Huang Yongsong and Yu Shengming respectively but were unexercised upon expiry.

During the Reporting Period, 15,429,063 shares were exercised under the Fourth Stock Option Incentive Scheme.

D. Overview of the Fifth Stock Option Incentive Scheme

a. The Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, at which the Proposal for the Adjustment to the Exercise Price for the Fifth Stock Option Incentive Scheme and the Proposal for the Adjustments to the Incentive Receivers and Their Exercisable Stock Options for the First Phase of the Grant under the Fifth Stock Option Incentive Scheme were reviewed and approved. As the 2019 Annual Profit Distribution had been carried out, the exercise price for the first phase of the grant under the Fifth Stock Option Incentive Scheme was revised from RMB55.04 to RMB53.45 per share, and the exercise price for the reserved stock options from RMB45.87 to RMB44.28 per share. Meanwhile, it was agreed to adjust the incentive receivers and their exercisable stock options for the Fifth 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 locked-up stock options granted to them was reduced from 54,420,000 to 42,101,750.

b. The Proposal for Matters Related to the Stock Option Exercise for the First Exercise Period of the First Phase of the Grant under the Fifth Stock Option Incentive Scheme was also reviewed and approved. Because the exercise conditions have grown mature for the first exercise period, a total of 1,044 incentive receivers who have been verified for the Fifth Stock Option Incentive Scheme have been allowed to exercise 10,241,750 stock options in the first exercise period (ended 6 May 2021).

E. Overview of the Sixth Stock Option Incentive Scheme

a. The Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, at which the

Proposal for the Adjustment to the Exercise Price for the Sixth Stock Option Incentive Scheme was reviewed and approved. As the 2019 Annual Profit Distribution had been carried out, the exercise price for the Sixth Stock Option Incentive Scheme was revised from RMB52.87 to RMB51.28 per share.

F. Overview of the Seventh Stock Option Incentive Scheme

a. On 28 April 2020, the Seventh Stock Option Incentive Scheme (Draft) of Midea Group Co., Ltd (hereinafter referred to as the “Seventh Stock Option Incentive Scheme (Draft)”) and its abstract were reviewed and approved at the 20th Meeting of the 3rd Board of Directors, and the incentive receiver list for the Seventh Stock Option Incentive Scheme (Draft) was examined at the 14th Meeting of the 3rd Supervisory Committee.

b. On 22 May 2020, the Company convened the 2019 Annual General Meeting of Shareholders, at which the Proposal on the Seventh Stock Option Incentive Scheme (Draft) and Its Abstract, the Proposal on the Implementation and Appraisal Measures for the Seventh Stock Option Incentive Scheme, the Proposal for Asking the Meeting of Shareholders to Authorize the Board to Handle Matters Related to the Seventh Stock Option Incentive Scheme and other relevant proposals were reviewed and approved.

For this Incentive Scheme, the Company intended to grant 65,260,000 stock options to 1,425 incentive receivers with the exercise price being RMB52.02 per share.

c. In light of the authorization given at the 2019 Annual General Meeting of Shareholders, the Company convened the 23rd Meeting of the 3rd Board of Directors on 5 June 2020, at which the Proposal for the Adjustments to the Exercise Price, Incentive Receiver List and Number of Stock Options to Be Granted for the Seventh Stock Option Incentive Scheme, the Proposal for the Determination of the Grant Date for the Seventh Stock Option Incentive Scheme and the Proposal for the Grant-Related Matters for the Seventh Stock Option Incentive Scheme were reviewed and approved. As such, the Company agreed to grant stock options to incentive receivers on 5 June 2020 with the exercise price revised from RMB54.17 per share to RMB52.87 per share. Due to 2 incentive receivers' departure from the Company, they were no longer eligible for the Seventh Stock Option Incentive Scheme and the stock options granted to them were cancelled. Therefore, the Board adjusted the number of incentive receivers from 1,425 to 1,423,

and the number of stock options from 65,260,000 to 65,180,000.

The Company originally intended to grant 65,260,000 stock options to 1,425 incentive receivers. However, due to 5 incentive receivers' departure from the Company or being without a securities account, they were no longer eligible for the Seventh Stock Option Incentive Scheme. Therefore, the Board adjusted the number of incentive receivers from 1,425 to 1,420, and the number of stock options from 65,260,000 to 65,020,000. On 8 July 2020, the Company completed the registration of the grant of stock options under the Seventh Stock Option Incentive Scheme.

d. In accordance with the Accounting Standard No. 11 for Business Enterprises—Share-Based Payments and the Accounting Standard No. 22 for Business Enterprises—Recognition and Measurement of Financial Instruments, the Company chose the Black-Scholes model to measure the fair value of stock options. Upon the measurement on 5 June 2020 of the fair value of the 65,180,000 stock options granted by the Company using the said model, the theoretical value of these stock options was RMB1,001,164,400, which would be amortized within the 36 months after the date of grant. The said amortization of cost was expected to have an impact on the Company's net profit of the current period to some degree, but it would not affect the Company's operating results to a great extent.

G. Overview of the 2017 Restricted Share Incentive Scheme

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2017, 2018 and 2019 Restricted Share Incentive Schemes was approved at the 17th Meeting of the 3rd Board of Directors on 10 January 2020. As such, it was agreed to repurchase and retire 679,000 restricted shares that had been granted to 16 personnel but were still in lockup, for the reasons of their departure from the Company, violation of company rules, low individual performance appraisals, position change or other factors.

Also, the Proposal on the Satisfaction of the Conditions for the Second Unlocking Period for the Reserved Restricted Shares of the 2017 Restricted Share Incentive Scheme was approved at the aforesaid meeting. A total of 42 personnel were eligible for this unlocking, with 1,340,750 restricted shares (0.02% of the Company's total existing share capital) unlocked and allowed for public trading on

19 February 2020, of which senior management Xiao Mingguang unlocked 50,000 shares.

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 679,000 restricted shares under the 2017 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 10 March 2020, as confirmed by CSDC Shenzhen, the retirement of the said restricted shares had been completed.

c. The Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, at which the Proposal for the Adjustment to the Repurchase Price for the 2017 Restricted Share Incentive Scheme was reviewed and approved. As the 2019 Annual Profit Distribution had been carried out, the repurchase price for the first phase of the grant was revised from RMB13.36 to RMB11.77 per share, and the repurchase price for the reserved restricted shares from RMB25.49 to RMB23.90 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 187,500 restricted shares that had been granted to 3 personnel but were still in lockup, for the reasons of their business unit’s 2019 performance appraisal result being “just so-so”, low individual performance appraisals for 2019, violation of company rules or other factors.

Also, the Proposal on the Satisfaction of the Conditions for the Third Unlocking Period for the First Phase of the Grant under the 2017 Restricted Share Incentive Scheme was approved at the aforesaid meeting. A total of 99 personnel were eligible for this unlocking, with 5,532,500 restricted shares (0.0790% of the Company’s total existing share capital) unlocked and allowed for public trading on 22 June 2020, of which senior management Hu Ziqiang, Zhang Xiaoyi and Zhong Zheng unlocked 100,000, 70,000 and 60,000 shares respectively.

d. The Company submitted the application to CSDC Shenzhen for the retirement of the 187,500 restricted shares under the 2017 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 31 July 2020, 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, 2018 and 2019 Restricted Share Incentive Schemes was approved at the 17th Meeting of the 3rd Board of Directors on 10 January 2020. As such, it was agreed to repurchase and retire 1,586,500 restricted shares that had been granted to 33 personnel but were still in lockup, for the reasons of their departure from the Company, violation of company rules, low individual performance appraisals, position change or other factors.

b. The Company submitted the application to CSDC Shenzhen for the retirement of the 1,586,500 restricted shares under the 2018 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 10 March 2020, as confirmed by CSDC Shenzhen, the retirement of the said restricted shares had been completed.

c. The Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, at which the Proposal for the Adjustment to the Repurchase Price for the 2018 Restricted Share Incentive Scheme was reviewed and approved. As the 2019 Annual Profit Distribution had been carried out, the repurchase price for the first phase of the grant was revised from RMB26.27 to RMB24.68 per share, and the repurchase price for the reserved restricted shares from RMB22.29 to RMB20.70 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 1,021,000 restricted shares that had been granted to 18 personnel but were still in lockup, for the reasons of their departure from the Company, position change, low individual performance appraisals for 2019, violation of company rules or other factors.

Also, the Proposal on the Satisfaction of the Conditions for the First Unlocking Period for the First Phase of the Grant under the 2018 Restricted Share Incentive Scheme was approved at the aforesaid meeting. A total of 231 personnel were eligible for this unlocking, with 3,704,125 restricted shares (0.0529% of the Company's total existing share capital) unlocked and allowed for public trading on 1 July 2020, of which senior management Hu Ziqiang, Xiao Mingguang, Zhang Xiaoyi and Zhong Zheng unlocked 25,000,

25,000, 25,000 and 20,000 shares respectively.

d. The Company submitted the application to CSDC Shenzhen for the retirement of the 1,021,000 restricted shares under the 2018 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 31 July 2020, 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. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2017, 2018 and 2019 Restricted Share Incentive Schemes was approved at the 17th Meeting of the 3rd Board of Directors on 10 January 2020. As such, it was agreed to repurchase and retire 1,241,000 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.

b. The Company submitted the application to CSDC Shenzhen for the retirement of the 1,241,000 restricted shares under the 2019 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 10 March 2020, as confirmed by CSDC Shenzhen, the retirement of the said restricted shares had been completed.

c. The Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, at which the Proposal for the Adjustment to the Repurchase Price for the 2019 Restricted Share Incentive Scheme was reviewed and approved. As the 2019 Annual Profit Distribution had been carried out, the repurchase price was revised from RMB25.79 to RMB24.20 per share.

Also, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme was approved at the said meeting. As such, it was agreed to repurchase and retire 1,010,000 restricted shares that had been granted to 15 personnel but were still in lockup, for the reasons of their departure from the Company, position change, violation of company rules or other factors.

d. The Company submitted the application to CSDC Shenzhen for the retirement of the 1,010,000

restricted shares under the 2019 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 31 July 2020, as confirmed by CSDC Shenzhen, the retirement of the said restricted shares had been completed.

J. Overview of the 2020 Restricted Share Incentive Scheme

a. On 28 April 2020, the 2020 Restricted Share Incentive Scheme (Draft) of Midea Group Co., Ltd (hereinafter referred to as the “2020 Restricted Share Incentive Scheme (Draft)”) and its abstract were reviewed and approved at the 20th Meeting of the 3rd Board of Directors, and the incentive receiver list for the 2020 Restricted Share Incentive Scheme (Draft) was examined at the 14th Meeting of the 3rd Supervisory Committee.

b. On 22 May 2020, the Company convened the 2019 Annual General Meeting of Shareholders, at which the Proposal on the 2020 Restricted Share Incentive Scheme (Draft) and Its Abstract, the Proposal on the Implementation and Appraisal Measures for the 2020 Restricted Share Incentive Scheme, the Proposal for Asking the Meeting of Shareholders to Authorize the Board to Handle Matters Related to the 2020 Restricted Share Incentive Scheme and other relevant proposals were reviewed and approved. For this scheme, the Company intended to grant 34,180,000 restricted shares (0.49% of the Company’s total existing issued share capital) to 520 incentive receivers with the price being RMB26.01/share.

c. In light of the authorization given at the 2019 Annual General Meeting of Shareholders, the Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, at which the Proposal for the Adjustment to the Grant Price of the 2020 Restricted Share Incentive Scheme, the Proposal for the Determination of the Grant Date for the 2020 Restricted Share Incentive Scheme and the Proposal for the Grant-Related Matters for the 2020 Restricted Share Incentive Scheme were reviewed and approved. As such, the Company agreed to grant 34,180,000 restricted shares to 520 incentive receivers on 5 June 2020 under the said scheme with the price revised from RMB26.01 per share to RMB24.42 per share.

d. The Company had intended to grant 34,180,000 restricted shares to 520 incentive receivers. However,

after the date of grant, 14 incentive receivers left the Company or gave up subscription, and the 935,000 restricted shares that had been granted to them were cancelled. As such, the Company actually granted 33,245,000 restricted shares to 506 incentive receivers, including 120,000 shares to senior management Wang Jinliang. Zhonghui Certified Public Accountants LLP issued on 6 July 2020 the Capital Verification Report ZHKY [2020] No. 5044, verifying the payments as of 30 June 2020 by the 506 incentive receivers for share subscription under the 2020 Restricted Share Incentive Scheme. As verified, as of 30 June 2020, the Company had received RMB811,842,900.00 from the 506 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 33,245,000.00 due to the equity incentive and the unrestricted public shares decreased by 33,245,000.00.

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 2020 Restricted Share Incentive Scheme had been registered and were allowed for public trading on 14 July 2020.

f. A total of 33,245,000 shares were granted under the 2020 Restricted Share Incentive Scheme, with a difference of approximately RMB918,226,900 between the amount received for the restricted shares granted and the share repurchase cost of approximately RMB1,730,069,800. As required by the Accounting Standard for Business Enterprises No. 37—Presentation of Financial Instruments, where a financial instrument or a part thereof is an equity instrument, the issuer shall treat it as a change in equity when issuing (including refinancing), repurchasing, selling or cancelling the instrument. Meanwhile, in accordance with the regulations concerning stock option incentives for employees through share repurchase in the Guidelines on the Application of the Accounting Standard for Business Enterprises No. 11—Share-Based Payment, upon the receipt of employees' payments for purchasing the enterprise's shares in exercise, the enterprise shall write off the cost of treasury stock that is handed over to employees and the cumulative capital surplus (other capital surplus) during the vesting period, and the difference shall be treated as an adjustment to capital surplus (share premium). Therefore, the implementation of the 2020 Restricted Share Incentive Scheme will not have a material impact on the operating results of the Company.

K. Overview of the Second Global Partner Stock Ownership Scheme

a. Under the Second Global Partner Stock Ownership 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.

b. The Proposal on the Extended Duration of the Second Global Partner Stock Ownership Scheme was approved at the 18th Meeting of the 3rd Board of Directors on 22 February 2020. 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 24 March 2021.

As of the end of the Reporting Period, a total of 864,924 shares were held under the Second Global Partner Stock Ownership Scheme, representing 0.0123% of the Company's total share capital.

L. Overview of the Third Global Partner Stock Ownership Scheme

a. The Company disclosed the Reminder of the Completion of Vesting under the Third Global Partner Stock Ownership Scheme & the Expiry of the Lockup Period on 2 June 2020. As such, the final 30% installment of shares under the Third Global Partner Stock Ownership Scheme had been vested, marking the completion of this scheme. A total of 1,552,618 shares had been vested in the Company's incumbent senior management (Fang Hongbo, Yin Bitong, Gu Yanmin, Wang Jianguo, Wang Jinliang and Xiao Mingguang), and a total of 718,800 shares had been vested in other incentive receivers, totaling 2,271,418 shares. The remaining unvested 575,027 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.

As of the end of the Reporting Period, a total of 2,846,445 shares were held under the Third Global

Partner Stock Ownership Scheme, representing 0.0405% of the Company's total share capital.

M. Overview of the Fourth Global Partner Stock Ownership Scheme

a. Under the Fourth Global Partner Stock Ownership Scheme, the total shares to be granted were 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). Due to certain incentive receivers' position change or departure from the Company in the duration of the Fourth Global Partner Stock Ownership Scheme, there are 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.

As of the end of the Reporting Period, a total of 3,318,540 shares were held under the Fourth Global Partner Stock Ownership Scheme, representing 0.0473% of the Company's total share capital.

N. Overview of the First Business Partner Stock Ownership Scheme

a. Under the First Business Partner Stock Ownership Scheme, the total shares to be granted were 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). Due to certain incentive receivers' position change or departure from the Company in the duration of the First Business Partner Stock Ownership Scheme, there are 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.

As of the end of the Reporting Period, a total of 1,779,300 shares were held under the First Business Partner Stock Ownership Scheme, representing 0.0253% of the Company's total share capital.

O. Overview of the Fifth Global Partner Stock Ownership Scheme

a. The Company's performance requirement for the Fifth Global Partner Stock Ownership Scheme is a weighted average ROE not lower than 20% for 2019. According to the 2019 Annual Auditor's Report for Midea Group Co., Ltd. issued by PricewaterhouseCoopers China (LLP), this ROE requirement has been met at 26.43%.

b. The Company disclosed the Announcement on the Share Allocation and Vesting under a Partner Stock Ownership Scheme on 27 July 2020. A total of 3,732,075 of the Company's shares were repurchased for this scheme. As per the Fifth 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 2,988,966 shares (2,001,374 shares for senior management Fang Hongbo, Yin Bitong, Gu Yanmin, Wang Jianguo and Zhang Xiaoyi, and the other 987,592 shares for other core management personnel). Due to certain incentive receivers' position change or departure from the Company in the duration of the Fifth Global Partner Stock Ownership Scheme, there are remained 743,109 shares unallocated under this scheme. As per the Fifth 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.

As of the end of the Reporting Period, a total of 3,732,075 shares were held under the Fifth Global Partner Stock Ownership Scheme, representing 0.0531% of the Company's total share capital.

P. Overview of the Second Business Partner Stock Ownership Scheme

a. The Company's performance requirement for the Second Business Partner Stock Ownership Scheme is a weighted average ROE not lower than 20% for 2019. According to the 2019 Annual Auditor's Report for Midea Group Co., Ltd. issued by PricewaterhouseCoopers China (LLP), this ROE requirement has been met at 26.43%.

b. A total of 1,867,845 of the Company's shares were repurchased for the Second Business Partner Stock Ownership Scheme. As per the Second 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 1,377,859 shares (220,124 shares for senior management Wang Jinliang, Xiao Mingguang, Liu Min, Jiang Peng and Zhong Zheng, and the other 1,157,735 shares for other core management personnel). Due to certain incentive receivers' position change or departure from the Company in the duration of the Second Business Partner Stock Ownership Scheme, there are remained 489,986 shares unallocated under this scheme. As per the Second 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.

As of the end of the Reporting Period, a total of 1,867,845 shares were held under the Second Business Partner Stock Ownership Scheme, representing 0.0266% of the Company's total share capital.

Q. Overview of the Sixth Global Partner Stock Ownership Scheme

a. The Sixth Global Partner Stock Ownership Scheme was approved at the 20th Meeting of the 3rd Board of Directors on 28 April 2020 and the 2019 Annual General Meeting of Shareholders on 22 May 2020. 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 Seventh Employee Stock Ownership Scheme" for management.

b. The Sixth Global Partner Stock Ownership Scheme was funded by the Company's special fund of RMB184.10 million for this scheme. With an average repurchase price of RMB52.04/share as the price for transferring the shares in the repurchase securities account to the securities account of the Sixth Global Partner Stock Ownership Scheme, the shares to be transferred would be 3,537,663.

c. According to the Confirmation of Securities Transfer received by the Company from CSDC Shenzhen on 13 July 2020, 3,537,663 shares (0.0504% of the Company's total existing share capital) had been transferred from the Company's securities account for repurchase to the securities account of "Midea Group Co., Ltd.—the Seventh Employee Stock Ownership Scheme" in a non-transaction transfer on 10

July 2020. As required by the Sixth Global Partner Stock Ownership Scheme (Draft), the shares transferred to the securities account of the Sixth Global Partner Stock Ownership Scheme would be locked up from 14 July 2020 to 13 July 2021.

R. Overview of the Third Business Partner Stock Ownership Scheme

a. The Third Business Partner Stock Ownership Scheme was approved at the 20th Meeting of the 3rd Board of Directors on 28 April 2020 and the 2019 Annual General Meeting of Shareholders on 22 May 2020. 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 Eighth Employee Stock Ownership Scheme" for management.

b. The Third Business Partner Stock Ownership Scheme was funded by the Company's special fund and the performance bonuses for senior management of RMB97.50 million. With an average repurchase price of RMB52.04/share as the price for transferring the shares in the repurchase securities account to the securities account of the Third Business Partner Stock Ownership Scheme, the shares to be transferred would be 1,873,559.

c. According to the Confirmation of Securities Transfer received by the Company from CSDC Shenzhen on 16 July 2020, 1,873,559 shares (0.0267% of the Company's total existing share capital) had been transferred from the Company's securities account for repurchase to the securities account of "Midea Group Co., Ltd.—the Eighth Employee Stock Ownership Scheme" in a non-transaction transfer on 15 July 2020. As required by the Third Business Partner Stock Ownership Scheme (Draft), the shares transferred to the securities account of the Third Business Partner Stock Ownership Scheme would be locked up from 17 July 2020 to 16 July 2021.

13. Significant Related Transactions

13.1 Related transactions arising from routine operation

√Applicable □N/A

Related transac	Relatio n	Type of the	Content s of the	Pricin g	Tran sacti	Transactio n amount	Propo rtion	Approved transaction	Over appro	Mode of settle	Obtainable	Disclos ure	Index to the
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tion party		transac tion	transac tion	princip le	on price	(RMB'000)	in the total amou nts of transa ction of the same kind (%)	line (RMB'000)	ved line	ent	market price for the transac tion of the same kind	date	disclo sed inform ation
Infore Environ ment Techno logy Group Co., Ltd.	Controll ed by family membe r of Compa ny's actual controll er	Procure ment	Procure ment of goods	Marke t price	-	506,106	0.59%	1,500,000	No	Payme nt after delivery	-	2020-4- 30	www. cninfo .com. cn
Orinko Advanc ed Plastics Co., Ltd.	Controll ed by family membe r of Compa ny's actual controll er	Procure ment	Procure ment of goods	Marke t price	-	518,566	0.61%	1,700,000	No	Payme nt after delivery	-	2020-4- 30	www. cninfo .com. cn
Midea Real Estate Holding Limited	Controll ed by Compa ny's actual controll er	Sale	Sale of goods	Marke t price		74,206	0.05%	471,000	No	Payme nt after delivery	-	2020-4- 30	www. cninfo .com. cn
Total				--	--	1,098,878	--	3,671,000		--		--	--
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				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.									

total amounts of routine related-party transactions by type to occur in the current period	
Reason for any significant difference between the transaction price and the market reference price (if applicable)	N/A

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

☐Applicable ☒N/A

No such cases in the Reporting Period.

13.3 Related transactions arising from joint investments in external parties

☐Applicable ☒N/A

No such cases in the Reporting Period.

13.4 Credits and liabilities with related parties

☐Applicable ☒N/A

No such cases in the Reporting Period.

13.5 Other significant related transactions

☒Applicable ☐N/A

a. The Proposal for Related Transactions with Shunde Rural Commercial Bank in 2020 was reviewed and approved at the 20th Meeting of the 3rd Board of Directors held on 28 April 2020 and later at the 2019 Annual General Meeting of Shareholders held on 22 May 2020.

In 2020, the deposit balance of the Company in Shunde Rural Commercial Bank shall not exceed RMB7 billion and neither shall the credit balance provided by the bank to the Company exceed RMB7 billion. Meanwhile, the total amount of notes discounted by the Company (mainly through Midea Group Finance) for the bank and loans from the former to the latter shall not exceed RMB2 billion in the year.

Index to the announcement about the said related transactions disclosed

Title of announcement	Disclosure date	Disclosure website
Announcement on Related Transactions with Rural Commercial Bank in 2020	30/04/2020	www.cninfo.com.cn

14. 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.

