

Midea Group Co., Ltd.

The 2015 Annual Report



26 March 2016

A Letter to Shareholders

In 2015, with China's economy in a "New Normal" state, the downturn in the household appliance market has not only led to increased competition, but has also acted as a driver to the restructuring of this industry. In the face of tremendous pressure from a volatile market, Midea Group, a team with the courage to transform, together with its shared values, goals and working practices, faithfully followed our strategic focuses of "Leading Products, Operational Efficiency & Global Operations" and therefore has continued to strengthen its reform.

Throughout 2015, our product competitiveness and operating efficiency rapidly increased, our operational quality thoroughly improved, our overseas business network was further optimized, our own brands were effectively developed and new progress was made in our corporate governance. Meanwhile, we established our "Global Innovation Center", trying to build a globally competitive and multi-layered R&D system, continued with our strategy of "Smart Home & Intelligent Manufacturing", and actively entered into new businesses areas. In 2015, while maintaining stable revenues, we achieved a year-on-year growth of 17% net profit, a remarkable result amid the downturn in the household appliance industry.

Also during the year, Midea Group was included on *Forbes' List of Top 500 Global Enterprises*. In addition, Midea Group ranked 32nd on *Fortune Magazine's List of China's Top 500 Enterprises 2015*, making it the leader in China's household appliance sector. Also Midea Group was placed 13th in *China's Top 500 Private Enterprises* and 38th in *China's Top 500 Manufacturers*, continuing its performance as a leading manufacturer of household appliances. In 2015, Midea Group became the first household appliance manufacturer in China to be rated by the three major international rating agencies—Standard & Poor's, Fitch and Moody's, with its rating results outstanding among both the global household appliance makers and the domestic private enterprises. On the *Ruifu Global List 2015 of China's Top 100 Brands in Value*, our "Midea" brand was ranked 6th with a value of RMB71.611 billion. Up to the end of 2015, we had a total of 21,581 granted patents.

2015 has been a wonderful year for us due to our hard work. In 2016, we will strive forward to realize our dreams without fear!

History tells us that dreams and ideals are indispensable to success. Dreams help to succeed. How successful and big a business becomes is dependant on how many dreams it carries. As such, the future of Midea Group lies within the dreams of all its employees.

With the world now changing much faster than one might have imagined, our different lifestyles have been or are being changed. The traditional business model that relies on large-scale effects and low costs can no longer work in the current household appliance industry, leading to the boundaries of the industry becoming more vague. However, despite all these changes, it is always the right choice to design and offer products and services with value for consumers. In the evolution of commerce, it can be seen that all great enterprises grew and thrived in the bleak periods of an economic cycle. In times of change, the question of whether we will thrive or wane, unite as one man or fight each other's own battles, be confident and tolerant or unwisely arrogant, is all up to our courage to change and accept change. We change, therefore we survive. The more adverse the circumstances are, the tougher and more composed we are. We will also change at a faster rate, our business strategies, management style and business models, towards achieving our strategic directions, while trying to strengthen our reform and stand out as a great example of success.

Whatever the household appliance industry will become, we have the courage to challenge and the ambition to win. We hope that one day Midea will become a truly multinational company, a global operation and a respectable hi-tech enterprise. And we understand it is definitely not easy to achieve this. In the face of uncertainties, and fiercer competition and obstacles in the future, we must have the big picture in mind, pushing forward with every campaign for reform, arousing the enthusiasm of every employee, encouraging entrepreneurship and creativity in them and bringing their personal objectives in line with that of Midea, for the purpose of maximizing the investment returns (ROI) for you, the shareholders, and sharing with you the fruits of our development.

We will adhere to our guideline of "Leading Products". Our company will increase our R&D investments with the goal to build up a global R&D system and enrich our R&D talent pool. We will continue to develop differentiated products for our customers, adopting a strict quality policy, launching campaigns for competitive products as well as encouraging

product innovation and upgrading our product mix. In this way, we will be able to increase our products competitiveness.

We will follow our path of “Operational Efficiency”. In order to be more competitive in cost, we will try to increase the efficiency of our employees, capital and properties, further improve lean management in our product design, supply chain and production, and push forward with improving our channel efficiency, the development of our e-commerce capabilities and the reform of our marketing system.