15. Significant Contracts and Their Execution

15.1 Trusteeship, contracting and leasing

15.1.1 Trusteeship

☐Applicable ☒N/A

No such cases in the Reporting Period.

15.1.2 Contracting

☐Applicable ☒N/A

No such cases in the Reporting Period.

15.1.3 Leasing

☐Applicable ☒N/A

No such cases in the Reporting Period.

15.2 Major guarantees

☒Applicable ☐N/A

15.2.1 Guarantees provided

Unit: RMB'000

Guarantees provided by the Company and its subsidiaries for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of	Line of guarantee	Actual occurrence	Actual guarantee	Type of guarantee	Term of	Due or not	Guarantee

	the guarantee line announcement	e	date (date of agreement signing)	e amount		guarantee		for a related party or not
No such cases								
Total external guarantee line approved during the Reporting Period (A1)				0	Total actual external guarantee amount during the Reporting Period (A2)			0
Total approved external guarantee line at the end of the Reporting Period (A3)				0	Total actual external guarantee balance at the end of the Reporting Period (A4)			0
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Midea Group Finance Co., Ltd.	2020-4-30	9,900,000			- Joint liability	One year	No	No
GD Midea Air-Conditioning Equipment Co., Ltd.	2020-4-30	14,882,200	2020-1-16	2,629,620	Joint liability	One year	No	No
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	2020-4-30	1,163,000		550	Joint liability	One year	No	No
Foshan Midea Carrier Air-Conditioning Equipment Co., Ltd.	2020-4-30	361,200		-	Joint liability	One year	No	No
Guangdong Midea Precision Molding Technology Co., Ltd.	2020-4-30	62,700		-	Joint liability	One year	No	No
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	2020-4-30	5,190,000	2020-1-9	1,493,010	Joint liability	One year	No	No
Guangdong Witol Vacuum Electronic Manufacture Co., Ltd.	2020-4-30	100,000	2020-1-22	10,330	Joint liability	One year	No	No
GD Midea Heating & Ventilating Equipment Co., Ltd.	2020-4-30	2,000,000	2020-1-10	60,500	Joint liability	One year	No	No
Guangdong Midea-SIIX Electronics Co., Ltd.	2020-4-30	150,000		-	Joint liability	One year	No	No
Guangdong Midea Commercial Air-Conditioning Equipment Co., Ltd.	2020-4-30	200,000		-	Joint liability	One year	No	No

Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	2020-4-30	290,000	2020-1-19	310	Joint liability	One year	No	No
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	2020-4-30	1,210,000	2020-1-13	70	Joint liability	One year	No	No
GD Midea Environment Appliances Mfg. Co., Ltd.	2020-4-30	420,000		-	Joint liability	One year	No	No
Guangdong Midea Cuchen Company Ltd.	2020-4-30	5,000		-	Joint liability	One year	No	No
GD Midea Caffitaly Coffee Machine Manufacturing Co., Ltd.	2020-4-30	15,000		-	Joint liability	One year	No	No
Main Power Inno Tech (Shenzhen) Manufacturing Co., Ltd.	2020-4-30	45,000		-	Joint liability	One year	No	No
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	2020-4-30	2,200,000	2020-1-6	166,230	Joint liability	One year	No	No
Guangdong Midea Kitchen & Bath Appliances Manufacturing Co., Ltd.	2020-4-30	436,000		-	Joint liability	One year	No	No
Foshan Shunde Midea Water Dispenser Manufacturing Company Limited	2020-4-30	710,000	2020-2-13	9,010	Joint liability	One year	No	No
Foshan Midea Chungho Water Purification Equipment. Co., Ltd.	2020-4-30	142,000		-	Joint liability	One year	No	No
Guangdong Meizhi Compressor Limited	2020-4-30	230,000	2020-1-17	2,950	Joint liability	One year	No	No
Guangdong Meizhi Precision-Manufacturing Co., Ltd	2020-4-30	90,000		-	Joint liability	One year	No	No
Guangdong Welling Motor Manufacturing Co., Ltd.	2020-4-30	230,000	2020-2-5	5,340	Joint liability	One year	No	No
Foshan Welling Washer Motor Manufacturing Co., Ltd.	2020-4-30	350,000	2020-1-2	2,090	Joint liability	One year	No	No
Guangdong Midea Environmental Technologies Co., Ltd.	2020-4-30	50,000		-	Joint liability	One year	No	No
Guangdong Welling Auto Parts Co., Ltd.	2020-4-30	20,000		-	Joint liability	One year	No	No
Ningbo Midea United Materials Supply Co. Ltd.	2020-4-30	1,070,000	2020-1-10	154,350	Joint liability	One year	No	No
Guangzhou Kaizhao Commercial and Trading Co., Ltd	2020-4-30	75,500		-	Joint liability	One year	No	No
Guangdong Midea Intelligent Robotics	2020-4-30	50,000		-	Joint liability	One	No	No

Co., Ltd.						year		
Servotronix Motion Technology Development (Shenzhen) Ltd.	2020-4-30	10,000			- Joint liability	One year	No	No
Midea Group E-Commerce Co., Ltd.	2020-4-30	130,000			- Joint liability	One year	No	No
Annto Logistics Technology Co., Ltd.	2020-4-30	1,430,000	2020-2-25	616,930	Joint liability	One year	No	No
Guangdong Midea Smart Link Technologies Co., Ltd.	2020-4-30	41,200	2020-3-23	3,610	Joint liability	One year	No	No
GD Midea Group Wuhu Air-Conditioning Equipment Co.,Ltd.	2020-4-30	1,100,000			- Joint liability	One year	No	No
Wuhu Maty Air-Conditioning Equipment Co., Ltd	2020-4-30	800,000			- Joint liability	One year	No	No
Wuhu Midea Kitchen Appliances Manufacturing Co., Ltd.	2020-4-30	4,020,000			- Joint liability	One year	No	No
Hefei Hualing Co., Ltd.	2020-4-30	1,700,000	2020-2-3	3,710	Joint liability	One year	No	No
Hubei Midea Refrigerator Co., Ltd.	2020-4-30	230,000	2020-4-10		- Joint liability	One year	No	No
Hefei Midea Refrigerator Co., Ltd.	2020-4-30	903,000			- Joint liability	One year	No	No
Guangzhou Midea Hualing Refrigerator Co., Ltd.	2020-4-30	1,345,000	2020-3-19	1,030	Joint liability	One year	No	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	2020-4-30	548,000	2020-3-13	30	Joint liability	One year	No	No
Hefei Midea-SIIX Electronics Co.,Ltd.	2020-4-30	230,000			- Joint liability	One year	No	No
Hefei M&B Air Conditioning Equipment Co., Ltd.	2020-4-30	40,800	2020-4-14	10	Joint liability	One year	No	No
Wuhu Midea Life Appliances Mfg Co., Ltd.	2020-4-30	2,000,000	2020-6-22	902,850	Joint liability	One year	No	No
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	2020-4-30	1,930,000	2020-2-13	11,030	Joint liability	One year	No	No
Anhui Meizhi Compressor Co., Ltd.	2020-4-30	110,000	2020-3-12	660	Joint liability	One year	No	No
Anhui Meizhi Precision Manufacturing Co., Ltd.	2020-4-30	60,000	2020-2-12	340	Joint liability	One year	No	No
Welling (Wuhu) Motor Manufacturing Co., Ltd.	2020-4-30	10,000	2020-5-18	1,310	Joint liability	One year	No	No

Wuhu Welling Motor Sales Co., Ltd.	2020-4-30	800,000			- Joint liability	One year	No	No
Anhui Welling Auto Parts Co., Ltd.	2020-4-30	50,000	2020-1-10	2,820	Joint liability	One year	No	No
Wuxi Little Swan General Appliance Co., Ltd.	2020-4-30	100,000	2020-2-25		- Joint liability	One year	No	No
Wuxi Little Swan Electric Co., Ltd.	2020-4-30	2,000,000	2020-1-31	8,550	Joint liability	One year	No	No
Hefei Midea Laundry Appliance Co., Ltd.	2020-4-30	1,180,000	2020-1-21	5,760	Joint liability	One year	No	No
Jiangsu Midea Cleaning Appliances Co., Ltd.	2020-4-30	90,000			- Joint liability	One year	No	No
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	2020-4-30	63,800			- Joint liability	One year	No	No
Handan Midea Air-Conditioning Equipment Co., Ltd.	2020-4-30	110,000			- Joint liability	One year	No	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	2020-4-30	180,000	2020-3-10	3,780	Joint liability	One year	No	No
Midea Intelligent Lighting & Controls Technology Co., Ltd.	2020-4-30	261,000	2020-3-11		- Joint liability	One year	No	No
Changzhou Welling Motor Manufacturing Co., Ltd.	2020-4-30	5,000			- Joint liability	One year	No	No
Huaian Welling Motor Manufacturing Co., Ltd.	2020-4-30	10,000	2020-4-24	60	Joint liability	One year	No	No
Zhejiang Meizhi Compressor Co., Ltd.	2020-4-30	3,000,000	2020-3-13	2,006,340	Joint liability	One year	No	No
Ningbo Annto Logistics Co., Ltd.	2020-4-30	10,000			- Joint liability	One year	No	No
Reis Robotics (Kunshan) Co., Ltd.	2020-4-30	120,750			- Joint liability	One year	No	No
KUKA Systems (China) CO., Ltd.	2020-4-30	245,000	2020-1-16	78,400	Joint liability	One year	No	No
KUKA Robotics Manufacturing China Co., Ltd.	2020-4-30	115,000			- Joint liability	One year	No	No
KUKA Robotics (Shanghai) Co., Ltd.	2020-4-30	115,000			- Joint liability	One year	No	No
Shanghai Swisslog Healthcare Co., Ltd.	2020-4-30	8,000			- Joint liability	One year	No	No

Swisslog (Shanghai) Co., Ltd.	2020-4-30	110,000	2020-1-13	41,750	Joint liability	One year	No	No
Shanghai Swisslog Logistics Automation Co. Ltd.	2020-4-30	60,000		-	Joint liability	One year	No	No
Midea International Corporation Company Limited	2020-4-30	11,830,000	2020-1-17	7,803,910	Joint liability	One year	No	No
Midea International Trading Company Limited	2020-4-30	2,222,430	2020-1-2	-	Joint liability	One year	No	No
Welling International Hong Kong Ltd	2020-4-30	182,000		-	Joint liability	One year	No	No
Midea Electric Trading (Singapore) Co.,Pte. Ltd.	2020-4-30	4,996,000	2020-1-3	361,400	Joint liability	One year	No	No
Toshiba Lifestyle Products & Services Corporation and its subsidiaries	2020-4-30	2,667,450	2020-1-3	582,950	Joint liability	One year	No	No
Orient Household Appliances Ltd.(Orient)	2020-4-30	120,000	2020-1-31	-	Joint liability	One year	No	No
Midea Consumer Electric Vietnam	2020-4-30	112,000		-	Joint liability	One year	No	No
Concepcion Midea Inc.	2020-4-30	112,000	2020-3-24	-	Joint liability	One year	No	No
Midea Italia S.R.L.	2020-4-30	140,000		-	Joint liability	One year	No	No
Midea Scott & English Electronics Sdn. Bhd.	2020-4-30	206,500	2020-1-30	-	Joint liability	One year	No	No
Midea Mexico, S. De R.L. De C.V.	2020-4-30	180,000	2020-3-13	-	Joint liability	One year	No	No
Midea Electric Trading (Thailand) Co.,Ltd.	2020-4-30	105,000		-	Joint liability	One year	No	No
Midea America Corp	2020-4-30	669,000	2020-2-10	-	Joint liability	One year	No	No
Pt. Midea Planet Indonesia	2020-4-30	56,000	2020-1-15	-	Joint liability	One year	No	No
Midea Electrics Egypt	2020-4-30	175,000		-	Joint liability	One year	No	No
Midea Europe Gmbh	2020-4-30	70,000		-	Joint liability	One year	No	No
Midea America (Canada) Corp	2020-4-30	70,000		-	Joint liability	One year	No	No

Servotronix Motion Control Ltd.	2020-4-30	940			- Joint liability	One year	No	No
Midea Austria Gmbh	2020-4-30	5,700			- Joint liability	One year	No	No
Clivet Spa	2020-4-30	79,300			- Joint liability	One year	No	No
Midea Electric Netherland (I)	2020-4-30	31,446,110	2020-1-1	28,856,400	Joint liability	One year	No	No
Total guarantee line for subsidiaries approved during the Reporting Period (B1)		122,364,580		Total actual guarantee amount for subsidiaries during the Reporting Period (B2)		68,421,730		
Total approved guarantee line for subsidiaries at the end of the Reporting Period (B3)		122,364,580		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)		45,827,970		
Guarantees between subsidiaries								
Guaranteed party	Disclosur e date of the guarant e line announce ment	Line of guarante e	Actual occurrence date (date of agreement signing)	Actual guarante e amount	Type of guarantee	Term of guara ntee	Due or not	Guar antee for a relate d 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)		122,364,580		Total actual guarantee amount during the Reporting Period (A2+B2+C2)		68,421,730		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		122,364,580		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		45,827,970		
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company				43.65%				
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)				36,268,090				

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)	36,268,090
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

15.2.2 Illegal provision of guarantees for external parties

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

15.3 Entrusted asset management

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

15.4 Other significant contracts

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

16. Social Responsibility

16.1 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 (unit: mg/m ³)	Pollutant discharge standards	Total discharge (ton)	Approved total discharge (ton)	Excess discharge
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd. (the Washing and Sterilizing Appliance)	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The southern side of 2# plant in the Washing and Sterilizing Appliances Park	47	The discharge limits of water pollutants in Guangdong (DB44/26-2001)	0.0821	0.228	No
	SS				29		0.0144	/	No
	BOD5				16		0.0512	/	No
	Petroleum				2.77		0.0018	/	No
	Benzene	High altitude discharge after being treated by waste gas treatment station	1	The southern side of 2# plant in the Washing and Sterilizing Appliances Park	1.0×10 ⁻²	Emission standard of volatile organic compounds for furniture manufacturing (DB44/814-2010)	0.01	/	No
	Toluene and xylene				2.13		0.0927	/	No
	VOCS				16.1		0.362	/	No

es Park)									
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd. (the Range Hood and Stove Park)	COD	Discharge to the municipal sewage system after being treated by wastewater treatment system	1	The northeastern side of 2# plant in the Third Industrial Zone	56	The discharge standard of water pollutants for electroplating in Guangdong (DB441597-2015)	0.1696	2.41	No
	SS				25		0.07	/	No
	Petroleum				0.16		0.0005	/	No
	Ammonia nitrogen				1.72		0.0089	0.45	No
	Benzene	High altitude discharge after being treated by waste gas treatment station	4	The northern and eastern sides of 2# plant in the Third Industrial Zone	1.0×10 ⁻²	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)	0.01	/	No
	Toluene and xylene				1.35		0.0338	/	No
	VOCS				25.9		0.6838	/	No
	Soot				14.5		0.0345	/	No
	Sulfur dioxide				Less than the limit of 3		0.01	0.114	No
	Nitrogen oxide				41		0.34	0.726	No
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	Western gate of the Wuhu plant	197	Integrated wastewater discharge standard (GB8978-1996)	53.2	/	No
	Ammonia nitrogen				1.34		0.4	/	No
	BOD ₅				47.4		12.8	/	No
	Petroleum				0.24		0.1	/	No
	Soot	15m high altitude discharge	45	Plants	<20	Emission standard of air pollutants for boiler (GB13271-2014)	0.641	/	No
	Sulfur dioxide				<50		0.0936	/	No

	Nitrogen oxide	High altitude discharge after being treated by waste gas treatment station			<150	Integrated emission standards for atmospheric pollutants (GB16297-1996)	0.102	/	No
	Soot				<50		2.692	/	No
	Xylene				<10		0.022	/	No
	VOCs				<20		0.0687	/	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The eastern side of 1# plant	40	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and integrated wastewater discharge standard (GB8978-1996) third-level	3.0468	/	No
	Ammonia nitrogen				0.083		0.0581	/	No
	NMHC	RTO equipment	1	1 set at the northeastern side of 3# plant	4.21	Integrated emission standards for atmospheric pollutants GB16297-1996 second-level	0.062	/	No
		Condensation + degreasing + filtering + activated carbon + catalytic combustion equipment	1	1 set at the southwestern side of 4# plant	1.85		0.027		
		Water spraying + activated carbon equipment	3	2 sets at 1# plant and 1 set at 2# plant	6.5		0.095		
		UV + activated carbon equipment	1	1 set at 2# plant	3.1		0.045		
	Particles	Filter cartridge dust collector	3	2 at 2# plant and 1 at 4# plant	30		0.225	/	No
Hefei Midea	COD	Discharge after being treated by wastewater treatment station	1	The eastern side of wastewater treatment station	60	Implementation of the takeover standards of the Western Hefei Group	10.093	58.150	No

Laundry Appliance Co., Ltd. (monitored by the municipal government)	Ammonia nitrogen			The eastern side of wastewater treatment station	8.48	wastewater treatment plant and integrated wastewater discharge standard (GB8978-1996) third-level	0.22925	/	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	<20	Integrated emission standards for atmospheric pollutants GB16297-1996 second-level	1.584	/	No
	Particles	15m high altitude discharge after being treated by water spraying + dedusting + UV photolysis + activated carbon	1	1 outlet at 3# plant	<20		0.634	/	No
	NMHC				1.28		0.0405	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	3	3 outlets at 2# plant	1.42		0.630	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	6	6 outlets at 6# plant	1.00		1.6632	/	No
	NMHC	15m high altitude discharge after being treated by low-temperature plasma	2	1 outlet at 1# plant, 1 outlet at 5# plant	2.875		0.08	/	No
	NMHC	15m high altitude discharge after being treated by photocatalyst and activated carbon	1	1 outlet at 3# plant	7.33			0.4064	/
GD Midea Air-Conditioning Equipment Co.,Ltd.	COD	Discharge after being treated by wastewater treatment station	1	The southeastern side of 4# plant	41	The discharge standard of water pollutants for electroplating (DB441597-2015) chart 2 PRD standard	4.7232	9.59	No
	Ammonia nitrogen				0.866		0.1	1.510	No
	SS				18		2.0736	/	No
	Petroleum				0.06		0.007	/	No
	COD	Discharge after being treated by	1	The eastern side of 2#	102	The discharge limits of	1.469	9.59	No

	SS	wastewater treatment station		plant	44	water pollutants (DB44/26-2001)	0.63	/	No
	LAS				0.05		0.007	/	No
	Petroleum				1.52		0.22	/	No
	VOCs (dusting)	15m high altitude discharge after being treated by spray tower + activated carbon	3	4# plant	27.3	Emission standard of volatile organic compounds for furniture manufacturing (DB44/814-2010) the second time period	2.358	5.93	No
	VOCs (screen printing)	15m high altitude discharge after being treated by green facilities	4	1#, 5#, 9#, 11# plants	2.79	Emission standard of volatile organic compounds for printing industry (DB44/815-2010)	0.08		No
	NMHC (evaporator & condenser)	15m high altitude discharge after being treated by green facilities	6	2#, 5# plants	15	Emission limits of air pollutants (DB44/27-2001) the second time period	3.888	/	No
	NMHC (electronic)	15m high altitude discharge after being treated by catalytic combustion	2	10# plant	23.6		3.398	/	No
Wuhu Maty Air-Conditioning Equipment Co., Ltd	COD	Discharge after being treated by wastewater treatment station	1	The northern side of the park	30	Integrated wastewater discharge standard (GB8978-1996) chart 4 third-level	5.4	/	No
	SS				14		2.7	/	No
	BOD				5.9		0.8	/	No
	Ammonia nitrogen				21		3.6	/	No
	Petroleum				0.12		0.02	/	No
	Particles	15m high altitude discharge after being	5	2# plant	<20	Integrated emission	0.76	/	No

		treated by green facilities				standards for atmospheric pollutants (GB16297-1996)			
	VOCs		8	2#, 3# plants	11.8	Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13-2322-2016)	5.75	/	No
	NOX		3	3# plant	19	Integrated emission	0.64	/	No
	SO ₂		3	3# plant	5	standards for atmospheric pollutants (GB16297-1996)	0.21	/	No
Guangdong Meizhi Precision-Manufacturing Co., Ltd	COD	Discharge after being treated by wastewater treatment station	1	Near the wastewater treatment station in the north side of the plant	27	The discharge limits of water pollutants in Guangdong DB-44/26-2001 the second time period first-level	7.62	19.88	No
	Ammonia nitrogen				2.12		0.615	2.21	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	42	The discharge standard of water pollutants for electroplating DB-441597-2015, before 1 September 2012	0.584	1.152	No
	Ammonia nitrogen				0.282		0.113	0.23	No
Foshan Shunde	CODcr	Discharge after being treated by wastewater treatment system and	2	Waste water treatment stations 1 and 2 of 3# plant	121	The discharge standard of water pollutants for	10.684	21.304	No
	Petroleum				0.61		0.040	/	No

Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Ammonia nitrogen	reaching the standard			6.56	electroplating (DB44/1597-2015)	0.615	4.26	No
	Toluene and xylene	High altitude discharge after being treated by waste gas treatment station	7	Waste gas sprayers 1 and 2 at 3# plant, outlets 1, 2 and 3 for waste gas from wave-soldering, painting and drying at 6# plant, outlets 1 and 2 for waste gas from reflow soldering at 6# plant	2.194	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	1.071	/	No
	VOCs	High altitude discharge after being treated by waste gas treatment station			21.025		12.479	/	No
	NMHC	High altitude discharge after being treated by waste gas treatment station	2	Outlet of injection molding waste gas in the south side of 1# plant, outlet of injection molding waste gas in the south side of 9# plant	4.19	Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Emission Limits of Air Pollutants	0.374	/	No
	Particles	Pulsed jet cloth filtering	4	Outlets 1 and 2 of sanding waste gas at 3# plant, outlets 1 and 2 of polishing waste gas at 3# plant	9.3	Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2	0.105	0.2223	No
	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	2	Oxidation wire roof of 3# plant	3		0.072	1.17	No
	Nitrogen oxide			Drying furnace of 3# plant	29		0.527	12.9827	No
	Cooking fume	Discharge after being treated by waste gas treatment station	2	South and east section canteens	0.56	Emission Standard of Cooking Fume (Trial) (GB 18483-2001)	0.040	/	No

Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	CODcr	Discharge after being treated by wastewater treatment system and reaching the standard	1	Wastewater treatment station	41	The discharge standard of water pollutants for electroplating (DB44/1597-2015)	2.030	4.8	No
	Petroleum				0.31		0.009	/	No
	ss				4		0.470	/	No
	Ammonia nitrogen				0.02		0.116	0.96	No
	Benzene	High altitude discharge after being treated by waste gas treatment station	1	Spraying waste gas outlet at 1# plant	0.01	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	0.001	/	No
	Toluene	High altitude discharge after being treated by waste gas treatment station			0.285		0.025	/	No
	Xylene	High altitude discharge after being treated by waste gas treatment station			3.2		0.234	/	No
	Toluene and xylene	High altitude discharge after being treated by waste gas treatment station			3.48		0.258	/	No
	VOCs	High altitude discharge after being treated by waste gas treatment station			26.4		2.834	/	No
	NMHC	High altitude discharge after being treated by waste gas treatment station	2	Injection molding waste gas outlet in the southern side of 2# plant, injection molding waste gas outlet in the northern side of 2# plant	2.06	Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Emission Limits of Air Pollutants	0.041	/	No
	Particles	Pulsed jet cloth filtering	2	Sanding waste gas outlet at 1# plant, polishing waste gas outlet at 1# plant	15.8	Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001): Emission	0.667	/	No
	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	1	Drying furnace at 1# plant	Not detected	Limits of Industrial Waste Gas (Time Period 2), Level	/	1.1067	No

	Nitrogen oxide	High altitude discharge after being treated by waste gas treatment station			17	2	0.061	0.1232	No
	Cooking fume	Discharge after being treated by waste gas treatment facility	1	Canteen of 1# plant	1.27	Emission Standard of Cooking Fume (Trial)（GB 18483-2001）	0.089	/	No
Anhui Meizhi Compressor Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The western side of the comprehensive wastewater treatment station	65	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and integrated wastewater discharge standard (GB8978-1996) third-level	10.8	30.708	No
	Ammonia nitrogen				0.63		0.126	1.770	No
	Particles	Collected by gas trap hood+15m high exhaust cylinder	12	No. 1 workshop welding soot discharge outlet for waste gas	<20	Integrated emission standards for atmospheric pollutants（GB16297-1996）	3.26	12.820	No
				No. 3 workshop discharge outlet for the welding waste gas	<20				
				No.2 workshop 1#Chugai furnace and 2#Chugai furnace discharge outlet for waste gas	<20	Emission standard of air pollutants for industrial kiln and furnace（GB9078-1996）			
				No.2 workshop 4#Chugai furnace and Samchully furnace discharge outlet for waste gas	<20				
		No. 4 workshop 3# Chugai	<20	Integrated emission					

				furnace discharge outlet for waste gas and die-casting molten aluminum I/J/F discharge outlet for waste gas combined with a discharge outlet		standards for atmospheric pollutants (GB16297-1996)			
				No.4 workshop BAB boiler discharge outlet for waste gas	<20	Emission standard of air pollutants for industrial kiln and furnace (GB9078-1996)			
				No.2 workshop die-casting modern aluminum A/B/C/D/E discharge outlet for waste gas	<20				
				No. 4 workshop centrifugal pouring G/H and rotor furnace combined with a discharge outlet	<20				
				Furnace 1#-3# discharge outlet for waste gas	<20	Emission standard of air pollutants for boiler (GB13271-2014)			
	Sulfur dioxide	Collected by gas trap hood+15m high exhaust cylinder	3	Furnace 1#-3# discharge outlet for waste gas	3		0.11	4.120	No
	Nitrogen oxide				27		0.96	9.000	No
	VOCs	Direct-fired waste gas incinerator+15m high exhaust cylinder	3	No.1 workshop of discharge outlet for drying waste gas	27	Integrated emission standards for atmospheric pollutants (GB16297-1996)	1.1	5.740	No
				No.3 workshop 1# discharge outlet for drying waste gas	13.5				No

				No.3 workshop 2# discharge outlet for drying waste gas	25.5				No
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	COD	Discharge to the municipal sewage system after being treated by wastewater treatment system	1	The eastern side of wastewater treatment station in Malong base	51	The discharge limits of water pollutants in Guangdong (DB-44/26-201)	5.07	22.770	No
	Ammonia nitrogen				2.7		0.31	4.554	No
	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	16.1	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)	11.81	/	No
	Sulfur dioxide				32		0.00	1.055	No
	Nitrogen oxide				7		0.05	10.314	No
	Benzene	High altitude discharge after being treated by waste gas treatment station			0.773		0.01	/	No
	Toluene and Xylene				13.8		3.61	/	No
	VOCs				47		0.00	/	No
	NMHC				18.4		2.22	/	No
	Styrene				9.34		1.08	/	No
	Cooking fume				0.78		0.04	/	No
Foshan Welling Washer Motor	Benzene	Activated carbon + UV photolysis + catalytic combustion	3	Waste gas outlet near 2# plant	0	Emission standard of volatile organic compounds for furniture manufacturing (DB44/814-2010) the second time period	0	/	No

Manufacturing Co., Ltd.	Toluene and xylene	Activated carbon + UV photolysis + catalytic combustion	3	Waste gas outlet near 2# plant	5.2	Emission standard of volatile organic compounds for furniture manufacturing (DB44/814-2010) the second time period	0.42	/	No
	VOCs	Activated carbon + UV photolysis + catalytic combustion	3	Waste gas outlet near 2# plant	18.3	Emission standard of volatile organic compounds for furniture manufacturing (DB44/814-2010) the second time period	2.34	17.83	No
Welling (Wuhu) Motor Manufacturing Co., Ltd.	Particles	Collected by gas trap hood + dust collector +15m high exhaust cylinder	2	Exhaust funnels 1 and 2 for mold injection	<20	Integrated emission standards for atmospheric pollutants (GB16297-1996)	14.4	72	No
	VOCs	Collected by gas trap hood +15m high exhaust cylinder	7	Waste gas outlets 1-7 of the die casting workshop	<20	Emission standard of air pollutants for industrial kiln and furnace (GB9078-1996)	50.4	200	No
	VOCs	Activated carbon + UV photolysis	2	Exhaust funnels 1 and 2 for dip coating	<20	Hebei Province Standard DB13/2322-2016 The Concentration Limits at Emission Reference Point for Coating Operations	14.4	36	No
	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	General wastewater outlet	25	Integrated wastewater discharge standard (GB8978-1996) chart 4 third-level	30	/	No
	Ammonia nitrogen				8		3	/	No
	BOD				5		6	/	No
	SS				1		5	/	No

	Petroleum				0.06		0.3	/	No
Anhui Meizhi Precision Manufacturing Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The south side of Building 6 for night shift at the north side of the plant area	40	Integrated wastewater discharge standard (gb8978-1996) , chart 4, level 3	16.2	42.441	No
	Ammonia nitrogen				2.34		0.9477	0.725	Yes
	BOD				15.4		6.237	11.239	No
	SS				20		8.1	13.142	No
	Petroleum				1.39		0.563	0.64	No
	Particles	Collected by gas trap hood +21m high exhaust cylinder	9	1-8# welding waste gas outlets	7.3	Integrated emission standards for atmospheric pollutants GB16297-1996, chart 2, level 2	0.9387	4.239	No
				9#-10# welding waste gas outlets	7.1				
				2# outlet of stator + rotor heat-treating furnace	0.672	Emission standard of air pollutants for industrial kiln and furnace GB9078-1996, chart 2, level 2	2.3628		No
				3# outlet of 2# stator heat-treating furnace	0.9				
				1# outlet of stator + rotor heat-treating furnace	0.7992				
				Outlet at the head of 3# stator furnace	0.3384				
				Outlets at the head of 2# stator furnace and 4# rotor furnace	0.7848				
				Outlets at the tail of 3# and 4# stator furnaces and comprehensive outlet for 4 aluminum melting furnaces	0.7704				

				Waste gas outlet of aluminum melting furnace	0.4608				
	Sulfur dioxide	Collected by gas trap hood +21m high exhaust cylinder	2	1# outlet of heat-treating furnace	3.0	Emission standard of air pollutants for industrial kiln and furnace GB9078-1996, chart 2, level 2	0.34	7.34	No
				2# outlet of heat-treating furnace	10.0				
	Nitrogen oxide	Collected by gas trap hood +21m high exhaust cylinder	3	2# outlet of stator + rotor heat-treating furnace	2.6616	Chart 1 of Hebei Province Standard—Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13/2322-2016)	3.3708	8.97	No
				3# outlet of 2# stator heat-treating furnace	1.5456				
				1# outlet of stator + rotor heat-treating furnace	2.5344				
	VOCs	Direct-fired waste gas incinerator+21m high exhaust cylinder	3	1# outlet for waste gas from drying	0.5256		1.1019	6.301	No
				9-10# outlets for waste gas from drying	25.3				
GD Midea Environment Appliances Mfg. Co.,Ltd.	VOCs	Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	2	During the screen printing process	1.37	Emission standard of volatile organic compounds for printing industry (DB44/815-2010)	0.064	0.07	No
		Dry filtering + UV + activated carbon + catalytic combustion + 15m high altitude discharge	2	Outlet for waste gas from dip coating, drying and hardening	12	Emission standards for odor pollutants (GB14554-93)	2.24	3.42	No

		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	1	During the manual welding process	0.03	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2 and Emission standards for odor pollutants (GB14554-93)	0.00002	0.009	No
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	3	During the wave soldering process (paste printing and wave reflow)	1.35	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2 and Emission standards for odor pollutants (GB14554-93)	0.042	0.086	No
	NMHC	Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	6	Exhaust funnel for waste gas from the baking and injection molding processes	2.5	Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015)	0.428	1.432	No
	Particles	Gas trap hood + water spraying + dry filtering + UV + activated carbon + 15m high altitude discharge	1	Outlet for waste gas from dusting, electrophoresis and hardening	15	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2 and Emission standards for odor pollutants (GB14554-93)	0.702	1.05	No
	Cooking fume	Water wash hood + electrostatic range hood + 15m high altitude discharge	7	Cooking fume outlet at canteen	0.3	Emission Standard of Cooking Fume (GB 18483-2001)	0.076	0.4	No

The construction of pollution prevention facilities and their operation

During the Reporting Period, all subsidiaries have strictly abided by the laws and regulations related to environment protection, and no major environmental pollution incidents occurred. All subsidiaries have set up reliable waste water and gas treatment systems. Through regular monitoring, supervision and inspection mechanisms, as well as third-party testing, it is ensured that the discharge of waste water, waste gas and solid waste during the production and operation process meets the national and local laws and regulations. There is no excessive discharge by any subsidiary, which is in compliance with the relevant requirements of the environment administrations. The specific treatments for waste water, waste gas and solid wastes are as follows:

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. Meanwhile, the rain sewage diversion system is promoted in old factories and the existing production processes are improved to reduce waste water.

B. Waste gas treatments: The waste gas from the subsidiaries is mainly the industrial waste gas and dust produced in the production process. Corresponding waste gas treatment systems have been set up for different types of waste gas. For example, waste gas from screen printing line is treated with spraying, defogging, UV photolysis and activated carbon adsorption devices, and organic waste gas from oil spray lines for metal working and plastic injection is treated with molecular sieve wheel adsorption and RCO catalytic combustion devices. Waste gas is discharged at a high altitude after emission concentration of benzene, toluene, xylene and VOCs in it is up to the Emission Limits of Air Pollutants, a local standard. Dust producing

equipment operates in a closed environment, with a fully automatic dust sucker or powder dust collector treating powder dust without discharging it outwards.

C. Prevention and control of noise pollution: Noise produced in the operating process of the main noise equipment in the production processes of various factories including punching machines, powder spray coating line, oil spray line, plastic injection machine, wire winding machine, waste water and gas treatment facilities is 60~90dB (A). The company has taken the following preventive and control measures: 1) Select environmentally friendly low noise equipment, deploy various equipment in the workshop rationally and take basic shock absorption and enclosed sound insulation measures for the equipment; 2) Ensure sound insulation by making use of factory buildings and doors and windows, and especially in the air fan room with big noise, doors and windows with good sound insulation effect are recommended being set; 3) Forestation in the factory area and on the border of projects is strengthened and green plants are set rationally there, which both beautify the environment and assist in noise adsorption and sound insulation. After taking the above noise prevention and control measures, noise in the factory area can be up to third-level standard in the Emission Standard for Industrial Enterprises noise at Boundary(GB12348-2008): $\leq 65\text{dB (A)}$ at daytime and $\leq 55\text{dB (A)}$ at nighttime.

D. 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 the subsidiaries have formulated their own environment self-monitoring plans according to China's relevant laws and regulations, , which include: 1) Waste gas pollution source monitoring: Sampling points are set at various discharge ports of waste gas for monitoring on a quarterly basis; 2) Waste water pollution source monitoring: Samples are fetched at intake and outlet ports of waste water treatment stations to monitor changes of pollution source of waste water and up-to-standard emission of waste water after being treated at the waste water treatment stations. Monitoring items include CODcr, SS and petroleum, etc. The data is uploaded to the governmental monitoring authority online and the government authority conducts real-time monitoring; 3) Noise monitoring: Noise monitoring points are set at noise sensitive points and on the border of factories. Noise is monitored once in spring and summer respectively and at daytime and at nighttime respectively each time; 4) Solid waste pollution source monitoring: Hazardous waste

produced from the subsidiaries is handed over to the units with qualifications for treatment, monitoring systems are established, and related management forms and accounts are set up. 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

16.2 Measures taken for targeted poverty alleviation

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

In the first half of 2020, Midea Group donated RMB10 million and RMB5 million respectively to Leizhou and Xuwen in Zhanjiang City to support the local industry, education, infrastructure, living environment, etc. By doing so, it has provided strong support to help lift registered impoverished households from poverty and win the battle against poverty nationwide.

During the COVID-19 pandemic, Midea Group was amongst the first companies to respond and participate in frequent support missions. It has donated medical supplies and home appliances worth approximately RMB116 million in total to Hubei Province, Guangdong Province, Shanghai, etc., making a contribution in the fight against the pandemic.

Indicator	Measurement unit	Quantity/Progress
I General information	—	—
Of which: 1. Monetary inputs	RMB'000	15,000
2. Supplies converted to cash	RMB'000	
3. Number of registered impoverished individuals that the Company has helped lift from poverty	Person	22,566
II Inputs by item	—	—
1. Poverty alleviation through industrial development	—	—
Of which: 1.1 Type of poverty alleviation projects through industrial development	—	Helping develop tourism
1.2 Number of poverty alleviation projects through industrial development	Number of project	18
1.3 Input amount to poverty alleviation projects through industrial development	RMB'000	3,995
1.4 Number of registered impoverished individuals that the Company has helped lift from poverty	Person	6,344
2. Poverty alleviation through labor migration	—	—
3. Poverty alleviation through relocation	—	—
4. Poverty alleviation through education	—	—
Of which: 4.1 Input amount for impoverished students	RMB'000	

4.2 Number of students that the Company has helped	Person	
4.3 Input amount for improving educational resources in impoverished areas	RMB'000	1,924.4
5. Poverty alleviation through improving health conditions	—	—
6. Poverty alleviation through improving environment	—	—
Of which: 6.1 Type of project	—	Improving environment
6.2 Input amount	RMB'000	160
7. Assurance of minimum living standard	—	—
8. Social assistance in poverty alleviation	—	—
Of which 8.1 Input amount for poverty alleviation in East and West China	RMB'000	400
8.2 Input amount for fixed-point poverty alleviation	RMB'000	
8.3 Input amount to poverty alleviation public welfare foundations	RMB'000	
9. Other projects	—	—
Of which 9.1 Number of projects	Number of project	43
9.2 Input amount	RMB'000	8,520.6
9.3 Number of registered impoverished individuals that the Company has helped lift from poverty	Person	17,560
III Awards received (content, level)	—	—

16.2.2 Targeted poverty alleviation plans for the coming future

In the second half of 2020, Midea Group will join hands with Xinhua News Agency, Liangshan Yi Autonomous Prefecture of Sichuan Province and other entities to organize coverage of advanced figures under the theme of “targeted poverty alleviation”. By presenting poverty alleviation achievements and the refreshed life of the localities lifted out of poverty in the coverage, the move is aimed to spread positive energy, encourage goodness among the public, as well as to boost the sense of fulfillment, happiness and the sense of pride among the public.

17. Other Significant Events

☐Applicable ☒N/A

18. Significant Events of Subsidiaries

√Applicable □N/A

Midea Group acquired, through its subsidiary GD Midea Heating & Ventilating Equipment Co., Ltd. (hereinafter referred to as “Midea Heating & Ventilating”), a controlling interest in Hiconics Eco-energy Technology Co., Ltd. (hereinafter referred to as “Hiconics”, a company listed on the ChiNext Board of the Shenzhen Stock Exchange by the stock code of 300048) by an agreement (hereinafter referred to as the “Acquisition”).

A. Parties of the Acquisition

On 25 March 2020, Midea Heating & Ventilating (the acquirer) entered into the Share Transfer Agreement with Shanghai Shangfeng Group Co., Ltd. (hereinafter referred to as “Shangfeng Group”, the controlling shareholder of Hiconics, one of the two acquirees) and Liu Jincheng (the actual controller of Hiconics, the other acquiree).

B. Number of the Target Shares of the Acquisition

A total of 208,685,418 shares (approximately 18.73% of Hiconics’s total share capital) were acquired in the Acquisition, including 197,543,645 shares from Shangfeng Group and 11,141,773 shares from Liu Jincheng.

C. Total Payment for the Acquisition

The total payment for the Acquisition was RMB742,582,087, including a payment of RMB702,935,421 to Shangfeng Group and a payment of RMB39,646,666 to Liu Jincheng.

D. Entrustment Arrangements in Respect of Voting Rights in the Acquisition

On 25 March 2020, Midea Heating & Ventilating entered into the Voting Rights Entrustment Agreement with Shangfeng Group and Ye Jinwu, which agreed to entrust the voting rights in respect of their holdings of 55,747,255 shares in Hiconics (approximately 5% of Hiconics’s total share capital) to Midea Heating & Ventilating on an irrevocable basis for a term of 18 months commencing from the settlement

date of the Acquisition.

E. Upon the Acquisition, the Company would hold, through Midea Heating & Ventilating, 208,685,418 shares in Hiconics. Taking the voting rights in respect of the 55,747,255 shares in Hiconics entrusted by Shangfeng Group and Ye Jinwu, the Company would have control over the voting rights in respect of a total of 264,432,673 shares in Hiconics (approximately 23.73% of Hiconics's total share capital). Therefore, the Company would control Hiconics in an indirect manner when the Acquisition is completed.

F. On 30 April 2020, China Securities Depository and Clearing Co., Ltd. (Shenzhen branch) issued the Confirmation of Transfer of Securities Ownership, representing the completion of the transfer of all the 208,685,418 non-restricted public shares in Hiconics in the Acquisition.

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	Others	Subtotal	Shares	Percentage (%)
1. Restricted shares	165,402,513	2.37		-13,581,382	-13,581,382	151,821,131	2.17
1.1 Shares held by the state							
1.2 Shares held by state-owned corporations							
1.3 Shares held by other domestic investors	163,369,513	2.34		-13,290,882	-13,290,882	150,078,631	2.14
Among which: Shares held by domestic corporations	2,363,601	0.03				2,363,601	0.03
Shares held by domestic individuals	161,005,912	2.31		-13,290,882	-13,290,882	147,715,030	2.11
1.4 Shares held by foreign investors	2,033,000	0.03		-290,500	-290,500	1,742,500	0.02
Among which: Shares held by foreign corporations							
Shares held by foreign individuals	2,033,000	0.03		-290,500	-290,500	1,742,500	0.02
2. Non-restricted shares	6,806,497,061	97.63	41,352,856	10,074,882	51,427,738	6,857,924,799	97.83
2.1 RMB common	6,806,497,061	97.63	41,352,856	10,074,882	51,427,738	6,857,924,799	97.83

shares							
2.2 Domestically listed foreign shares							
2.3 Overseas listed foreign shares							
2.4 Other							
3. Total shares	6,971,899,574	100.00	41,352,856	-3,506,500	37,846,356	7,009,745,930	100.00

Reasons for the changes in shares

√Applicable □N/A

a. As the conditions for the second unlocking period for the reserved restricted shares of the 2017 Restricted Share Incentive Scheme had been satisfied, the 1,340,750 restricted shares of a total of 42 eligible employees were unlocked and allowed for public trading on 19 February 2020, including 53,000 restricted shares of foreign employees.

b. As the conditions for the third unlocking period for the first phase of the 2017 Restricted Share Incentive Scheme had been satisfied, the 5,532,500 restricted shares of a total of 99 eligible employees were unlocked and allowed for public trading on 22 June 2020, including 150,000 restricted shares of foreign employees.

c. As the conditions for the first unlocking period for the first phase of the 2018 Restricted Share Incentive Scheme had been satisfied, the 3,704,125 restricted shares of a total of 231 eligible employees were unlocked and allowed for public trading on 1 July 2020, including 187,500 restricted shares of foreign employees.

d. For the reason of certain incentive receivers' departure from the Company, violation of company rules, position change, individual performance appraisal result being "substandard" or other factors, the Company repurchased and retired 679,000 shares of 16 incentive receivers under the 2017 Restricted Share Incentive Scheme on 10 March 2020, 1,586,500 shares of 33 incentive receivers under the 2018 Restricted Share Incentive Scheme, and 1,241,000 shares of 21 incentive receivers under the 2019 Restricted Share Incentive Scheme, totaling 3,506,500 restricted shares (including 125,000 restricted shares of foreign employees).

e. In H1 2020, the incentive receivers of stock options chose to exercise 41,352,856 shares, which have been registered into the Company's share capital.

f. In H1 2020, locked-up shares held by senior management increased by 502,493 shares.

Approval of share changes

☐ Applicable ☒ N/A

Transfer of share ownership

☐ Applicable ☒ N/A

Progress of any share repurchase

☒ Applicable ☐ N/A

a. The Proposal on the Plan for the Repurchase of Some Public Shares (hereinafter referred to as the "2019 Repurchase Plan") was approved at the 7th Meeting of the 3rd Board of Directors on 22 February 2019. As such, the Company was agreed to repurchase, with its own funds, no less than 60,000,000 shares and no more than 120,000,000 shares by way of centralized bidding at a price not exceeding RMB55/share within 12 months starting from the approval of the repurchase plan by the Board of Directors. All the repurchased shares would be used for the Company's equity incentive schemes and/or employee stock ownership schemes. As disclosed in the Announcement on the Expiry of the Repurchase Period & the Completion of the Implementation of the Repurchase Plan dated 22 February 2020, during the repurchase period, the Company cumulatively repurchased 62,181,122 shares by way of centralized bidding. With the highest trading price being RMB55.00/share and the lowest being RMB45.62/share, the total payment amounted to RMB3,200,329,932.45 (exclusive of trading fees). The 2019 Repurchase Plan has expired and the number of shares repurchased has reached the lower limit of the repurchase plan. Therefore, the implementation of the repurchase plan has been completed. So far, all the shares repurchased under the 2019 Repurchase Plan have been used for the Company's equity incentive schemes and/or employee stock ownership schemes.

b. The Proposal on the Plan for the Repurchase of Some Public Shares (hereinafter referred to as the "2020 Repurchase Plan") was approved at the 18th Meeting of the 3rd Board of Directors on 21 February 2020. As such, the Company was agreed to repurchase, with its own funds, no less than

40,000,000 shares and no more than 80,000,000 shares by way of centralized bidding at a price not exceeding RMB65/share within 12 months starting from the approval of the repurchase plan by the Board of Directors. All the repurchased shares would be used for the Company's equity incentive schemes and/or employee stock ownership schemes. As disclosed in the Announcement on the Share Repurchase Progress dated 5 August 2020, as of 31 July 2020, the Company had repurchased 14,265,055 shares (0.2031% of the Company's total share capital as of 27 August 2020) by way of centralized bidding. With the highest trading price being RMB54.18/share and the lowest being RMB46.30/share, the total payment amounted to RMB701,292,302.13 (exclusive of trading fees). As of the date of this Report, there are a total of 3,630,035 shares in the Company's securities account for repurchase, of which 10,635,020 shares have been transferred.

Progress of any repurchased share reduction through centralized price bidding

☐ Applicable ☒ N/A

Effects of changes in shares 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 2017 Restricted Share Incentive Scheme (first phase) ①	6,140,000	5,532,500	0	187,500	Lockup according to the Scheme	22 June 2020
Incentive receivers of	2,924,750	1,340,750	0	1,325,000	Lockup according to	19 February 2020

reserved restricted shares under 2017 Restricted Share Incentive Scheme ②					the Scheme	
Incentive receivers of 2018 Restricted Share Incentive Scheme (first phase) ③	17,094,000	3,704,125	0	12,003,375	Lockup according to the Scheme	1 July 2020
Incentive receivers of reserved restricted shares under 2018 Restricted Share Incentive Scheme ④	2,420,000	0	0	2,220,000	Lockup according to the Scheme	10 May 2021
Incentive receivers of 2019 Restricted Share Incentive Scheme ⑤	28,560,000	0	0	27,319,000	Lockup according to the Scheme	10 July 2021
Zhang Xiaoyi	273,875	0	151,056	424,931	Lockup for senior management position	-
Jiang Peng	458,475	114,525	0	343,950	Lockup for senior management position	-
Xiao Mingguang	66,250	0	153,750	220,000	Lockup for senior management position	-
Zhong Zheng	11,152	0	87,212	98,364	Lockup for senior management position	-
Hu Ziqiang	0	0	225,000	225,000	Lockup for senior management position	-
Total	57,948,502	10,691,900	617,018	44,367,120	--	--

Notes: ① 420,000 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 10 March 2020, reducing the closing restricted shares by 420,000 shares.

② 259,000 reserved restricted shares under the 2017 Restricted Share Incentive Scheme that had been granted but were still in lockup were retired on 10 March 2020, reducing the closing restricted

shares by 259,000 shares.

③ 1,386,500 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 10 March 2020, reducing the closing restricted shares by 1,386,500 shares.

④ 200,000 reserved restricted shares under the 2018 Restricted Share Incentive Scheme that had been granted but were still in lockup were retired on 10 March 2020, reducing the closing restricted shares by 200,000 shares.

⑤ 1,241,000 restricted shares for the 2019 Restricted Share Incentive Scheme that had been granted but were still in lockup were retired on 10 March 2020, reducing the closing restricted shares by 1,241,000 shares.

2. Issuance and Listing of Securities

☐Applicable ☒N/A

3. Total number of shareholders and their shareholdings

Unit: share

Total number of common shareholders at the end of the Reporting Period		184,209		Total number of preference shareholders with resumed voting rights at the period-end (if any)		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	31.56%	2,212,046,613	0	0	2,212,046,613	Pledged	215,000,000
Hong Kong Securities	Foreign corporation	17.30%	1,212,996,966	35,688,522	0	1,212,996,966		

Clearing Company Limited	on							
China Securities Finance Co., Ltd.	State-owned corporation	2.83%	198,145,134	0	0	198,145,134		
Fang Hongbo	Domestic individual	1.95%	136,990,492	0	102,742,869	34,247,623		
Canada Pension Plan Investment Board— own funds (stock exchange)	Foreign corporation	1.72%	120,379,067	0	0	120,379,067		
Central Huijin Asset Management Ltd.	State-owned corporation	1.29%	90,169,354	0	0	90,169,354		
Huang Jian	Domestic individual	1.26%	88,032,200	0	0	88,032,200		
UBS AG	Foreign corporation	0.92%	64,377,363	27,013,367	0	64,377,363		
Yuan Liquan	Domestic individual	0.75%	52,638,405	-235,165	0	52,638,405	Pledged	6,840,000
Li Jianwei	Foreign individual	0.74%	51,700,000	0	0	51,700,000		
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 Securities Clearing Company Limited	1,212,996,966	RMB common stock	1,212,996,966
China Securities Finance Co., Ltd.	198,145,134	RMB common stock	198,145,134
Canada Pension Plan Investment Board— own funds (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	88,032,200	RMB common stock	88,032,200
UBS AG	64,377,363	RMB common stock	64,377,363
Yuan Liquan	52,638,405	RMB common stock	52,638,405
Li Jianwei	51,700,000	RMB common stock	51,700,000
He Xiangjian	45,008,871	RMB common stock	45,008,871
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	He Xiangjian is the controlling shareholder of Midea Holding Co., Ltd., which makes them parties acting in concert.		
Explanation on the top 10 common shareholders participating in securities margin trading	The Company's shareholder Yuan Liquan holds 40,703,000 shares in the Company through her common securities account and 11,935,405 shares in the Company through her account of collateral securities for margin trading, representing a total holding of 52,638,405 shares in the Company.		

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 Convertible Corporate Bonds

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

Section IX 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	400,000	0	0	400,000	200,000	0	75,000
Xiao Mingguang	Vice President	Incumbent	355,000	105,000	0	460,000	200,000	0	125,000
Zhang Xiaoyi	Vice President	Incumbent	586,575	80,000	0	666,575	170,000	0	75,000
Zhong Zheng	Director of Finance	Incumbent	201,152	10,000	0	211,152	140,000	0	60,000
Total	--	--	1,542,727	195,000	0	1,737,727	710,000	0	335,000

2. Changes in Directors, Supervisors and Senior Management

√ Applicable □ N/A

Name	Office title	Type of change	Date	Reason
Li Guolin	Vice President	Appointed	2020-7-3	Senior management appointment

Section X 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 XI Financial Report

1. Auditor's Report

Have the H1 2020 financial statements been audited by a CPA firm?

☐ Yes ☒ No

The H1 2020 financial statements are unaudited by a CPA firm.

2. Financial Statements

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

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2020

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

[English translation for reference only]

ASSETS	Note	30 June 2020	31 December 2019	30 June 2020	31 December 2019
		Consolidated	Consolidated	Company	Company
Current assets					
Cash at bank and on hand	4(1)	53,027,194	70,916,841	36,101,129	52,291,056
Financial assets held for trading	4(2)	1,469,263	1,087,351	-	-
Derivative financial assets		110,454	197,412	-	-
Notes receivable	4(3)	5,666,938	4,768,520	-	-
Accounts receivable	4(4)	25,671,899	18,663,819	-	-
Receivables financing	4(6)	8,990,911	7,565,776	-	-
Advances to suppliers	4(7)	2,389,531	2,246,177	92,718	36,877
Contract assets	4(8)	3,672,104		-	
Loans and advances	4(9)	12,184,151	10,869,396	-	-
Other receivables	4(5), 17(1)	2,615,116	2,712,974	18,414,320	18,369,865
Inventories	4(10)	21,714,793	32,443,399	-	-
Current portion of non-current assets		5,869	-	-	-
Other current assets	4(11)	93,318,509	65,011,027	72,909,355	42,665,884
Total current assets		230,836,732	216,482,692	127,517,522	113,363,682
Non-current assets					
Other debt investments	4(12)	19,283,310	-	19,091,158	-
Long-term receivables	4(13)	1,115,195	1,208,079	-	-
Loans and advances	4(9)	1,245,342	790,101	-	-
Long-term equity investments	4(14), 17(2)	2,998,466	2,790,806	53,140,701	52,605,859
Other investments in equity instruments		48,020	-	-	-
Other non-current financial assets	4(15)	2,138,404	1,750,107	487,445	487,564
Investment properties		423,821	399,335	497,481	518,828
Fixed assets	4(16)	22,278,992	21,664,682	789,598	878,239
Construction in progress	4(17)	1,587,400	1,194,650	209,975	155,681
Intangible assets	4(18)	15,596,901	15,484,179	692,874	700,836
Development costs		33,239	-	-	-
Goodwill	4(19)	28,932,790	28,207,065	-	-
Long-term prepaid expenses	4(20)	1,272,302	1,267,127	108,344	123,548
Deferred tax assets	4(21)	6,300,811	5,768,993	208,783	189,888
Other non-current assets		570,939	4,947,603	3,195	4,359,507
Total non-current assets		103,825,932	85,472,727	75,229,554	60,019,950
TOTAL ASSETS		334,662,664	301,955,419	202,747,076	173,383,632

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong
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CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D)

AS AT 30 JUNE 2020

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

[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2020	31 December 2019	30 June 2020	31 December 2019
		Consolidated	Consolidated	Company	Company
Current liabilities					
Short-term borrowings	4(24)	12,997,800	5,701,838	4,999,314	4,550,064
Customer deposits and deposits from banks and other financial institutions		62,935	62,477	-	-
Derivative financial liabilities		83,471	27,100	-	-
Notes payable	4(25)	27,041,933	23,891,600	-	-
Accounts payable	4(26)	49,491,783	42,535,777	-	-
Advances from customers	4(27)	-	16,231,854	-	-
Contract liabilities	4(28)	15,325,554		-	
Employee benefits payable	4(29)	4,841,898	6,436,109	558,375	566,861
Taxes payable	4(30)	4,899,708	5,096,267	572,791	1,059,246
Other payables	4(31)	4,241,494	3,800,568	125,722,155	103,624,998
Current portion of non-current liabilities	4(32)	7,709,140	1,460,117	4,000,000	-
Other current liabilities	4(33)	49,404,154	39,074,777	10,023,728	19,539
Total current liabilities		176,099,870	144,318,484	145,876,363	109,820,708
Non-current liabilities					
Long-term borrowings	4(34)	37,136,646	41,298,377	-	4,000,000
Long-term payables		20,801	33,646	-	-
Provisions		314,938	353,269	-	-
Deferred income		785,578	617,155	-	-
Long-term employee benefits payable	4(35)	2,378,036	2,418,563	-	-
Deferred tax liabilities	4(21)	4,726,727	4,556,002	59,032	59,032
Other non-current liabilities	4(36)	837,967	863,826	-	-
Total non-current liabilities		46,200,693	50,140,838	59,032	4,059,032
Total liabilities		222,300,563	194,459,322	145,935,395	113,879,740
Shareholders' equity					
Share capital	4(37)	7,009,746	6,971,900	7,009,746	6,971,900
Capital surplus	4(39)	20,850,927	19,640,313	27,806,264	26,592,959
Less: Treasury stock	4(38)	(4,208,160)	(3,759,732)	(4,208,160)	(3,759,732)
Other comprehensive income	4(40)	(1,007,528)	(711,554)	(5,675)	1,735
General risk reserve		366,947	366,947	-	-
Surplus reserve	4(41)	6,447,658	6,447,658	6,447,658	6,447,658
Undistributed profits	4(42)	75,519,520	72,713,631	19,761,848	23,249,372
Total equity attributable to shareholders of the Company		104,979,110	101,669,163	56,811,681	59,503,892
Minority interests		7,382,991	5,826,934	-	-
Total shareholders' equity		112,362,101	107,496,097	56,811,681	59,503,892
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		334,662,664	301,955,419	202,747,076	173,383,632

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong
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MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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

[English translation for reference only]

Item	Note	For the six months ended 30 June 2020	For the six months ended 30 June 2019	For the six months ended 30 June 2020	For the six months ended 30 June 2019
		Consolidated	Consolidated	Company	Company
Total revenue		139,719,278	154,332,643	899,031	876,450
Including: Operating revenue	4(43), 17(3)	139,067,022	153,770,300	899,031	876,450
Interest income	4(44)	652,099	561,697	-	-
Fee and commission income		157	646	-	-
Total operating cost		(124,653,986)	(136,218,155)	385,840	708,863
Including: Cost of sales	4(43)	(103,523,657)	(108,441,289)	(21,392)	(24,059)
Interest expenses	4(44)	(78,092)	(105,543)	-	-
Fee and commission expenses		(5,332)	(3,671)	-	-
Taxes and surcharges	4(45)	(754,845)	(928,590)	(21,822)	(11,003)
Selling and distribution expenses	4(46)	(12,631,101)	(19,529,822)	-	-
General and administrative expenses	4(47)	(4,102,149)	(4,110,125)	(244,510)	(212,140)
Research and development expenses	4(48)	(4,410,737)	(4,534,760)	-	-
Financial income	4(49)	851,927	1,435,645	673,564	956,065
Including: Interest expenses		(637,348)	(401,129)	(879,011)	(643,784)
Interest income		1,674,669	2,088,716	1,555,529	1,594,250
Add: Other income	4(55)	580,359	661,949	123,400	143,303
Investment income	4(53), 17(4)	1,088,547	12,640	6,211,279	6,747,397
Including: Investment income from associates and joint ventures		261,136	232,596	134,639	144,453
Including: Profit or loss arising from derecognition of financial assets measured at amortised costs		-	(709)	-	-
Gains on changes in fair value	4(52)	247,700	347,862	199,470	-
Asset impairment losses	4(50)	(133,419)	(144,656)	-	-
Credit impairment losses	4(51)	(461,998)	(179,047)	(6,808)	(1,055)
Gains on disposal of assets	4(54)	(11,070)	(13,705)	140	-
Operating profit		16,375,411	18,799,531	7,812,352	8,474,958
Add: Non-operating income		108,692	150,363	9,490	30,188
Less: Non-operating expenses		(88,032)	(60,379)	(71,527)	(289)
Total profit		16,396,071	18,889,515	7,750,315	8,504,857
Less: Income tax expenses	4(56)	(2,329,061)	(2,829,592)	(115,433)	(170,074)
Net profit		14,067,010	16,059,923	7,634,882	8,334,783
(1) Classified by continuity of operations					
Net profit from continuing operations		14,067,010	16,059,923	7,634,882	8,334,783
Net profit from discontinued operations		-	-	-	-
(2) Classified by ownership of the equity					
Attributable to shareholders of the Company		13,928,295	15,187,069	7,634,882	8,334,783
Minority interests		138,715	872,854	-	-
Other comprehensive income, net of tax		(510,722)	172,153	(7,410)	6,755
Other comprehensive income attributable to shareholders of the Company, net of tax		(295,974)	134,968	(7,410)	6,755
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss		(55,359)	(78,752)	-	-
1) Changes arising from remeasurement of defined benefit plan		(55,359)	(78,752)	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss		(240,615)	213,720	(7,410)	6,755
1) Other comprehensive income that will be transferred subsequently to profit or loss under the equity method		(8,721)	(251)	(7,410)	6,755
2) Cash flow hedging reserve		79,279	34,124	-	-
3) Exchange differences on translation of foreign currency financial statements		(311,173)	179,847	-	-
Other comprehensive income attributable to minority shareholders, net of tax		(214,748)	37,185	-	-
Total comprehensive income		13,556,288	16,232,076	7,627,472	8,341,538
Attributable to shareholders of the Company		13,632,321	15,322,037	7,627,472	8,341,538
Minority interests		(76,033)	910,039	-	-
Earnings per share					
(1) Basic earnings per share	4(57)	2.01	2.32	Not applicable	Not applicable
(2) Diluted earnings per share	4(57)	2.01	2.30	Not applicable	Not applicable

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong
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MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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

[English translation for reference only]

Item	Note	For the six months ended 30 June 2020	For the six months ended 30 June 2019	For the six months ended 30 June 2020	For the six months ended 30 June 2019
		Consolidated	Consolidated	Company	Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		117,528,304	126,154,956	-	-
Net increase in customer deposits and deposits from banks and other financial institutions		458	20,415	-	-
Net decrease in deposits with the Central Bank, banks and other financial institutions		57,283	398,114	-	-
Cash received from interest, fee and commission		675,825	582,748	-	-
Refund of taxes and surcharges		3,212,805	4,048,551	-	-
Cash received relating to other operating activities	4(58)(a)	2,306,941	2,381,473	22,962,990	20,283,213
Sub-total of cash inflows		123,781,616	133,586,257	22,962,990	20,283,213
Cash paid for goods and services		(67,151,645)	(68,459,015)	-	-
Net increase in loans and advances		(1,827,796)	(3,399,771)	-	-
Net decrease in borrowings from the Central Bank		-	(80,199)	-	-
Cash paid for interest, fee and commission		(84,445)	(114,519)	-	-
Cash paid to and on behalf of employees		(14,977,605)	(13,696,292)	(14,713)	(22,076)
Payments of taxes and surcharges		(6,423,500)	(8,210,106)	(286,463)	(75,289)
Cash paid relating to other operating activities	4(58)(b)	(14,911,134)	(17,838,465)	(1,259,268)	(549,409)
Sub-total of cash outflows		(105,376,125)	(111,798,367)	(1,560,444)	(646,774)
Net cash flows from operating activities	4(58)(c)	18,405,491	21,787,890	21,402,546	19,636,439
2. Cash flows from investing activities					
Cash received from disposal of investments		57,675,750	26,879,915	42,310,300	15,451,529
Cash received from returns on investments		2,872,302	695,269	7,820,383	5,866,529
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		12,502	102,266	255	-
Net cash received from disposal of subsidiaries and other business units		7,679	-	-	-
Sub-total of cash inflows		60,568,233	27,677,450	50,130,938	21,318,058
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,060,864)	(1,931,628)	(96,957)	(74,831)
Cash paid to acquire investments		(82,911,329)	(43,598,143)	(65,660,000)	(39,801,205)
Net cash paid to acquire subsidiaries and other business units		(540,395)	(178,427)	-	-
Sub-total of cash outflows		(85,512,588)	(45,708,198)	(65,756,957)	(39,876,036)
Net cash flows from investing activities		(24,944,355)	(18,030,748)	(15,626,019)	(18,557,978)
3. Cash flows from financing activities					
Cash received from capital contributions		1,509,026	1,798,533	1,509,026	1,682,906
Including: Cash received from capital contributions by minority shareholders of subsidiaries		-	115,627	-	-
Cash received from borrowings		9,934,879	11,562,940	799,314	6,127,000
Cash received from issuance of short-term financing bonds		9,998,771	-	9,998,771	-
Cash received relating to other financing activities		5,500	-	-	-
Sub-total of cash inflows		21,448,176	13,361,473	12,307,111	7,809,906
Cash repayments of borrowings		(1,539,392)	(7,720,691)	(350,064)	(2,173,000)
Cash payments for interest expenses and distribution of dividends or profits		(11,853,774)	(10,274,437)	(11,932,163)	(9,135,083)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(162,955)	(1,314,282)	-	-
Cash payments relating to other financing activities		(1,021,859)	(2,195,034)	(936,777)	(1,992,751)
Sub-total of cash outflows		(14,415,025)	(20,190,162)	(13,219,004)	(13,300,834)
Net cash flows from financing activities		7,033,151	(6,828,689)	(911,893)	(5,490,928)
4. Effect of foreign exchange rate changes on cash and cash equivalents		76,254	16,445	-	-
5. Net increase in cash and cash equivalents		570,541	(3,055,102)	4,864,634	(4,412,467)
Add: Cash and cash equivalents at beginning of period		30,441,760	17,952,282	12,408,650	10,181,934
6. Cash and cash equivalents at end of period		31,012,301	14,897,180	17,273,284	5,769,467

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong
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MIDEA GROUP CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

[English translation for reference only]

Item	Amount in current period							Minority interests	Total shareholders' equity
	Equity attributable to shareholders of the Company								
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits		
Balance at end of prior year	6,971,900	19,640,313	(3,759,732)	(711,554)	6,447,658	366,947	72,713,631	5,826,934	107,496,097
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Balance at beginning of current year	6,971,900	19,640,313	(3,759,732)	(711,554)	6,447,658	366,947	72,713,631	5,826,934	107,496,097
Movements for current year	37,846	1,210,614	(448,428)	(295,974)	-	-	2,805,889	1,556,057	4,866,004
(1) Total comprehensive income	-	-	-	(295,974)	-	-	13,928,295	(76,033)	13,556,288
(2) Capital contribution and withdrawal by shareholders	37,846	1,178,116	(448,428)	-	-	-	-	1,627,383	2,394,917
1). Capital contribution by shareholders	41,353	1,155,872	-	-	-	-	-	-	1,197,225
2). Business combinations	-	-	-	-	-	-	-	1,604,162	1,604,162
3). Share-based payment included in shareholders' equity	-	107,597	-	-	-	-	-	40,640	148,237
4). Others	(3,507)	(85,353)	(448,428)	-	-	-	-	(17,419)	(554,707)
(3) Profit distribution	-	-	-	-	-	-	(11,122,406)	(23,828)	(11,146,234)
1). Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-
2). Appropriations to general risk reserve	-	-	-	-	-	-	-	-	-
3). Profit distribution to shareholders	-	-	-	-	-	-	(11,122,406)	(23,828)	(11,146,234)
4). Others	-	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-
1). Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-
2). Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-	-
3). Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-
4). Others	-	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-	-	-	-	-	-
1). Appropriation in current period	-	-	-	-	-	-	-	-	-
2). Utilisation in current period	-	-	-	-	-	-	-	-	-
(6) Others	-	32,498	-	-	-	-	-	28,535	61,033
Balance at end of current period	7,009,746	20,850,927	(4,208,160)	(1,007,528)	6,447,658	366,947	75,519,520	7,382,991	112,362,101
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 2020

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

[English translation for reference only]

Item	Amount in prior year								Minority interests	Total shareholders' equity
	Equity attributable to shareholders of the Company									
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	General risk reserve	Undistributed profits			
Balance at end of prior 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)	-	-	
Balance at beginning of 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	
Movements for current year	308,869	1,189,006	1,158,695	283,152	1,368,562	-	14,288,763	(3,555,467)	15,041,580	
(1) Total comprehensive income	-	-	-	283,152	-	-	24,211,222	1,130,810	25,625,184	
(2) Capital contribution and withdrawal by shareholders	308,869	1,349,542	1,158,695	-	-	-	-	(3,028,377)	(211,271)	
1). Capital contribution by shareholders	87,150	2,426,916	(57,088)	-	-	-	-	120,427	2,577,405	
2). Business combinations	-	-	-	-	-	-	-	-	-	
3). Share-based payment included in shareholders' equity	-	144,287	-	-	-	-	-	82,268	226,555	
4). Others	221,719	(1,221,661)	1,215,783	-	-	-	-	(3,231,072)	(3,015,231)	
(3) Profit distribution	-	-	-	-	1,368,562	-	(9,922,459)	(1,670,654)	(10,224,551)	
1). Appropriation to surplus reserve	-	-	-	-	1,368,562	-	(1,368,562)	-	-	
2). Appropriations to general risk reserve	-	-	-	-	-	-	-	-	-	
3). Profit distribution to shareholders	-	-	-	-	-	-	(8,553,897)	(1,670,654)	(10,224,551)	
4). Others	-	-	-	-	-	-	-	-	-	
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	
1). Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-	
2). Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-	-	
3). Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	
4). Others	-	-	-	-	-	-	-	-	-	
(5) Specific reserve	-	-	-	-	-	-	-	-	-	
1). Appropriation in current period	-	-	-	-	-	-	-	-	-	
2). Utilisation in current period	-	-	-	-	-	-	-	-	-	
(6) Others	-	(160,536)	-	-	-	-	-	12,754	(147,782)	
Balance at end of current period	6,971,900	19,640,313	(3,759,732)	(711,554)	6,447,658	366,947	72,713,631	5,826,934	107,496,097	

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong
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MIDEA GROUP CO., LTD.

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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

[English translation for reference only]

Item	Amount in current period							
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at end of prior year	6,971,900	26,592,959	(3,759,732)	1,735	-	6,447,658	23,249,372	59,503,892
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Balance at beginning of current year	6,971,900	26,592,959	(3,759,732)	1,735	-	6,447,658	23,249,372	59,503,892
Movements for current year	37,846	1,213,305	(448,428)	(7,410)	-	-	(3,487,524)	(2,692,211)
(1) Total comprehensive income	-	-	-	(7,410)	-	-	7,634,882	7,627,472
(2) Capital contribution and withdrawal by shareholders	37,846	1,213,305	(448,428)	-	-	-	-	802,723
1). Capital contribution by shareholders	41,353	1,155,872	-	-	-	-	-	1,197,225
2). Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-	-
3). Share-based payment included in shareholders' equity	-	142,786	-	-	-	-	-	142,786
4). Others	(3,507)	(85,353)	(448,428)	-	-	-	-	(537,288)
(3) Profit distribution	-	-	-	-	-	-	(11,122,406)	(11,122,406)
1). Appropriation to surplus reserve	-	-	-	-	-	-	-	-
2). Profit distribution to shareholders	-	-	-	-	-	-	(11,122,406)	(11,122,406)
3). Others	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-
1). Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-
2). Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-
3). Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-
4). Others	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-	-	-	-	-
1). Appropriation in current year	-	-	-	-	-	-	-	-
2). Utilisation in current year	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-
Balance at end of current year	7,009,746	27,806,264	(4,208,160)	(5,675)	-	6,447,658	19,761,848	56,811,681

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong
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MIDEA GROUP CO., LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

[English translation for reference only]

Item	Amount in prior year							
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at end of prior 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	-	-	-	-	-	-	-	-
Balance at beginning of current year	6,663,031	10,615,389	(4,918,427)	6,020	-	5,079,096	19,486,212	36,931,321
Movements for current year	308,869	15,977,570	1,158,695	(4,285)	-	1,368,562	3,763,160	22,572,571
(1) Total comprehensive income	-	-	-	(4,285)	-	-	13,685,619	13,681,334
(2) Capital contribution and withdrawal by shareholders	308,869	16,026,222	1,158,695	-	-	-	-	17,493,786
1). Capital contribution by shareholders	87,150	2,426,916	(57,088)	-	-	-	-	2,456,978
2). Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-	-
3). Share-based payment included in shareholders' equity	-	226,556	-	-	-	-	-	226,556
4). Others	221,719	13,372,750	1,215,783	-	-	-	-	14,810,252
(3) Profit distribution	-	-	-	-	-	1,368,562	(9,922,459)	(8,553,897)
1). Appropriation to surplus reserve	-	-	-	-	-	1,368,562	(1,368,562)	-
2). Profit distribution to shareholders	-	-	-	-	-	-	(8,553,897)	(8,553,897)
3). Others	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-
1). Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-
2). Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-
3). Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-
4). Others	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-	-	-	-	-
1). Appropriation in current year	-	-	-	-	-	-	-	-
2). Utilisation in current year	-	-	-	-	-	-	-	-
(6) Others	-	(48,652)	-	-	-	-	-	(48,652)
Balance at end of current year	6,971,900	26,592,959	(3,759,732)	1,735	-	6,447,658	23,249,372	59,503,892

Legal representative: Fang Hongbo	Principal in charge of accounting: Zhong Zheng	Head of accounting department: Chen Lihong
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MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

[English translation for reference only]

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 residential air-conditioner, central air-conditioner, heating and ventilation systems; consumer appliances centred on kitchen appliances, refrigerators, washing machines and various small appliances; robotics and automation system centred on KUKA Aktiengesellschaft (hereinafter referred to as “KUKA”) and its subsidiaries (hereinafter referred to as “KUKA Group”), and other robots business of Midea Group. Other services include service platform with Annto Logistics Technology Co., Ltd. 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 lending and borrowings, consumption credits, buyer’s credits and finance leases.

The Company was set up by the Council of Trade Unions of GD Midea Group Co. Ltd., and was registered in Market Safety Supervision Bureau of Shunde District, Foshan on 7 April 2000, with its headquarters located in 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 30 June 2020, the Company’s share capital is RMB 7,009,745,930, and the total number of shares in issue is 7,009,745,930, of which 151,821,131 are restricted tradable A shares and 6,857,924,799 are unrestricted tradable A shares.

The detailed information of major subsidiaries included in the consolidation scope in current year is set out in Notes 5 and 6. Entities newly included in the consolidation scope in current year include Media Group (Shanghai) Co., Ltd., Chongqing Midea Commercial Factoring Co., Ltd., Tianjin Annto Network Technology Co., Ltd., Western-style Electric Products Company, Hiconics Eco-Energy Technology Co., Ltd. and its subsidiaries (hereinafter “Hiconics”). Please refer to Note 5(1) and Note 5(2)(a) for details. The detailed information of subsidiaries no longer included in the consolidation scope in current year is set out in Note 5(2)(b).

These financial statements were authorised for issue by the Company’s Board of Directors on 28 August 2020.

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 measurement of expected credit loss (ECL) on accounts receivable (Note 2(9(a))), valuation method of inventory (Note 2(11)), depreciation of fixed assets and amortisation of intangible assets (Note 2(14), (17)), impairment of long-term assets (Note 2(19)) and recognition of revenue (Note 2(26)).

Critical judgements applied by the Group in determining significant accounting policies are set out in Note 2(31).

(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 (hereinafter 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”).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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

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

(1) Basis of preparation (Cont'd)

The financial statements are prepared on a going concern basis.

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

The financial statements of the Company for the six months ended 30 June 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company's financial position as at 30 June 2020 and their financial performance, cash flows and other information for the six months then ended.

(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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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

[English translation for reference only]

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. or 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 a subsidiaries' net profits and losses and comprehensive income for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to 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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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

[English translation for reference only]

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 RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into 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 the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

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

(9) Financial 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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

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)

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. 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.

(i-1) Debt investments

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, 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 mainly 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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

[English translation for reference only]

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)

(i-1) Debt investments (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.

(i-2) Equity investments

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.

In addition, a portion of investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under other investments in equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

(i-3) 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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

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)

(i -3) Derivative financial instruments (Cont'd)

Cash flow hedge

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. 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, contract assets, as well as financial guarantee contracts is recognised on the basis of ECL.

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 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.

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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)

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, receivables financing and contract assets arising from sales of goods or rendering of services in the ordinary course of business, the Group recognises the lifetime ECL provision regardless of whether there exists a significant financing component. As the contract assets are related to work in progress not invoiced, their risk characteristics are essentially the same as those of the accounts receivable of similar contracts. Therefore, the Group considers that the ECL rate of accounts receivable approximates that of the contract assets.

In case the ECL of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group divides the receivables and contract assets into certain groupings based on credit risk characteristics, then pursuant to which, calculates the ECL. Basis and provision method for determining groupings are as follows:

Notes receivable - bank acceptance notes	Bank credit risk grouping
Notes receivable - trade acceptance notes	Domestic/overseas business grouping
Accounts receivable	Domestic/overseas business grouping
Other receivables	Security deposit/guarantee payables grouping
Long-term receivables	Finance lease payable grouping
Loans and advances	Loans business grouping

The Group, on the basis of the exposure at default and the lifetime ECL rate, calculates the ECL 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.

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 ECL rate, and calculates the ECL of accounts receivable that are classified into groupings.

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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)

The Group, on the basis of the exposure at default and the 12-month or lifetime ECL rate, calculates the ECL of other receivables, loans and advances, and long-term 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 of financial assets

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.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including notes payable, accounts payable, other payables, borrowings, short-term financing bonds payable under other current liabilities, customer deposits and deposits from banks and other financial institutions, borrowings from the Central Bank, long-term payables, 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.

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

(9) Financial instruments (Cont'd)

(b) Financial liabilities (Cont'd)

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) Accounts receivable

Receivables comprise accounts receivable, other receivables, notes receivable, long-term receivables, loans and advances, etc. 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 is set out in Note 2(9)(a).

(11) Inventories

(a) Classification of inventories

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

(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.

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

(11) Inventories (Cont'd)

- (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.

(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 a joint venture and associates are accounted for using the equity method.

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

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

(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.

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

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

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

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

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

For long-term equity investments accounted for using the equity method, the Group recognises the investment gains or losses for current period 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 the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. The changes 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 capital surplus 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 in proportion to the Group's equity interest in the investees, based on which the investment gains 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, joint control, significant influence over investees

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

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

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

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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 for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

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

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

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

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

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

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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, overseas land, machinery and equipment, motor vehicles, electronic equipment and others.

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 for 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 50 years	0% - 10%	6.7% - 1.8%
Machinery and equipment	2 to 25 years	0% - 10%	50% - 3.8%
Motor vehicles	2 to 20 years	0% - 10%	50% - 4.5%
Electronic equipment and others	2 to 20 years	0% - 10%	50% - 4.5%
Overseas land	Permanent	Not applicable	Not applicable

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

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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 fixed assets that are self-owned. 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 begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(19)).

(16) Borrowing costs

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

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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 indefinite useful lives and are presented based upon the carrying amounts after deducting the provision for impairment (Note 4(18)).

(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.

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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.

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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, intangible assets with infinite useful lives 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 employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, 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.

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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 supplementary retirement benefits in addition to the mandatory social insurances provided by TLSC and KUKA (the Group's subsidiaries).

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 percentage 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 income.

(c) Termination benefits

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

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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) General risk reserve

General risk 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.

(22) Dividend distribution

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

(23) 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.

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

(23) 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.

(24) 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.

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

(24) 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 deactivation date, the final number of estimated exercisable or tradable equity instruments is consistent with the number of exercised or tradable equity instruments.

(25) 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 presented as treasury stock; the related transaction costs are included in shareholders' equity.

On the deregistration day of shares, relevant share capital and treasury stock are reversed with the difference included in capital surplus (share premium) based on actual deregistration results.

On the grant day of restricted shares, the Group recognise bank deposits when receiving subscription from the employees and measures the repurchase obligation as liability. On the day of release of restricted shares, relevant treasury stocks, liabilities and capital surplus recognised in the vesting period are reversed based on the actual vesting results.

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

(26) Revenue

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from shareholders.

Revenue for the Group's performance of contract obligations in a contract is recognised when a customer is in control of the underlying goods. Obtaining the control of the underlying goods means being able to direct the use of the goods and obtain almost all economic benefits from them.

When any of the following conditions is satisfied, the obligations are performed within a certain period of time; otherwise, at a certain point of time.

- (1) Customers obtain and consume economic benefits coming from the Group's performance of contract while the Group performs the contract;
- (2) Customers can control goods under construction during the Group's performance of contract;
- (3) Goods produced during the Group's performance of contract are irreplaceable. During the whole contract period, the Group is entitled to collect payments for those which have been accumulated up to now.

For a contract obligation performed within a certain period of time, the Group should recognise the revenue based on the progress of the performance within that period of time.

Where the progress of the performance fails to be reasonably determined, revenue should be recognised at the amount of cost incurred if it is predicted that the cost can be compensated till the progress of the obligation fulfilment can be reasonably determined.

For a contract obligation performed at a point of time, the Group should recognise the revenue when a customer is in control of the underlying goods.

(a) Sales of goods

Revenue is recognised when customer obtains the legal ownership of the goods or substantially possesses the goods, and the Group has the current right to collect the payment for the goods.

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

Revenue from domestic sales of home appliances 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.

Revenue from overseas sales of home appliances 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.

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

(26) Revenue (Cont'd)

(a) Sales of goods (Cont'd)

Revenue from sales of robotics and automation 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.

Warranties are provided in accordance with applicable laws and regulations. The Group does not provide any additional services or product quality commitments, so warranties do not incur a separate performance obligation.

(b) Rendering of services and construction

The Group provides transportation service, storage service, distribution service, installation service and automation system business and intelligent logistics integration solution. Revenue from providing the above services is recognised within a certain period of time based on the stage of completion.

Among them, the stage of completion of service is determined by the costs already incurred as a percentage of the total cost estimated. On the balance sheet date, the Group re-estimates the stage of completion to reflect the actual status of contract performance.

When the Group recognises revenue based on the stage of completion, the amount with unconditional collection right obtained by the Group is recognised as accounts receivable, and the rest is recognised as contract assets. Meanwhile, loss provision for accounts receivable and contract assets are recognised on the basis of ECLs (Note 2(9)). If the contract price received or receivable exceeds the amount for the completed service, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Contract costs include contract performance costs and contract acquisition costs. Costs incurred for rendering of services and construction are recognised as contract performance costs, which is carried forward to the cost of sales of main operations based on the stage of completion when recognising revenue. Incremental costs incurred by the Group for the acquisition of contract are recognised as the contract acquisition costs. For contract acquisition costs with the amortisation period within one year, the costs are included in the current profit or loss when incurred. For contract acquisition costs with the amortisation period beyond one year, the costs are included in the current profit or loss on the same basis as recognition of revenue from rendering of services and construction under relevant contract. If the carrying amount of the contract costs is higher than the remaining consideration expected to be obtained by rendering of the service net of the estimated cost to be incurred, the Group makes provision for impairment on the excess portion and recognises it as asset impairment losses. As at the balance sheet date, based on whether the amortisation period of the contract performance costs is more than one year when initially recognised, the amount of the Group's contract performance costs net of related provision for asset impairment is presented as inventories or other non-current assets. For contract acquisition costs with amortisation period beyond one year at the initial recognition, the amount net of related provision for asset impairment is presented as other non-current assets.

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

(26) Revenue (Cont'd)

(c) Interest income

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

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

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

(d) Dividend income

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

(e) Rental income

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

(f) Fee and commission income

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

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

(27) 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.

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 same kind of government grants are presented with the same method.

Those related to ordinary activities are recorded into operating profit while other in non-operating income and expenses.

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.

(28) 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.

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

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

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 temporary differences, deductible tax losses and tax credits can be utilised.

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 tax assets and liabilities 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.

(29) 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.

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

(30) 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.

(31) 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.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)
(32) Significant changes in accounting policies

The Ministry of Finance issued the *Circular on Revising and Issuing the "Accounting Standard for Business Enterprises No. 14 - Revenue"* (Cai Kuai [2017] No. 22) ("the new revenue standard") on 5 July 2017, and required domestic listed enterprises to implement the new revenue standard from 1 January 2020.

According to the new revenue standard, the Group and the Company recognised the cumulative effect of initial adoption of the standard as adjustment to other related items in the financial statements of 2020. The comparatives for 2019 are not restated.

- (i) Impacts of the initial implementation of the new revenue standard on 1 January 2020 are summarised as below:

The Group

Item	Carrying amount as at 31 December 2019 under the original revenue standard	Reclassification	Carrying amount as at 1 January 2020 under the new revenue standard
Contract assets		4,009,176	4,009,176
Inventories	32,443,399	(4,009,176)	28,434,223
Advances from customers	16,231,854	(16,231,854)	-
Contract liabilities		18,436,559	18,436,559
Other current liabilities	39,074,777	(2,204,705)	36,870,072

Note: Due to the implementation of the new revenue standard, the Group reclassifies relevant completed but unsettled inventories arising from provision of construction projects but not satisfying the unconditional collection rights to contract assets, and reclassifies advances from customers related to the provision of construction projects to contract liabilities; reclassifies advances from customers arising from sales of goods and provision of installation services to contract liabilities.

The Company

Item	Carrying amount as at 31 December 2019 under the original revenue standard	Reclassification	Carrying amount as at 1 January 2020 under the new revenue standard
Contract assets		-	-
Inventories	-	-	-
Advances from customers	-	-	-
Contract liabilities		-	-
Other current liabilities	19,539	-	19,539

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2 Summary of significant accounting policies and accounting estimates (Cont'd)**(32) Significant changes in accounting policies (Cont'd)**

- (ii) Adjustments to related items in the financial statements at the beginning of the year for the initial implementation of the new revenue standard from 2020 are as follows:

The Group

Line items	31 December 2019	1 January 2020	Adjustments
Assets:			
Contract assets		4,009,176	4,009,176
Inventories	32,443,399	28,434,223	(4,009,176)
Liabilities:			
Advances from customers	16,231,854	-	(16,231,854)
Contract liabilities		18,436,559	18,436,559
Other current liabilities	39,074,777	36,870,072	(2,204,705)

No other related items in the financial statements of the Group were affected by the initial adoption of this standard.

The Company

Line items	31 December 2019	1 January 2020	Adjustments
Assets:			
Contract assets		-	-
Inventories	-	-	-
Liabilities:			
Advances from customers	-	-	-
Contract liabilities		-	-
Other current liabilities	19,539	19,539	-

No other related items in the financial statements of the Company were affected by the initial adoption of this standard.

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3 Taxation

(1) Main tax category and rate

Category	Tax base	Tax rate
Enterprise income tax	Levied based on taxable income	Note (a)
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	Note (b)
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 property is subject to a 12% tax rate for the rental income.	1.2% or 12%

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

(a-1) The following subsidiaries of the Company are subject to an enterprise income tax rate of 15% in 2020 as they qualified as high-tech enterprises and obtained the *High-tech Enterprise Certificate*:

Name of taxpayer	No. of the <i>High-tech Enterprise Certificate</i>	Dates of issuance	Term of validity
Jiangsu Midea Cleaning Appliances Co., Ltd.	GR201732001675	17 November 2017	3 years
GD Midea Environment Appliances Mfg. Co., Ltd.	GR201944000430	2 December 2019	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.	GR201944004780	2 December 2019	3 years
Foshan Shunde Midea Electric Science and Technology Co., Ltd.	GR201944000317	2 December 2019	3 years
GD Midea Heating & Ventilating Equipment Co., Ltd.	GR201844008219	28 November 2018	3 years
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	GR201934001163	9 September 2019	3 years
Anhui Meizhi Precision Manufacturing Co., Ltd.	GR201834000890	24 July 2018	3 years
Guangzhou Midea Hualing Refrigerator Co., Ltd.	GR201944009238	2 December 2019	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 Welling Motor Manufacturing Co., Ltd.	GR201932010033	6 December 2019	3 years
Annto Logistics Technology Co., Ltd.	GR201834001306	24 July 2018	3 years
Wuxi Little Swan Company Limited	GR201832001394	24 October 2018	3 years
Wuxi Filin Electronics Co., Ltd.	GR201832001053	24 October 2018	3 years
Wuxi Little Swan General Appliance Co., Ltd.	GR201832001100	24 October 2018	3 years

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3 Taxation (Cont'd)

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

(a) Notes to the enterprise 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 an enterprise income tax rate of 15% in 2020 as they qualified as high-tech enterprises and obtained the *High-tech Enterprise Certificate* (Cont'd):

Name of taxpayer	No. of the <i>High-tech Enterprise Certificate</i>	Dates of issuance	Term of validity
GD 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.	GR201934000046	9 September 2019	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
Hiconics Eco-energy Technology Co., Ltd.	GR201811002361	10 September 2018	3 years
Beijing Hiconics Eco-energy Frequency Conversion Technology Co., Ltd.	GR201711003351	25 October 2017	3 years
Hiconics Drive Technology (Wuhan) Co., Ltd.	GR201842000036	15 November 2018	3 years
Wuhan Hiconics Electric Drive Technology Co., Ltd.	GR201742000247	28 November 2017	3 years
Wuhan Hiconics Power Technology Co., Ltd.	GR201942001459	15 November 2019	3 years
Changsha Sunye Electric Co., Ltd.	GR201843000432	17 October 2018	3 years
Beijing Huatairunda Energy Saving Co., Ltd.	GF201811003128	10 September 2018	3 years
Dorna Technology Co., Ltd.	GR201733002996	13 November 2017	3 years
Wuhan Happyev Technology Co., Ltd.	GR201742000995	28 November 2017	3 years

(a-2) The application for enterprise 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. The subsidiary is subject to enterprise income tax at the rate of 15% in 2020.

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[English translation for reference only]

3 Taxation (Cont'd)

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

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

- (a-3) On 28 November 2017, Luanping Huitong Photovoltaic Power Co., Ltd., a subsidiary of the Company, obtained the *Record Form for Enterprise Income Tax Preference* issued by the Luanping County Office of the State Administration of Taxation. According to Item 2 of Article 27 in the *Enterprise Income Tax Law of the People's Republic of China*, Order of the President of the People's Republic of China (No. 63), Phase II Project of the Company was subject to the preferential policy of enterprise income tax exemption from 2017 to 2019, and is subject to the preferential policy of enterprise income tax reduction of 50% from 2020 to 2022.
- (a-4) The Company's subsidiaries in Mainland China other than those mentioned in (a-1) and (a-2) are subject to enterprise income tax at the rate of 25%.
- (a-5) 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 enterprise income tax at the rate of 5% from 1 August 2008 to 31 July 2018, and subject to enterprise income tax at the rate of 5.5% from 1 August 2018 to 31 July 2023. Midea Singapore Trading Co Pte Limited, and Little Swan International (Singapore) Co., Pte. LTD., the Company's subsidiaries, are subject to enterprise income tax at the rate of 17%.
- (a-6) 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, Welling International Hong Kong Ltd, and Midea Investment (Asia) Company Limited.
- (a-7) The Company's subsidiaries in BVI and Cayman Islands are exempted from enterprise 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) Limited and Midea Investment Development Company Limited.
- (a-8) Springer Carrier Ltd., the Company's subsidiary in Brazil, is subject to Brazil enterprise income tax at the rate of 34%.
- (a-9) TLSC, the Company's subsidiary in Japan, and its subsidiaries ("TLSC Group"), are subject to Japan enterprise income tax at the rate of 33.80%.
- (a-10) Clivet S.P.A and Clivet España S.A.U. ("Clivet"), the Company's subsidiaries in Italy, are subject to Italy enterprise income tax at the rate between 20% and 31.4%.
- (a-11) KUKA Group, the Company's subsidiary in Germany, is subject to Germany enterprise income tax at the rate of 32%.
- (a-12) Servotronix Motion Control Ltd. (hereinafter referred to as "SMC"), the Company's subsidiary in Israel, is subject to Israel enterprise income tax at the rate of 23%.
- (a-13) Misr Refrigeration and Air Conditioning Manufacturing Company, S.A.E., the Company's subsidiary in Egypt, is subject to Egyptian enterprise income tax at the rate of 22.5%.

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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 Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement [2019] No. 39) issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, 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 Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement [2019] No. 39) issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, 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 the Company and certain subsidiaries is subject to easy levy of VAT at the rate of 5%.
- (b-5) Pursuant to the *Announcement on Relevant Policies for Deepening the Value-Added Tax Reform* (Announcement [2019] No. 39) issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, certain subsidiaries of the Company engaged in the production service sector, are eligible for a 10% additional VAT deduction based on deductible input VAT in the current period from 1 April 2019 to 31 December 2021.

MIDEA GROUP CO., LTD.

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4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

Item	Ending balance	Opening balance
Cash on hand	2,490	3,128
Cash at bank (a)	31,882,669	49,012,677
Other cash balances (b)	257,426	153,022
Statutory reserve deposits with the Central Bank (c)	375,866	433,149
Surplus reserve with the Central Bank	470,326	355,471
Deposits with banks and other financial institutions (d)	19,763,306	20,562,160
Accrued interest	275,111	397,234
Total	53,027,194	70,916,841
Including: Total amounts deposited with banks overseas (including Hong Kong, Singapore, Japan, Italy, Brazil, Germany, etc.)	5,527,091	5,270,085

- (a) As at 30 June 2020, cash at bank included fixed deposits with the term of over three months, amounting to RMB 21,106,490,000 (31 December 2019: RMB 39,491,676,000).
- (b) Other cash balances mainly include letters of guarantee, deposits for notes and letters 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 6% 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 2020, deposits with banks and other financial institutions included no fixed deposits with the term of over three months (31 December 2019: Nil).

(2) Financial assets held for trading

Item	Ending balance	Opening balance
Financial assets held for trading	1,469,263	1,087,351

- (a) As at 30 June 2020, financial assets held for trading are equity investments in listed companies, measured at fair value through profit or loss.

(3) Notes receivable

Item	Ending balance	Opening balance
Bank acceptance notes	5,465,726	4,768,520
Trade acceptance notes	201,212	-
Less: Provision for bad debts	-	-
Total	5,666,938	4,768,520

(a) Provision for bad debts

For notes receivable of the Group arising from sales of goods or rendering of services in the ordinary course of business, the Group recognises the lifetime ECL provision regardless of whether there exists a significant financing component. As at 30 June 2020, bad debts risk was relatively low.

MIDEA GROUP CO., LTD.

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

(4) Accounts receivable

Item	Ending balance	Opening balance
Accounts receivable	26,894,034	19,631,644
Less: Provision for bad debts	(1,222,135)	(967,825)
Total	25,671,899	18,663,819

(a) The ageing of accounts receivable is analysed as follows:

Ageing	Ending balance	Opening balance
Within 1 year	26,595,258	19,168,694
1 to 2 years	144,754	301,554
2 to 3 years	83,527	101,643
3 to 5 years	53,599	42,106
Over 5 years	16,896	17,647
Sub-total	26,894,034	19,631,644

(b) Under the new financial instruments standards, the Group measures the loss provision for accounts receivable according to the lifetime ECL.

As at 30 June 2020, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

Category	Ending balance			Reason
	Book balance	Lifetime ECL rate	Provision for bad debts	
Domestic customers	6,415	100.00%	(6,415)	The debtor encountered financial difficulties

As at 30 June 2020, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

Grouping	Ending balance		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Domestic business grouping	11,481,753	5.33%	(611,873)
Overseas business grouping	15,405,866	3.92%	(603,847)
Total	26,887,619		(1,215,720)

(c) The provision for bad debts reversed during the six months ended 30 June 2020 amounted to RMB 146,892,000.

During the six months ended 30 June 2020, 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.

(d) As at 30 June 2020, 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	2,429,204	(54,326)	9.03%

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

(5) Other receivable

Item	Ending balance	Opening balance
Other receivables	2,709,664	2,766,098
Less: Provision for bad debts	(94,548)	(53,124)
Total	2,615,116	2,712,974

- (a) Other receivables mainly include deposits, receivables related to share options, current accounts, petty cash to staff, and interest.

The ageing of other receivables is analysed as follows:

Ageing	Ending balance	Opening balance
Within 1 year	2,450,965	2,643,584
1 to 2 years	188,028	69,490
2 to 3 years	23,942	16,555
3 to 5 years	39,514	25,773
Over 5 years	7,215	10,696
Sub-total	2,709,664	2,766,098

(b) Provision for bad debts and changes in book balance statements

Item	Stage 1				Stage 3		Sub-total
	12-month ECL (Grouping)		12-month ECL (Individual)		Lifetime ECL (Credit impaired)		
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts	
1 January 2020	2,701,638	49,767	61,103	-	3,357	3,357	53,124
Transfer to stage 3	(1,201)	(59)	-	-	1,201	59	-
Net (decrease)/ increase in current year	(408,256)	1,862	189,719	-	162,103	38,448	40,310
Including: Written-off in current period	-	-	-	-	(1,688)	(1,688)	(1,688)
Derecognition	-	-	-	-	-	-	-
Differences on translation of foreign currency financial statements		1,095		-		19	1,114
30 June 2020	2,292,181	52,665	250,822	-	166,661	41,883	94,548

- (c) As at 30 June 2020, the Group's other receivables at stage 1 and stage 3 were analysed as follows:

- (i) As at 30 June 2020, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

Stage 1	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
	250,822	0%	-	Relatively low bad debt risks
Stage 3	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
	166,661	25.13%	(41,883)	The debtor encountered financial difficulties

MIDEA GROUP CO., LTD.

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

(5) Other receivables (Cont'd)

(c) As at 30 June 2020, the Group's other receivables at stage 1, stage 2 and stage 3 were analysed as follows (Cont'd):

(ii) As at 30 June 2020, other receivables for which the related provision for bad debts was provided on the grouping basis were all at Stage 1 and were analysed as follows:

Stage 1	Ending balance		
	Book balance	Provision for bad debts	
	Amount	Amount	Provision ratio
Security deposit/guarantee payables grouping	2,292,181	(52,665)	2.30%

(iii) The provision for bad debts reversed during the six months ended 30 June 2020 amounted to RMB 8,362,000.

For the six months ended 30 June 2020, no other receivables with significant amounts were written off.

(d) As at 30 June 2020, the five largest other receivables aggregated by debtors were summarised and analysed as follows:

Item	Amount	Provision for bad debts	% of total balance
Total amount of the five largest other receivables	448,657	(6,717)	16.56%

(e) As at 30 June 2020, the Group did not recognise significant government grants at amounts receivable.

(6) Receivables financing

Item	Ending balance	Opening balance
Receivables financing	8,990,911	7,565,776

The Group's receivables financing were mainly accounts receivable and bank acceptance notes transferred, discounted and endorsed for the purpose of daily treasury management and were qualified for derecognition.

No provision for bank acceptance notes was individually provided. As at 30 June 2020, the Group measured bad debts based on the lifetime ECL and expected that there was no significant credit risk associated with its bank acceptance notes and did not expect that there will be any significant losses from non-performance by these banks.

As at 30 June 2020, the Group's transferred notes receivable and accounts receivable endorsed or discounted but not matured were as follows:

Item	Derecognised	Recognised
Receivables financing	15,681,851	-

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

(7) Advances to suppliers

Item	Ending balance	Opening balance
Prepayments for raw materials and others	2,389,531	2,246,177

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

Ageing	Ending balance		Opening balance	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	2,315,186	96.88%	2,176,110	96.88%
1 to 2 years	32,931	1.38%	26,925	1.20%
2 to 3 years	16,862	0.71%	22,895	1.02%
Over 3 years	24,552	1.03%	20,247	0.90%
Total	2,389,531	100.00%	2,246,177	100.00%

As at 30 June 2020, advances to suppliers over 1 year with a carrying amount of RMB 74,345,000 (31 December 2019: RMB 70,067,000) were mainly unsettled prepayments for raw materials.

As at 30 June 2020, the five largest advances to suppliers aggregated by debtors were summarised and analysed as follows:

Item	Amount	% of total balance
Total amount of the five largest advances to suppliers	407,448	17.05%

(8) Contract assets

Item	Ending balance	Opening balance	Ending balance of prior year
Contract assets	3,723,394	4,009,176	—
Less: Provision for impairment of contract assets	(51,290)	—	—
Total	3,672,104	4,009,176	—

For contract assets, the Group measures the loss provision based on the lifetime ECLs regardless of whether there exists a significant financing component.

As at 30 June 2020, contract assets for which provision for impairment was made on grouping basis were analysed as follows:

Grouping	Ending balance		
	Book balance	Lifetime ECL rate	Provision for bad debts
Domestic business grouping	796,739	1.22%	(9,725)
Overseas business grouping	2,926,655	1.42%	(41,565)
Total	3,723,394	—	(51,290)

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

(9) Loans and advances

(a) By individual and corporation:

Item	Ending balance	Opening balance
Loans and advances measured at amortised cost		
Loans and advances to individuals	1,594,285	1,110,127
Loans and advances to corporations	12,042,730	10,708,289
Including: Loans	9,101,789	9,558,953
Discounted bills	2,940,941	1,149,336
Sub-total	13,637,015	11,818,416
Less: Provision for loan impairment	(207,522)	(158,919)
Total	13,429,493	11,659,497

As at 30 June 2020, loans and advances over 1 year amounted to RMB 1,245,342,000 (31 December 2019: RMB 790,101,000).

(b) By type of collateral held

Item	Ending balance	Opening balance
Unsecured loans	1,557,240	1,075,217
Guaranteed loans	936,067	1,476,273
Pledged loans	11,143,708	9,266,926
Sub-total	13,637,015	11,818,416
Less: Provision for loan losses	(207,522)	(158,919)
Total	13,429,493	11,659,497

(10) Inventories

(a) Inventories are summarised by categories as follows:

Item	Ending balance			Opening balance			Ending balance of prior year		
	Book balance	Provision for declines in the value of inventories	Carrying amount	Book balance	Provision for declines in the value of inventories	Carrying amount	Book balance	Provision for declines in the value of inventories	Carrying amount
Finished goods	15,017,849	(439,895)	14,577,954	22,046,730	(407,598)	21,639,132	22,046,730	(407,598)	21,639,132
Raw materials	5,427,401	(69,343)	5,358,058	5,009,197	(67,875)	4,941,322	5,009,197	(67,875)	4,941,322
Work in progress	1,484,356	-	1,484,356	1,596,042	-	1,596,042	1,596,042	-	1,596,042
Consigned processing material	245,935	-	245,935	219,542	-	219,542	219,542	-	219,542
Projects completed but unsettled	—	—	—	—	—	—	4,009,176	-	4,009,176
Others	48,490	-	48,490	38,185	-	38,185	38,185	-	38,185
Total	22,224,031	(509,238)	21,714,793	28,909,696	(475,473)	28,434,223	32,918,872	(475,473)	32,443,399

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

(10) Inventories (Cont'd)

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

Item	Opening balance	Increase of provision in current period	Decrease by reversal or write-off in current period	Differences on translation of foreign currency financial statements	Ending balance
Finished goods	407,598	115,693	(84,023)	627	439,895
Raw materials	67,875	20,959	(20,867)	1,376	69,343
Total	475,473	136,652	(104,890)	2,003	509,238

(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 written-off of provision for decline in the value of inventories for 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

(11) Other current assets

Item	Ending balance	Opening balance
Structural deposits(a)	64,328,797	60,038,855
Monetary investments	24,598,276	-
VAT input to be deducted	2,447,853	3,159,794
Prepaid expenses	951,916	875,451
Others	991,667	936,927
Total	93,318,509	65,011,027

(a) As at 30 June 2020, structural deposits represented deposits in financial institutions due within one year, mostly measured at fair value through profit or loss.

(12) Other debt investments

Item	Ending balance	Opening balance
Fair value through other comprehensive income		
- Transferable certificate of deposit	19,283,310	-
Less: Provision for impairment of other debt investments	-	-
Total	19,283,310	-

(13) Long-term receivables

Item	Ending balance	Opening balance
Long-term receivables	1,115,195	1,208,079
Less: Provision for bad debts	-	-
Total	1,115,195	1,208,079

The Group's long-term receivables are presented in net amount of finance lease receivables after offsetting the unrealised financing income.

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

(14) Long-term equity investments

Long-term equity investments are classified as follows:

Item	Ending balance	Opening balance
Investment in associates (a)	2,998,466	2,790,806
Less: Provision for impairment of long-term equity investments	-	-
Total	2,998,466	2,790,806

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

(15) Other non-current financial assets

Item	Ending balance	Opening balance
Measured at fair value		
- Equity of unlisted companies	2,138,404	1,750,107
Less: Provision for impairment of other non-current financial assets	-	-
Total	2,138,404	1,750,107

(16) Fixed assets

Item	Buildings	Overseas land	Machinery and equipment	Motor vehicles	Electronic equipment and others	Total
Cost						
Opening balance	17,900,603	1,296,493	19,702,128	707,703	4,510,738	44,117,665
Increase in current period	488,204	109,950	1,233,502	168,139	367,468	2,367,263
1) Purchase	32,640	109,950	715,062	9,560	331,653	1,198,865
2) Transfers from construction in progress	97,879	-	68,094	2,577	24,406	192,956
3) Increase by business combinations	357,685	-	450,346	156,002	11,409	975,442
Decrease in current period	(8,164)	-	(211,869)	(18,988)	(149,164)	(388,185)
1) Disposal or retirement	(8,164)	-	(211,869)	(18,988)	(149,164)	(388,185)
Differences on translation of foreign currency financial statements	(6,131)	9,704	(56,598)	(125)	(3,087)	(56,237)
Ending balance	18,374,512	1,416,147	20,667,163	856,729	4,725,955	46,040,506
Accumulated depreciation						
Opening balance	7,362,635	-	11,405,514	509,473	3,135,874	22,413,496
Increase in current period	428,074	-	821,218	47,936	355,359	1,652,587
1) Provision	428,074	-	821,218	47,936	355,359	1,652,587
Decrease in current period	(4,705)	-	(154,760)	(16,698)	(103,489)	(279,652)
1) Disposal or retirement	(4,705)	-	(154,760)	(16,698)	(103,489)	(279,652)
Differences on translation of foreign currency financial statements	(18,901)	-	(36,681)	(118)	(8,203)	(63,903)
Ending balance	7,767,103	-	12,035,291	540,593	3,379,541	23,722,528
Provision for impairment loss						
Opening balance	6,746	5,907	17,713	210	8,911	39,487
Increase in current period	-	-	1,145	-	-	1,145
1) Provision	-	-	1,145	-	-	1,145
Decrease in current period	-	-	(2,163)	-	-	(2,163)
1) Disposal or retirement	-	-	(2,163)	-	-	(2,163)
Differences on translation of foreign currency financial statements	72	160	48	8	229	517
Ending balance	6,818	6,067	16,743	218	9,140	38,986
Carrying amount at end of period	10,600,591	1,410,080	8,615,129	315,918	1,337,274	22,278,992
Carrying amount at beginning of period	10,531,222	1,290,586	8,278,901	198,020	1,365,953	21,664,682

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

(16) Fixed assets (Cont'd)

- (a) For the six months ended 30 June 2020, depreciation charged to fixed assets amounted to RMB 1,652,587,000 (for the six months ended 30 June 2019: RMB 1,659,120,000) and was recognised in full in the income statement.
- (b) As at 30 June 2020, the Company was still in the course of obtaining the ownership certificate for the fixed asset with a carrying amount of RMB 262,707,000 (31 December 2019: RMB 219,475,000).

(17) Construction in progress

(a) Movement of significant projects of construction in progress

Project name	Opening balance	Increase in current period	Transfer to fixed assets	Transfer to intangible assets	Other decrease	Differences on translation of foreign currency financial statements	Ending balance	Accumulated capitalised borrowing costs	Including: Borrowing costs capitalised in current period	Capitalisation rate in current period	Source of fund
Midea Headquarters A04 Land Parcel Project	85,493	48,737	-	-	-	-	134,230	-	-	-	Self-financing
Indian Science Park	274,429	116,656	(124,213)	-	-	(11,646)	255,226	-	-	-	Self-financing
Other projects	834,728	438,086	(68,743)	(8,043)	(4,918)	6,834	1,197,944	1,696	155	-	Loan/Self-financing
Total	1,194,650	603,479	(192,956)	(8,043)	(4,918)	(4,812)	1,587,400	1,696	155	-	

As at 30 June 2020, the Group believed that there was no need to make provision for impairment of construction in progress with the carrying amount consistent with the carrying amount; and the cost of construction in progress matched the budget amount. The projects were carried out on schedule.

MIDEA GROUP CO., LTD.

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

(18) Intangible assets

Item	Land use rights	Patents and non-patent technologies	Trademark rights	Trademark use rights	Others	Total
Cost						
Opening balance	4,655,273	2,088,792	4,993,393	2,689,087	5,021,178	19,447,723
Increase in current period	113,811	100,106	-	-	190,988	404,905
1) Purchase	-	10,316	-	-	16,064	26,380
2) Increase by business combinations	113,811	83,846	-	-	25,711	223,368
3) Others	-	5,944	-	-	149,213	155,157
Decrease in current period	-	-	-	-	(80,449)	(80,449)
1) Disposal	-	-	-	-	(80,449)	(80,449)
Differences on translation of foreign currency financial statements	877	32,932	80,016	72,256	90,574	276,655
Ending balance	4,769,961	2,221,830	5,073,409	2,761,343	5,222,291	20,048,834
Accumulated amortisation						
Opening balance	912,013	578,738	108,928	238,714	2,112,508	3,950,901
Increase in current period	45,042	62,568	16,633	30,212	350,258	504,713
1) Provision	45,042	62,568	16,633	30,212	350,258	504,713
Decrease in current period	-	-	-	-	(74,521)	(74,521)
1) Disposal	-	-	-	-	(74,521)	(74,521)
Differences on translation of foreign currency financial statements	45	12,578	582	9,174	35,455	57,834
Ending balance	957,100	653,884	126,143	278,100	2,423,700	4,438,927
Provision for impairment loss						
Opening balance	-	11,412	-	-	1,231	12,643
Increase in current period	-	-	-	-	-	-
1) Provision	-	-	-	-	-	-
Decrease in current period	-	-	-	-	-	-
1) Disposal	-	-	-	-	-	-
Differences on translation of foreign currency financial statements	-	328	-	-	35	363
Ending balance	-	11,740	-	-	1,266	13,006
Carrying amount at end of period	3,812,861	1,556,206	4,947,266	2,483,243	2,797,325	15,596,901
Carrying amount at beginning of period	3,743,260	1,498,642	4,884,465	2,450,373	2,907,439	15,484,179

(a) For the six months ended 30 June 2020, the amortisation of intangible assets amounted to RMB 504,713,000 (for the six months ended 30 June 2019: RMB 518,955,000) and was recognised in full in the income statement.

(b) As at 30 June 2020, the Group had no pending land use right certificate.

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

(19) 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
KUKA Group	22,654,173	22,240,132
TLSC Group	3,064,270	2,984,110
Little Swan	1,361,306	1,361,306
Others	2,431,466	2,173,765
Sub-total	29,493,215	28,759,313
Less: Provision for impairment	(560,425)	(552,248)
Total	28,932,790	28,207,065

(20) Long-term prepaid expenses

The long-term prepaid expenses mainly include expenses prepaid for software and project reconstruction.

(21) 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	1,625,851	453,644	1,457,853	416,248
Provision for asset impairments	1,798,340	354,878	1,489,044	291,763
Employee benefits payable	1,369,676	331,510	1,394,921	337,172
Other current liabilities	26,518,293	5,218,255	24,574,237	4,767,558
Others	6,266,522	1,514,090	6,408,056	1,484,817
Total	37,578,682	7,872,377	35,324,111	7,297,558

(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	641,758	147,625	827,153	162,129
Business combination involving enterprise not under common control	11,534,573	3,446,831	11,785,555	3,474,098
Others	11,657,317	2,703,837	9,644,666	2,448,340
Total	23,833,648	6,298,293	22,257,374	6,084,567

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

Item	Balance after offsetting at end of period	Balance after offsetting at beginning of period
Deferred tax assets	6,300,811	5,768,993
Deferred tax liabilities	4,726,727	4,556,002

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

(22) Details of provision for asset impairments

Item	31 December 2019	Changes in accounting policies	1 January 2020	Increase in current period	Decrease in current period		Differences on translation of foreign currency financial statements	30 June 2020
					Reversal	Written-off		
Provision for bad debts	1,179,868	-	1,179,868	629,789	(167,791)	(54,772)	(11,599)	1,575,495
Including: Provision for bad debts of accounts receivable	967,825	-	967,825	468,158	(146,892)	(53,084)	(13,872)	1,222,135
Provision for loan losses	158,919	-	158,919	61,140	(12,537)	-	-	207,522
Provision for bad debts of other receivables	53,124	-	53,124	50,360	(8,362)	(1,688)	1,114	94,548
Provision for impairment of contract assets	-	-	-	50,131	-	-	1,159	51,290
Provision for decline in the value of inventories	475,473	-	475,473	136,652	(4,378)	(100,512)	2,003	509,238
Provision for impairment of fixed assets	39,487	-	39,487	1,145	-	(2,163)	517	38,986
Provision for impairment of intangible assets	12,643	-	12,643	-	-	-	363	13,006
Provision for impairment of investment properties	12,576	-	12,576	-	-	-	-	12,576
Provision for impairment of goodwill	552,248	-	552,248	-	-	-	8,177	560,425
Total	2,272,295	-	2,272,295	767,586	(172,169)	(157,447)	(539)	2,709,726

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

(23) Assets with use rights restricted

As at 30 June 2020, assets with use rights restricted were as follows:

Item	Ending balance	Opening balance
Cash at bank and on hand	21,739,782	40,077,847
Accounts receivable	106,704	-
Fixed assets	464,645	-
Intangible assets	12,514	-
Total	22,323,645	40,077,847

(24) Short-term borrowings

Item	Ending balance	Opening balance
Unsecured borrowings	5,771,402	5,665,756
Guaranteed borrowings	7,096,348	36,082
Mortgage borrowings	130,050	-
Total	12,997,800	5,701,838

- (a) As at 30 June 2020, the annual interest rate range of short-term borrowings was 0.6% to 11.52% (31 December 2019: 0.57% to 9.4%).

(25) Notes payable

Item	Ending balance	Opening balance
Bank acceptance notes	27,027,043	23,891,600
Trade acceptance notes	14,890	-
Total	27,041,933	23,891,600

(26) Accounts payable

Item	Ending balance	Opening balance
Materials cost payable	45,757,359	39,528,815
Others	3,734,424	3,006,962
Total	49,491,783	42,535,777

- (a) As at 30 June 2020, accounts payable with ageing over 1 year amounted to RMB 980,952,000 (31 December 2019: RMB 886,355,000), mainly representing unsettled accounts payable for materials.

(27) Advances from customers

Item	Ending balance	Opening balance	Ending balance of prior year
Advances on sales	-	-	14,054,839
Settled but not completed	-	-	2,177,015
Total	-	-	16,231,854

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

(28) Contract liabilities

Item	Ending balance	Opening balance	Ending balance of prior year
Advances for construction projects	2,109,441	2,177,015	—
Advances on sales and services	13,216,113	16,259,544	—
Total	15,325,554	18,436,559	—

(29) Employee benefits payable

Item	Ending balance	Opening balance
Short-term employee benefits payable (a)	4,630,419	6,118,722
Others	211,479	317,387
Total	4,841,898	6,436,109

(a) Short-term employee benefits

Item	Opening balance	Increase in current period	Decrease in current period	Ending balance
Wages and salaries, bonus, allowances and subsidies	5,714,684	10,932,686	(12,440,207)	4,207,163
Staff welfare	255,901	406,999	(374,659)	288,241
Social security contributions	89,603	1,026,249	(1,040,501)	75,351
Including: Medical insurance	87,173	990,339	(1,004,179)	73,333
Work injury insurance	1,303	5,398	(5,575)	1,126
Maternity insurance	1,127	30,512	(30,747)	892
Housing funds	28,445	207,837	(213,021)	23,261
Labour union funds and employee education funds	20,361	36,641	(34,181)	22,821
Other short-term employee benefits	9,728	416,781	(412,927)	13,582
Sub-total	6,118,722	13,027,193	(14,515,496)	4,630,419

(30) Taxes payable

Item	Ending balance	Opening balance
Enterprise income tax payable	2,782,210	2,985,670
Unpaid VAT	1,184,711	900,204
Others	932,787	1,210,393
Total	4,899,708	5,096,267

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4 Notes to the consolidated financial statements (Cont'd)**(31) Other payables**

Item	Ending balance	Opening balance
Other payables	4,241,494	3,800,568

- (a) Other payables are mainly restricted share repurchase obligation, deposit and security deposit payable, reimbursed logistics expense, manufacturing equipment expense, dividend payable, etc.
- (b) As at 30 June 2020, other payables with ageing over 1 year with a carrying amount of RMB 849,207,000 (31 December 2019: RMB 765,092,000) were mainly those recognised for performing equity incentive plan and deposit and security deposit payable, which were unsettled for related projects that were uncompleted.

(32) Current portion of non-current liabilities

Item	Ending balance	Opening balance
Current portion of long-term borrowings	7,449,214	1,230,966
Current portion of long-term payables	66,670	39,426
Current portion of equity purchase payables	193,256	189,725
Total	7,709,140	1,460,117

(33) Other current liabilities

Item	Ending balance	Opening balance	Ending balance of prior year
Accrued sale rebates	28,754,755	26,175,014	26,175,014
Short-term financing bonds (a)	10,022,538	-	-
Others	10,626,861	10,695,058	12,899,763
Total	49,404,154	36,870,072	39,074,777

- (a) As at 30 June 2020, short-term financing bonds payable represented super short-term financing bonds with a total face value of RMB 10,000,000,000 issued by the Company, with a term of 90 to 240 days, and a coupon rate of 1.3% to 1.8%.

(34) Long-term borrowings

Item	Ending balance	Opening balance
Mortgage borrowings (a)	29,459,546	28,892,783
Guaranteed borrowings	7,997,605	6,569,414
Unsecured borrowings	7,101,306	7,067,146
Pledged borrowings	27,403	-
Total	44,585,860	42,529,343
Less: Current portion of mortgage borrowings	(49,396)	(39,078)
Current portion of guaranteed borrowings	(2,187,431)	-
Current portion of unsecured borrowings	(5,205,536)	(1,191,888)
Current portion of pledged borrowings	(6,851)	-
Total	37,136,646	41,298,377

- (a) As at 30 June 2020, mortgage borrowings of RMB 29,410,773,000 were pledged by 81.04% equity of KUKA Group, which was acquired by the subsidiary of the Company (31 December 2019: RMB 28,892,783,000). Interest is paid on a semi-annual basis.
- (b) As at 30 June 2020, the annual interest rate range of long-term borrowings was 0.5% to 6.83% (31 December 2019: 0.5% to 5.5%).

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

(35) Long-term employee benefits payable

Item	Ending balance	Opening balance
Supplementary retirement benefits (a)	2,230,191	2,267,015
Others	147,845	151,548
Total	2,378,036	2,418,563

(a) Supplementary retirement benefits are derived from its subsidiaries KUKA and TLSC.

(36) Other non-current liabilities

Other non-current liabilities are mainly payable for equity acquisition.

(37) Share capital

Item	Opening balance	Movements for current period				Ending balance
		Share-based payment incentive plan	Desterilisation	Repurchases and written-offs	Sub-total	
RMB-denominated ordinary shares -						
RMB-denominated ordinary shares subject to trading restriction	165,403	-	(10,075)	(3,507)	(13,582)	151,821
RMB-denominated ordinary shares not subject to trading restriction	6,806,497	41,353	10,075	-	51,428	6,857,925
Total	6,971,900	41,353	-	(3,507)	37,846	7,009,746

(38) Treasury stock

Item	Opening balance	Movements for current period		Ending balance
		Increase in current period	Decrease in current period	
Treasury stock used for share-based payment incentive plan	3,759,732	802,059	(353,631)	4,208,160
Total	3,759,732	802,059	(353,631)	4,208,160

(a) In the six months ended 30 June 2020, the Group's repurchased shares amounted to RMB 802,059,000. As at 30 June 2020, treasury stock mainly comprised restricted shares amounting to RMB 2,007,119,000 that have not met unlock condition and unallocated repurchased shares of RMB 2,201,041,000 pursuant to the employee stock ownership plans, amounting to RMB 4,208,160,000 in total.

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

(39) Capital surplus

Item	Opening balance	Increase in current period	Decrease in current period	Ending balance
Share premium (a)	15,683,499	1,693,228	(85,353)	17,291,374
Share-based payment incentive plan (b)	1,443,942	417,920	(847,679)	1,014,183
Others	2,512,872	39,626	(7,128)	2,545,370
Total	19,640,313	2,150,774	(940,160)	20,850,927

- (a) The increase in the share premium arose from the exercise of stock options and the unlocking of restricted shares, and the decrease arose from the repurchase of restricted shares.
- (b) The increase in the share-based payment incentive plan arose from equity attributable to shareholders of the parent company in the total expenses recognised as a result of the share-based payment incentive plan, and the decrease arose from the share premium transferred from the exercise of share options and the unlocking of restricted shares.

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

(40) Other comprehensive income

Item	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement				
	31 December 2019	Attributable to the parent company after tax	30 June 2020	Amount arising before income tax in 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 subsequently to profit or loss								
Changes arising from remeasurement of defined benefit plan	(92,685)	(55,359)	(148,044)	(66,663)	-	8,110	(55,359)	(3,194)
Other comprehensive income items which will be reclassified subsequently to profit or loss								
Other comprehensive income that will be transferred subsequently to profit or loss under the equity method	(65,736)	(8,721)	(74,457)	(8,721)	-	-	(8,721)	-
Effective portion of gains or losses on hedging instruments in a cash flow hedge	12,620	79,279	91,899	139,762	(13,175)	(28,228)	79,279	19,080
Differences on translation of foreign currency financial statements	(565,753)	(311,173)	(876,926)	(541,807)	-	-	(311,173)	(230,634)
Total	(711,554)	(295,974)	(1,007,528)	(477,429)	(13,175)	(20,118)	(295,974)	(214,748)

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

(41) Surplus reserve

Item	Opening balance	Increase in current period	Decrease in current period	Ending balance
Statutory surplus reserve	6,447,658	-	-	6,447,658

(42) Undistributed profits

Item	Current period	Same period of prior year
Undistributed profits at end of prior year	72,713,631	58,762,315
Changes in accounting policies	-	(337,447)
Undistributed profits at beginning of period	72,713,631	58,424,868
Add: Net profit attributable to owners of the parent company for current period	13,928,295	15,187,069
Less: Ordinary share dividends payable	(11,122,406)	(8,553,897)
Appropriation to general risk reserve	-	-
Undistributed profits at end of period	75,519,520	65,058,040

(a) Ordinary share dividends distributed in current year

In accordance with the resolution at the shareholders' meeting dated 22 May 2020, the Company distributed a cash dividend to the shareholders at RMB 1.60 per share, amounting to RMB 11,131,490,000 calculated by 6,957,181,058 issued shares against the repurchased shares. Besides, 3,507,000 repurchased shares under the restricted shares incentive plan were written off (Note 4(37)), and a cash dividend amounting to RMB 9,084,000 was cancelled for 2,218,000 shares repurchased but not written off. The actual cash dividends distributed in current year amounted to RMB 11,122,406,000.

(43) Operating revenue and cost of sales

Item	Current period	Same period of prior year
Revenue from main operations	128,394,989	143,143,028
Revenue from other operations	10,672,033	10,627,272
Sub-total	139,067,022	153,770,300

Item	Current period	Same period of prior year
Cost of sales from main operations	94,233,389	99,246,019
Cost of sales from other operations	9,290,268	9,195,270
Sub-total	103,523,657	108,441,289

(a) Revenue and cost of sales from main operations

Product or business category	Current period		Same period of prior year	
	Revenue	Cost of sales	Revenue	Cost of sales
Heating & ventilation, as well as air-conditioner	64,030,471	48,535,087	71,439,403	48,518,867
Consumer appliances	53,034,680	36,271,844	58,350,984	40,096,559
Robotics and automation system	9,523,415	7,714,140	12,023,626	9,337,888
Others	1,806,423	1,712,318	1,329,015	1,292,705
Sub-total	128,394,989	94,233,389	143,143,028	99,246,019

For the six months ended 30 June 2020, cost of sales was mainly material costs and labour costs, which accounted for over 80% of total cost of sales from main operations (The six months ended 30 June 2019: over 80%).

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

(43) Operating revenue and cost of sales (Cont'd)

(b) Revenue and cost of sales from other operations

Item	Current period		Same period of prior year	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from sales of material	9,418,740	8,902,097	9,528,368	8,934,613
Others	1,253,293	388,171	1,098,904	260,657
Sub-total	10,672,033	9,290,268	10,627,272	9,195,270

For the six months ended 30 June 2020, cost of sales from other operations was mainly material costs, which accounts for over 80% of total cost of sales from other operations (The six months ended 30 June 2019: over 80%).

(44) Interest income and interest expenses

Interest income and expenses arising from the normal course of financial business of the financial enterprise are presented as follows:

Item	Current period	Same period of prior year
Interest income from loans and advances	582,039	503,691
Including: Interest income from loans and advances to corporations and individuals	526,175	312,811
Interest income from note discounting	55,864	190,880
Interest income from deposits with banks, other financial institutions and the Central Bank	70,060	58,006
Interest income	652,099	561,697
Interest expenses	(78,092)	(105,543)

(45) Taxes and surcharges

Item	Current period	Same period of prior year
City maintenance and construction tax	320,145	400,925
Educational surcharge	235,154	292,839
Others	199,546	234,826
Total	754,845	928,590

(46) Selling and distribution expenses

Item	Current period	Same period of prior year
Selling and distribution expenses	12,631,101	19,529,822

For the six months ended 30 June 2020, selling and distribution expenses were mainly maintenance expenses, advertisement and promotion fee, transportation and storage fee, employee benefits and rental expenses, which accounted for over 70% of total selling and distribution expenses (The six months ended 30 June 2019: over 70%).

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4 Notes to the consolidated financial statements (Cont'd)
(47) General and administrative expenses

Item	Current period	Same period of prior year
General and administrative expenses	4,102,149	4,110,125

For the six months ended 30 June 2020, 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 (The six months ended 30 June 2019: over 70%).

(48) Research and development expenses

Item	Current period	Same period of prior year
Research and development expenses	4,410,737	4,534,760

For the six months ended 30 June 2020, research and development expenses were mainly employee benefits, expenses of depreciation and amortisation, trial products and material inputs expenses, which accounted for over 80% of total research and development expenses (The six months ended 30 June 2019: over 80%).

(49) Financial expenses

The Group's financial expenses, other than those arising from financial business (Note 4(44)), are presented as follows:

Item	Current period	Same period of prior year
Interest expenses	637,348	401,129
Less: Interest income	(1,674,669)	(2,088,716)
Add: Exchange gains or losses	97,209	160,162
Add: Others	88,185	91,780
Total	(851,927)	(1,435,645)

(50) Asset impairment losses

Item	Current period	Same period of prior year
Losses on decline in value of inventories and impairment losses on contract performance costs (Note 4(10))	132,274	144,461
Impairment losses on fixed assets (Note 4(16))	1,145	77
Impairment losses on intangible assets (Note 4(18))	-	118
Total	133,419	144,656

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

(51) Credit impairment losses

Item	Current period	Same period of prior year
(Reversal of)/Losses on bad debts of accounts receivable (Note 4(4))	321,266	113,158
(Reversal of)/Losses on bad debts of other receivables (Note 4(5))	41,998	10,413
(Reversal of)/Losses on contract assets (Note 4(8))	50,131	—
(Reversal of)/Losses on impairment of loans (Note 4(9))	48,603	55,476
Total	461,998	179,047

(52) Gains/(Losses) on changes in fair value

Item	Current period	Same period of prior year
Derivative financial assets and liabilities	(144,928)	513,728
Other financial assets	392,628	(165,866)
Total	247,700	347,862

(53) Investment income

Source of investment income	Current period	Same period of prior year
Investment income from wealth management products	-	78,219
Gains on disposition of derivative financial assets and liabilities	147,205	(422,174)
Investment income from associates and joint ventures	261,136	232,596
Profit or loss arising from derecognition of financial assets measured at amortised costs	-	(709)
Others	680,206	124,708
Total	1,088,547	12,640

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

(54) Gains on disposal of assets

Item	Current period	Same period of prior year
Gains on disposal of non-current assets	14,319	13,803
Losses on disposal of non-current assets	(25,389)	(27,508)
Total	(11,070)	(13,705)

(55) Other income

Item	Current period	Same period of prior year	Asset related/ Income related
Special subsidy	580,359	661,949	Income related

(56) Income tax expenses

Item	Current period	Same period of prior year
Current income tax	2,714,255	3,786,798
Deferred income tax	(385,194)	(957,206)
Total	2,329,061	2,829,592

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

(56) 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 period	Same period of prior year
Total profit	16,396,071	18,889,515
Income tax calculated at tax rate of 25%	4,099,018	4,722,379
Effect of different tax rates applicable to subsidiaries	(1,379,513)	(1,363,283)
Effect of income tax annual filing for prior periods	(49,614)	(85,020)
Income not subject to tax	(130,465)	(86,580)
Costs, expenses and losses not deductible for tax purposes	167,828	172,898
Utilisation of previous temporary differences or deductible losses not realised as deferred tax assets	(27,277)	(810)
Others	(350,916)	(529,992)
Income tax expenses	2,329,061	2,829,592

(57) 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 period	Same period of prior year
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	13,928,295	15,187,069
Less: Dividends payable to restricted shares	RMB'000	(64,930)	(23,538)
Consolidated net profit attributable to ordinary shareholders of the Company (excluding dividends payable to restricted shares)	RMB'000	13,863,365	15,163,531
Weighted average number of outstanding ordinary shares	Thousands shares	6,896,105	6,542,991
Basic earnings per share	RMB Yuan/share	2.01	2.32

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

Item	Unit	Current period	Same period of prior year
Consolidated net profit attributable to ordinary shareholders of the Company	RMB'000	13,928,295	15,187,069
Weighted average number of outstanding ordinary shares	Thousands shares	6,896,105	6,542,991
Weighted average number of ordinary shares increased from share-based payment	Thousands shares	30,868	47,639
Weighted average number of diluted outstanding ordinary shares	Thousands shares	6,926,973	6,590,630
Diluted earnings per share	RMB Yuan/share	2.01	2.30

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

(58) Notes to the cash flow statement

(a) Cash received relating to other operating activities

Item	Current period	Same period of prior year
Non-operating income	107,900	144,360
Other income	595,782	657,717
Revenue from other operations	1,170,031	1,061,576
Financial interest income	6,819	225,405
Others	426,409	292,415
Total	2,306,941	2,381,473

(b) Cash paid relating to other operating activities

Item	Current period	Same period of prior year
General and administrative expenses and research and development expenses (excluding employee benefits and taxes and surcharges)	4,500,046	4,715,126
Selling and distribution expenses (excluding employee benefits and taxes and surcharges)	9,442,152	12,234,373
Others	968,936	888,966
Total	14,911,134	17,838,465

(c) Supplementary information to the cash flow statement

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

Supplementary Information	Current period	Same period of prior year
1) Reconciliation of net profit to cash flows from operating activities:		
Net profit	14,067,010	16,059,923
Add: Provision for asset impairment	133,419	144,656
Provision for credit impairment	461,998	179,047
Depreciation and amortisation	2,503,345	2,443,803
Net loss on disposal of non-current assets	11,117	13,705
Losses on changes in fair value	(247,700)	(347,862)
Financial expenses	(920,100)	(1,352,564)
Investment income	(1,088,547)	(12,640)
Share-based payments	458,560	392,759
Decrease in deferred tax assets	(498,512)	(1,027,243)
Increase in deferred tax liabilities	117,269	139,686
Decrease in inventories	8,082,466	5,763,508
Decrease in operating receivables	(7,527,241)	(12,882,038)
Increase in operating payables	2,852,407	12,273,150
Net cash flows from operating activities	18,405,491	21,787,890
2) Net increase/(decrease) in cash and cash equivalents:		
Cash at end of period	31,012,301	14,897,180
Less: Cash at beginning of period	(30,441,760)	(17,952,282)
Net increase/(decrease) in cash and cash equivalents	570,541	(3,055,102)

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

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

(d) Composition of cash and cash equivalents

Item	Current period	Same period of prior year
Cash on hand	2,490	2,214
Deposits that can be readily drawn on demand	10,630,979	12,189,067
Other cash balances that can be readily drawn on demand	145,200	65,114
Deposits with the Central Bank that can be readily drawn on demand	470,326	255,357
Deposits with banks and other financial institutions	19,763,306	2,385,428
Cash and cash equivalents at end of period	31,012,301	14,897,180

(59) Monetary items denominated in foreign currencies

Item	30 June 2020		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand			
USD	457,842	7.0795	3,241,292
JPY	2,889,816	0.0658	190,173
HKD	110,520	0.9134	100,953
EUR	149,120	7.9610	1,187,144
BRL	137,225	1.2928	177,408
Other currencies	Not applicable	Not applicable	1,397,168
Sub-total			6,294,138
Accounts receivable			
USD	1,232,972	7.0795	8,728,825
JPY	17,833,576	0.0658	1,173,592
HKD	65,446	0.9134	59,781
EUR	415,754	7.9610	3,309,818
BRL	463,879	1.2928	599,713
Other currencies	Not applicable	Not applicable	2,896,725
Sub-total			16,768,454
Other receivables			
USD	90,925	7.0795	643,704
JPY	1,409,525	0.0658	92,758
HKD	1,317	0.9134	1,203
EUR	40,868	7.9610	325,350
BRL	166,064	1.2928	214,691
Other currencies	Not applicable	Not applicable	207,726
Sub-total			1,485,432
Total			24,548,024

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

(59) Monetary items denominated in foreign currencies (Cont'd)

(Cont'd)

Item	30 June 2020		
	Foreign currency balance	Exchange rate	RMB balance
Short-term borrowings			
JPY	2,500,000	0.0658	164,520
EUR	34,704	7.9610	276,279
BRL	84,962	1.2928	109,841
Other currencies	Not applicable	Not applicable	237,144
Sub-total			787,784
Accounts payable			
USD	269,963	7.0795	1,911,203
JPY	5,807,273	0.0658	382,165
HKD	33,182	0.9134	30,310
EUR	190,755	7.9610	1,518,601
BRL	238,938	1.2928	308,905
Other currencies	Not applicable	Not applicable	1,169,470
Sub-total			5,320,654
Other payables			
USD	13,428	7.0795	95,064
JPY	6,737,919	0.0658	443,409
HKD	13,309	0.9134	12,157
EUR	812	7.9610	6,464
Other currencies	Not applicable	Not applicable	182,515
Sub-total			739,609
Current portion of non-current liabilities			
EUR	442,332	7.9610	3,521,405
USD	10,042	7.0795	71,093
Other currencies	Not applicable	Not applicable	16,442
Sub-total			3,608,940
Long-term borrowings			
USD	146,453	7.0795	1,036,814
EUR	3,946,823	7.9610	31,420,658
JPY	69,460,005	0.0658	4,571,024
Other currencies	Not applicable	Not applicable	43,147
Sub-total			37,071,643
Total			47,528,630

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

(59) Monetary items denominated in foreign currencies (Cont'd)

(Cont'd)

Item	31 December 2019		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand			
USD	317,624	6.9762	2,215,810
JPY	5,212,777	0.0641	334,139
HKD	100,593	0.8958	90,111
EUR	180,362	7.8155	1,409,618
BRL	150,491	1.7308	260,469
VND	377,386,667	0.0003	113,216
Other currencies	Not applicable	Not applicable	1,309,279
Sub-total			5,732,642
Accounts receivable			
USD	872,897	6.9762	6,089,502
JPY	14,299,236	0.0641	916,581
HKD	24,233	0.8958	21,708
EUR	345,216	7.8155	2,698,038
BRL	578,855	1.7308	1,001,883
VND	1,233,736,667	0.0003	370,121
Other currencies	Not applicable	Not applicable	1,982,229
Sub-total			13,080,062
Other receivables			
USD	118,625	6.9762	827,551
JPY	2,392,309	0.0641	153,347
HKD	11,071	0.8958	9,917
EUR	88,187	7.8155	689,229
BRL	99,705	1.7308	172,569
Other currencies	Not applicable	Not applicable	146,583
Sub-total			1,999,196
Total			20,811,900

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

(59) Monetary items denominated in foreign currencies (Cont'd)

(Cont'd)

Item	31 December 2019		
	Foreign currency balance	Exchange rate	RMB balance
Short-term borrowings			
BRL	54,530	1.7308	94,380
EUR	159,081	7.8155	1,243,298
Other currencies	Not applicable	Not applicable	164,160
Sub-total			1,501,838
Accounts payable			
USD	230,576	6.9762	1,608,545
JPY	7,697,192	0.0641	493,390
HKD	73,082	0.8958	65,467
EUR	183,248	7.8155	1,432,176
BRL	262,096	1.7308	453,636
Other currencies	Not applicable	Not applicable	1,191,342
Sub-total			5,244,556
Other payables			
USD	31,148	6.9762	217,296
JPY	6,349,314	0.0641	406,991
HKD	73,628	0.8958	65,956
EUR	8,944	7.8155	69,899
Other currencies	Not applicable	Not applicable	105,353
Sub-total			865,495
Current portion of non-current liabilities			
USD	9,987	6.9762	69,674
EUR	176,223	7.8155	1,377,267
Other currencies	Not applicable	Not applicable	13,176
Sub-total			1,460,117
Long-term borrowings			
USD	148,000	6.9762	1,032,475
EUR	4,070,228	7.8155	31,810,870
JPY	69,444,836	0.0641	4,451,414
Other currencies	Not applicable	Not applicable	3,618
Sub-total			37,298,377
Total			46,370,383

MIDEA GROUP CO., LTD.

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5 Changes of consolidation scope

(1) Business combinations involving enterprises not under common control

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

In May 2020, the Group acquired Hiconics. The acquisition has little impact on the Group's overall financial position.

(2) Changes of consolidation scope due to other reasons

(a) Increase of consolidation scope

The Company and its wholly-owned subsidiary Foshan Midea Air-conditioning Industry Investment Co., Ltd. established Midea Group (Shanghai) Co. Ltd. in January 2020, holding 90% and 10% of the equity respectively.

The Company's wholly-owned subsidiary Foshan Shunde Midea Household Appliances Industry Co., Ltd. established Chongqing Midea Commercial Factoring Co., Ltd. in March 2020.

The Company's wholly-owned subsidiary Wuhu Annto Investment Co., Ltd. and the Company's wholly-owned subsidiary Annto Logistics Technology Co., Ltd. established Tianjin Annto Network Technology Co., Ltd. in April 2020, holding 99% and 1% of the equity respectively.

The Company and its wholly-owned subsidiary Foshan Midea Air-conditioning Industry Investment Co., Ltd. established Western-style Electric Products Company in June 2020, holding 90% and 10% of the equity respectively.

(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
Wuhu Midea Washing Appliances Trade Co., Ltd.	Deregistration	January 2020
Dongguan Kafei Electric Products CO., Ltd	Deregistration	March 2020

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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 (%)		Acquisition method
				Direct	Indirect	
GD Midea Air-Conditioning Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture and sales of air conditioner	73%	7%	Business combination involving enterprise not under common control
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture and sales of air conditioner	73%	7%	Business combination involving enterprise 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
Zhejiang Meizhi Compressor Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Manufacture of compressor	100%	-	Establishment
Hefei Hualing Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of refrigerator	75%	25%	Business combination involving enterprise not under common control
Ningbo Midea United Materials Supply Co. Ltd.	Ningbo, PRC	Ningbo, PRC	Process and sales of materials	100%	-	Business combinations involving enterprises under common control
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
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	90%	10%	Business combinations involving enterprises under common control
Wuxi Little Swan Electric Co., Ltd.	Wuxi, PRC	Wuxi, PRC	Manufacture of washing machine	100%	-	Establishment
Midea Electric Trading (Singapore) Co., Pte. Ltd.	Singapore	Singapore	Export trade	-	100%	Establishment
Midea Microfinance Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Petty loan	5%	95%	Business combination involving enterprise 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
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 combination involving enterprise not under common control
TLSC	Japan	Japan	Manufacture of home appliances	-	100%	Business combination involving enterprise not under common control
KUKA	Germany	Germany	Manufacture and sales of robots	-	95%	Business combination involving enterprise not under common control
Midea Commercial Factoring Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Factoring	-	100%	Establishment

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6 Interests in other entities (Cont'd)**(2) Interest 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 period	Same period of prior year
Aggregated carrying amount of investments	2,998,466	2,619,985
Aggregate of the following items in proportion		
Net profit (i)	261,136	232,596
Other comprehensive income (i)	(8,721)	(251)
Total comprehensive income	252,415	232,345

- (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
- Robotics and automation 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, business taxes and surcharges, selling and distribution expenses, general and administrative expenses, research and development expenses and financial expenses.

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8 Segment reporting

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

Segment information as at and for the six months ended 30 June 2020 is as follows:

Item	Current period					Total
	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Elimination	
Revenue from external customers	72,226,513	55,444,326	9,566,800	2,481,639	-	139,719,278
Inter-segment revenue	1,106,271	131,504	69,473	3,854,479	(5,161,727)	-
Operating expenses	(65,461,208)	(48,664,573)	(10,395,446)	(5,299,952)	5,167,193	(124,653,986)
Segment profit	7,871,576	6,911,257	(759,173)	1,036,166	5,466	15,065,292
Other profit or loss						1,330,779
Total profit						16,396,071
Total assets	136,165,971	119,403,019	35,643,752	160,618,342	(117,168,420)	334,662,664
Total liabilities	95,110,168	86,527,001	25,342,328	142,206,904	(126,885,838)	222,300,563
Long-term equity investments in associates and joint ventures	348,022	101,184	83,959	2,465,301	-	2,998,466
Investment income from associates and joint ventures	83,347	3,413	(11,786)	186,162	-	261,136
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	1,009,325	822,837	1,615,944	150,978	-	3,599,084
Losses on/(Reversal of) asset impairment	30,949	82,862	18,861	747	-	133,419
Losses on/(Reversal of) credit impairment	165,412	54,730	79,298	186,826	(24,268)	461,998
Depreciation and amortisation	880,664	818,324	514,688	289,669	-	2,503,345

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8 Segment reporting (Cont'd)

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

Segment information as at and for the six months ended 30 June 2019 is as follows:

Item	Same period of prior year					Total
	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Elimination	
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

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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 other than 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, Brazil, etc.) are as follows:

Revenue from external customers	Current period	Same period of prior year
Domestic	77,885,398	92,226,461
In other countries/geographical areas	61,833,880	62,106,182
Total	139,719,278	154,332,643

Total non-current assets	Current period	Same period of prior year
Domestic	23,375,157	22,478,988
In other countries/geographical areas	18,283,578	18,488,441
Total	41,658,735	40,967,429

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	At end of period			At beginning of period		
	Shareholding (%)		Voting rights (%)	Shareholding (%)		Voting rights (%)
	Direct	Indirect		Direct	Indirect	
Midea Holding Co., Ltd.	31.56%	-	31.56%	31.73%	-	31.73%

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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) Information of other related parties

Name of other related parties	Relationship
GuangDong Wellkey Electric Material Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholder
Anhui Wellkey Electric Material Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholder
Infore Material-Tech Corp.	Under the common control of the direct relatives of the Company's ultimate controlling shareholder
Orinko Advanced Plastics Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholder
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Under the common control of the Company's ultimate controlling shareholder
Foshan Micro Midea Filter Mfg. Co., Ltd.	Associates of the Company
Guangdong Shunde Rural Commercial Bank Co., Ltd.	Associates of the Company
Changsha Weikang Power Technology Co., Ltd.	Associated enterprise of the Company's holding subsidiary

(4) Information of related party transactions

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

(a) Purchase of goods:

Related parties	Content of related party transactions	Pricing policies of related party transactions	Current period	Same period of prior year
Orinko Advanced Plastics Co., Ltd.	Purchase of goods	Agreed price	518,566	684,725
GuangDong Wellkey Electric Material Co., Ltd.	Purchase of goods	Agreed price	380,731	449,341
Foshan Micro Midea Filter Mfg. Co., Ltd.	Purchase of goods	Agreed price	132,510	136,125
Anhui Wellkey Electric Material Co., Ltd.	Purchase of goods	Agreed price	125,375	159,781
Total			1,157,182	1,429,972

(b) Selling of goods:

Related parties	Content of related party transactions	Pricing policies of related party transactions	Current period	Same period of prior year
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Selling of goods	Agreed price	74,206	30,481

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9 Related parties and significant related party transactions (Cont'd)

(5) Receivables from and payables to related parties

Receivables from related parties:

Items	Related parties	Ending balance	Opening balance
Cash at bank and on hand	Guangdong Shunde Rural Commercial Bank Co., Ltd.	3,789,151	3,058,300
Other receivable	Changsha Weikang Power Technology Co., Ltd.	38,018	-
Sub-total		3,827,169	3,058,300

Payables to related parties:

Items	Related parties	Ending balance	Opening balance
Accounts payable	GuangDong Wellkey Electric Material Co., Ltd.	149,594	201,956
	Foshan Micro Midea Filter Mfg. Co., Ltd.	57,791	68,258
	Orinko Advanced Plastics Co., Ltd.	122,008	80,121
	Anhui Wellkey Electric Material Co., Ltd.	46,516	60,373
	Sub-total	375,909	410,708
Notes payable	GuangDong Wellkey Electric Material Co., Ltd.	33,492	-
Total		409,401	410,708

10 Share-based payment

(1) Share option incentive plan

- (a) Pursuant to the seventh share option incentive plan (the "Seventh Share Option Incentive Plan") approved at the 2019 annual shareholders' meeting in 2020, the Company granted 65,180,000 share options with exercise price of RMB 50.43 to 1,423 employees. Under the circumstance that the Company meets expected performance, 1/3 of the total share options granted will become effective after 1 year, 2 years and 3 years respectively since 5 June 2020. The completion of the registration of share options granted under this plan is 8 July 2020.

Determination method for fair value of share options at the grant date

Exercise price of options:	RMB 50.43
Effective period of options:	4 years
Current price of underlying shares:	RMB 58.95
Estimated fluctuation rate of share price:	35.67%
Estimated dividend rate:	3.13%
Risk-free interest rate within effective period of options:	2.06%

The fair value of the Seventh Share Option Incentive Plan calculated pursuant to the above parameters is: RMB 1,001,164,000.

(b) Movements in share options during the six months ended 30 June 2020

Item	For the six months ended 30 June 2020 (Share in thousands)	For the six months ended 30 June 2019 (Share in thousands)
Share options issued at beginning of year	182,905	229,836
Share options granted during current period	-	51,880
Share options exercised during current period	(41,353)	(51,733)
Share options lapsed during current period	(16,051)	(8,916)
Share options issued at end of period	125,501	221,067

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10 Share-based payment (Cont'd)**(1) Share option incentive plan (Cont'd)****(b) Movements in share options during the six months ended 30 June 2020 (Cont'd)**

As at 30 June 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 29 May 2025.

(2) Restricted share plan

- (a) Pursuant to the restricted shares incentive plan for 2020 approved at the 2019 annual shareholders' meeting in 2020 (the "Restricted Shares Incentive Plan for 2020"), the Company granted 34,180,000 restricted shares with exercise price of RMB 24.42 to 520 employees. Under the circumstance that the Company meets expected performance, 1/3 of the total restricted shares granted will be unlocked after 1 year, 2 years and 3 years respectively, since 5 June 2020. The listing date for the granted restricted shares of this plan is 14 July 2020.

(b) Movements in restricted shares during the six months ended 30 June 2020

Item	For the six months ended 30 June 2020 (Share in thousands)	For the six months ended 30 June 2019 (Share in thousands)
Restricted shares issued at beginning of year	57,139	40,185
Restricted shares granted during current period	-	30,980
Restricted shares unlocked during current period	(10,577)	(7,193)
Restricted shares lapsed during current period	(3,507)	(6,833)
Restricted shares issued at end of period	43,055	57,139

- (3) The total expenses due to the above share-based payment incentive plan for the six months ended 30 June 2020, were RMB 458,560,000. As at 30 June 2020, the balance relating to the share-based payment incentive and accrued from capital surplus was RMB 1,106,156,000.

11 Contingencies

As at 30 June 2020, the amount in tax disputes involving Brazilian subsidiary with 51% interests held by the Company is about BRL 669 million (equivalent to RMB 865 million) (Some cases have lasted for more than 10 years. The above amount includes the principal and interest). As at 30 June 2020, 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 203 million). With reference to judgements of third-party attorneys, that the probability of losing lawsuits and making compensation is small, and expects no significant risk of tax violation .

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12 Commitments

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

13 Events after the balance sheet date

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, method of risk measurement, etc.

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

(1) Market risk

(a) Foreign exchange risk

The Group mainly operates in China, Europe, America, Asia, South America 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 2020, the Group's long-term interest bearing borrowings at floating rates amounting to RMB 992,349,000 (31 December 2019: RMB 971,090,000) (Note 4(34)).

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.

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14 Financial risk (Cont'd)

(1) Market risk (Cont'd)

(c) Other price risk

The Group's other price risk arises mainly from financial assets held for trading (Note 4(2)) and other non-current financial assets (Note 4(15)) measured at fair value. As at 30 June 2020, if expected price of the investments held by the Group fluctuated, the Group's gains or losses on changes in fair value would be affected accordingly.

(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, contract assets, other debt investments and derivative financial assets at fair value through profit or loss that are not included in the impairment assessment scope. As at the balance sheet date, the carrying amount of the Group's financial assets represented the Group's maximum exposure to credit risk, and no guarantee was provided that would expose the Group to 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, contract assets, monetary investments in other current assets, structural deposits and other debt investments. 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 30 June 2020, monetary assets held by the Group, including cash at bank and on hand, notes receivable, notes receivable included in loans and advances, discounted assets, notes receivable included in receivables financing and structural deposits, monetary investments and other debt investments included in other current assets amounted to RMB 177,892,421,000.

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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 2020					
Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings (including interest)	13,150,335	-	-	-	13,150,335
Customer deposits and deposits from banks and other financial institutions	62,935	-	-	-	62,935
Notes payable	27,041,933	-	-	-	27,041,933
Accounts payable	49,491,783	-	-	-	49,491,783
Other payables	4,241,494	-	-	-	4,241,494
Derivative financial liabilities	83,471	-	-	-	83,471
Other current liabilities (including interest)	20,703,361	-	-	-	20,703,361
Current portion of non-current liabilities (including interest)	7,830,700	-	-	-	7,830,700
Long-term borrowings (including interest)	350,032	1,085,871	36,428,221	-	37,864,124
Long-term payable	-	16,411	4,390	-	20,801
Other non-current liabilities	-	-	837,967	-	837,967
Sub-total	122,956,044	1,102,282	37,270,578	-	161,328,904

31 December 2019					
Ending balance	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings (including interest)	5,840,214	-	-	-	5,840,214
Customer deposits and deposits from banks and other financial institutions	62,521	-	-	-	62,521
Notes payable	23,891,600	-	-	-	23,891,600
Accounts payable	42,535,777	-	-	-	42,535,777
Other payables	3,800,568	-	-	-	3,800,568
Derivative financial liabilities	27,100	-	-	-	27,100
Other current liabilities	12,899,763	-	-	-	12,899,763
Current portion of non-current liabilities (including interest)	1,471,468	-	-	-	1,471,468
Long-term borrowings (including interest)	512,262	4,425,755	37,467,552	-	42,405,569
Long-term payables	-	29,256	4,390	-	33,646
Other non-current liabilities	-	-	863,826	-	863,826
Sub-total	91,041,273	4,455,011	38,335,768	-	133,832,052

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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.

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

As at 30 June 2020, the assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

Item	Fair value at end of period			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value -				
Financial assets held for trading	1,469,263	-	-	1,469,263
Derivative financial assets	-	110,454	-	110,454
Receivables financing	-	8,990,911	-	8,990,911
Other current assets – hedging instruments	-	168,942	-	168,942
Structural deposits	-	53,684,822	-	53,684,822
Other debt investments	-	19,283,310	-	19,283,310
Other equity investments	-	-	48,020	48,020
Other non-current financial assets	-	-	2,138,404	2,138,404
Total assets	1,469,263	82,238,439	2,186,424	85,894,126
Financial liabilities measured at fair value -				
Derivative financial liabilities	-	83,471	-	83,471
Other financial liabilities – hedging instruments	-	47,833	-	47,833
Total liabilities	-	131,304	-	131,304

As at 31 December 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 beginning of year			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value -				
Financial assets held for trading	1,087,351	-	-	1,087,351
Derivative financial assets	-	197,412	-	197,412
Receivables financing	-	7,565,776	-	7,565,776
Other current assets – hedging instruments	-	98,572	-	98,572
Structural deposits	-	50,557,518	-	50,557,518
Other non-current financial assets	-	-	1,750,107	1,750,107
Total assets	1,087,351	58,419,278	1,750,107	61,256,736
Financial liabilities measured at fair value -				
Derivative financial liabilities	-	27,100	-	27,100
Other financial liabilities – hedging instruments	-	32	-	32
Total liabilities	-	27,132	-	27,132

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.

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15 Fair value estimates (Cont'd)**(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)**

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 year.

The changes in Level 3 financial assets are analysed below:

Item	Amount
1 January 2020	1,750,107
Increase	380,520
Decrease	(16,535)
Total gains of current period	
Income recognised in the income statement	74,108
Gains recognised in other comprehensive income	(1,776)
30 June 2020	2,186,424

Item	Amount
31 December 2018	1,583,257
Impact of changes in standards	732,448
1 January 2019	2,315,705
Increase	4,232,805
Decrease	(5,274,444)
Transfer out from Level 3	(56,340)
Total gains of current period	
Income recognised in the income statement	509,578
Gains recognised in other comprehensive income	22,803
31 December 2019	1,750,107

- (a) The fair value of this part of other non-current 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 Level 2 fair value measurement are mainly structural deposits, receivables financing, other debt investments and forward exchange contracts and are evaluated by market approach and income approach.

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

The Group's financial assets and financial liabilities measured at amortised cost mainly include: cash at bank and on hand, deposits with the Central Bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, contract assets, loans and advances, other receivables, other current assets (excluding those mentioned in Note 15(1)), notes payable, accounts payable, contract liabilities, short-term borrowings, borrowings from the Central Bank, long-term borrowings, current portion of non-current liabilities, customer deposits and deposits from banks and other financial institutions, other payables, other current liabilities, etc.

Carrying amounts of the Group's financial assets and financial liabilities measured at amortised cost as at 30 June 2020 and 31 December 2019 approximated to their fair value.

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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 liabilities divide total assets).

As at 30 June 2020 and 31 December 2019, the Group's gearing ratio is as follows

Item	Ending balance	Opening balance
Total liabilities	222,300,563	194,459,322
Total assets	334,662,664	301,955,419
Gearing ratio	66.43%	64.40%

17 Notes to the parent company's financial statements**(1) Other receivables**

Item	Ending balance	Opening balance
Other receivables	18,428,387	18,377,123
Less: Provision for bad debts	(14,067)	(7,258)
Total	18,414,320	18,369,865

(a) The ageing of other receivables is analysed as follows:

Ageing	Ending balance	Opening balance
Within 1 year	18,154,570	18,356,942
1 to 2 years	270,561	19,000
2 to 3 years	3,256	1,181
Total	18,428,387	18,377,123

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17 Notes to the parent company's financial statements (Cont'd)

(1) Other receivables (Cont'd)

(b) Provision for bad debts and changes in book balance statements

Item	Stage 1				Stage 3		
	12-month ECL (Grouping)		12-month ECL (Individual)		Lifetime ECL (Credit impaired)		Sub-total
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision for bad debts
1 January 2020	732,508	7,200	17,644,557	-	58	58	7,258
Net increase in current period	(585,351)	6,809	636,615	-	-	-	6,809
Including: Written-off in current period	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-
Reversal in current period	-	-	-	-	-	-	-
Differences on translation of foreign currency financial statements		-		-		-	-
30 June 2020	147,157	14,009	18,281,172	-	58	58	14,067

As at 30 June 2020, the Company did not have other receivables in stage 2.

(c) As at 30 June 2020, the Group's other receivables at stage 1 and stage 3 were analysed as follows:

(i) As at 30 June 2020, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

Category	Ending balance			
	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 1	18,281,172	0%	-	Relatively low bad debt risks

Category	Ending balance			
	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 3	58	100.00%	(58)	The debtor encountered financial difficulties

(ii) As at 30 June 2020, other receivables at stage 1 for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

Item	Opening balance		
	Book balance	Provision for bad debts	
	Amount	Amount	Provision ratio
Security deposit/guarantee payables grouping	147,157	(14,009)	9.52%

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17 Notes to the parent company's financial statements (Cont'd)

(1) Other receivables (Cont'd)

(d) As at 30 June 2020, other receivables from the top five debtors are analysed as below:

Name of entity	Nature	Book balance	Ageing	% of total balance	Provision for bad debts
Company A	Current accounts	16,320,000	Within 1 year	88.56%	-
Company B	Current accounts	649,890	Within 1 year	3.53%	-
Company C	Receivables related to share options	250,822	Within 1 year	1.36%	-
Company D	Current accounts	249,997	Within 1 year	1.36%	-
Company E	Current accounts	231,474	Within 1 year	1.26%	-
Sub-total		17,702,183		96.07%	-

(2) Long-term equity investments

Long-term equity investments are classified as follows:

Item	Ending balance	Opening balance
Subsidiaries (a)	51,533,711	51,025,905
Associates (b)	1,606,990	1,579,954
Sub-total	53,140,701	52,605,859
Less: Provision for impairment	-	-
Total	53,140,701	52,605,859

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17 Notes to the parent company's financial statements (Cont'd)

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

(a) Subsidiaries

Name of investee	Opening balance	Movements in current period			Ending balance	Cash dividends declared in current period
		Increase in investment	Decrease in investment	Others		
Wuxi Little Swan Company Limited	20,117,836	-	-	22,663	20,140,499	-
Guangdong Midea Electric Co., Ltd.	5,000,000	-	-	-	5,000,000	-
Midea Group Finance Co., Ltd.	3,358,112	-	-	1,726	3,359,838	-
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	-
GD Midea Air-Conditioning Equipment Co., Ltd.	1,662,637	-	-	136,369	1,799,006	-
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	1,109,106	-	-	19,538	1,128,644	-
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	1,071,459	-	-	3,332	1,074,791	1,499,310
Guangdong Midea Intelligent Technologies Co., Ltd.	1,051,011	-	-	522	1,051,533	-
Hubei Midea Refrigerator Co., Ltd.	847,490	-	-	2,161	849,651	-
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	757,331	-	-	2,359	759,690	-
GD Midea Heating & Ventilating Equipment Co., Ltd.	700,228	-	-	33,026	733,254	1,045,319
Hefei Midea Refrigerator Co., Ltd.	512,920	-	-	9,629	522,549	-
Ningbo Midea United Materials Supply Co. Ltd.	495,419	-	-	1,982	497,401	656,827
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	352,041	-	-	-	352,041	-
Hefei Hualing Co., Ltd.	212,852	-	-	19,586	232,438	-
Midea International Corporation Company Limited	176,974	-	-	-	176,974	-
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	161,185	-	-	12,562	173,747	976,385
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	102,959	-	-	3,177	106,136	-
Zhejiang Meizhi Compressor Co., Ltd.	65,654	-	-	1,211	66,865	857,440
Foshan Shunde Midea Microfinance Loan Co., Ltd.	56,332	-	-	489	56,821	-
Wuhu Midea Life Appliances Mfg Co., Ltd.	56,223	-	-	-	56,223	-
Others	8,329,095	50,000	-	187,474	8,566,569	650,872
Total	51,025,905	50,000	-	457,806	51,533,711	5,686,153

Note: Wuxi Little Swan Company Limited was merged into Wuxi Little Swan Electric Co., Ltd. in the current year.

MIDEA GROUP CO., LTD.**SUPPLEMENTARY INFORMATION
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17 Notes to the parent company's financial statements (Cont'd)**(2) Long-term equity investments (Cont'd)****(b) Associates**

Investments in associates are mainly the investments in Guangdong Shunde Rural Commercial Bank Co., Ltd. and Hefei Royalstar Motor Co., Ltd. and other companies.

(3) Operating revenue

Operating revenue mainly comprises other operating revenue including the trademark royalty income, rental income, management fee income, etc. obtained by the Company from the subsidiaries.

(4) Investment income

Item	Current period	Same period of prior year
Income from long-term equity investments under cost method	5,686,153	6,275,207
Investment income from wealth management products purchased from financial institutions	-	78,219
Income from long-term equity investments under equity method	134,639	144,453
Others	390,487	249,518
Total	6,211,279	6,747,397

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

**SUPPLEMENTARY INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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

[English translation for reference only]

1 Details of non-recurring profit or loss

Item	Current period	Same period of prior year
Gains or losses on disposal of non-current assets	(11,070)	(13,705)
Except for the effective hedging activities related to the Company'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.	240,361	(74,312)
Others (mainly including government grants, compensation income, penalty income and other non-operating income and expenses)	422,455	944,851
Sub-total	651,746	856,834
Less: Effect of enterprise income tax (decrease in income tax expressed with "-")	(90,684)	(227,883)
Effect of minority interests (after tax)	(89,811)	2,444
Net non-recurring profit or loss attributable to shareholders of the parent company	471,251	631,395

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

Under the requirements of the *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 refers to that arises from transactions and events that are not directly relevant to ordinary activities, or that is relevant to ordinary activities, but is 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 (Yuan/Share)			
			Basic earnings per share		Diluted earnings per share	
	Current period	Same period of prior year	Current period	Same period of prior year	Current period	Same period of prior year
Net profit attributable to shareholders of the Company	13.03%	16.97%	2.01	2.32	2.01	2.30
Net profit attributable to shareholders of the Company net of on-recurring profit or loss	12.59%	16.27%	1.94	2.22	1.94	2.21

Section XII Documents Available for Reference

- 1. The original of The Semi-Annual Report 2020 of Midea Group Co., Ltd. signed by the legal representative;**
- 2. The financial statements signed and stamped by the legal representative, the Director of Finance 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 2020 that is released on <http://www.cninfo.com.cn>.**

Midea Group Co., Ltd.

Legal Representative: Fang Hongbo

31 August 2020