We will also adhere to our roadmap of “Global Operations” to grow our overseas revenue. We will further upgrade our product mix for the overseas markets, keep expanding our own brand globally , pursue further business collaborations or M&A opportunities with strong global competitors, and push forward our global operations by breaking into more markets while at the same time launching more products and projects.

With an open mind, we will embrace the government’s guideline of “Internet +” by promoting a win-win partnership with Internet enterprises in creating a better eco-chain in the Internet industry. Our continuous increased investments in IT will support our IT system throughout the whole process of our operations and upgrade the internet usage across the complete value chain covering our organization, marketing, products, and business models.

We will carry on with our strategy of “Smart Home & Intelligent Manufacturing”. We will plan for our future with the entire industry and even the whole world in our mind. Our investments in both fundamental and cutting-edge technologies will be increased, providing a larger growth space for our new businesses. With the courage to change, we will be able to keep up with the times and create new competitive edges for ourselves.

We will continue to give play to our strongpoints in modern corporate governance and mechanisms so as to further reform our organization and corporate culture towards a lively and creativity- nurturing environment. We will continue to improve our *Employee Stock Ownership Plan* (Partner Program), further reform our incentive schemes, strengthen our power decentralization principles, and focus on our customers and products.

To have a beginner's mind helps you to succeed in the end.

It means to learn everything with a humble heart. It also means to think, to listen, to challenge, to accept, and more importantly, to change! A true golden age awaits Midea in the near future. In 2016, we will reform Midea in a more determined and effective way, trying to make our dreams come true.

We are grateful for your companionship, support and trust, and we hereby send our best wishes to you!

With dreams, ANYTHING is possible for Midea!

The Board of Directors of Midea Group Co., Ltd.

March 2016

Section I Important Statements, Contents and Definitions

The Board of Directors, Board of Supervisors, directors, supervisors and senior management of Midea Group Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee that the information presented in this report is free of any false records, misleading statements or material omissions, and shall together be wholly liable for the truthfulness, accuracy and completeness of its contents.

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

The financial statements of the Company for 2015 have been audited by PricewaterhouseCoopers China (LLP) and have obtained a standard unqualified audit report.

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

The Board has considered and approved the following profit distribution plan for the year 2015: Based on the Company’s total existing shares of 4,267,391,228, it is proposed that the Company will distribute cash dividends of RMB12 per 10 shares (tax inclusive) to all shareholders and grant them 5 additional shares per 10 shares with its capital reserves.

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

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

Contents

Section I Important Statements, Contents and Definitions.....	6
Section II Company Profile and Key Financial Results.....	9
Section III Business Profile	14
Section IV Management Discussion and Analysis.....	22
Section V Significant Events	50
Section VI Changes in Shares and Information about Shareholders.....	81
Section VII Preference Shares.....	89
Section VIII Information about Directors, Supervisors, Senior Management and Employees.....	90
Section IX Corporate Governance	99
Section X Financial Report	105
Section XI Documents Available for Reference.....	204

Definitions

Term	Definition
Company, the Company, or Midea Group	Midea Group Co., Ltd.
Midea Holding	Midea Holding Co., Ltd.
Little Swan	Wuxi Little Swan Company Limited
SDE Bank	Guangdong Shunde Rural Commercial Bank Co., Ltd.
Midea Group Finance	Midea Group Finance Co., Ltd.
PwC China	PricewaterhouseCoopers China (LLP)
Reporting Period	1 Jan. 2015 to 31 Dec. 2015

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.		
Legal representative	Fang Hongbo		
Registered address	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China		
Postal code	528311		
Business address	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China		
Postal code	528311		
Company website	http://www.midea.com		
E-mail	IR@midea.com		

2. Contact us

	Company Secretary	Representative for Securities Affairs
Name	Jiang Peng	Ou Yunbin
Address	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China	
Tel.	0757-22607708	0757-22390156
Fax	0757-26651991	
E-mail	IR@midea.com	

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

Newspaper designated by the Company for	China Securities Journal, Securities Times and Shanghai Securities
---	--

information disclosure	News
Website designated by the China Securities Regulatory Commission (CSRC) for the publication of the Annual Report	http://www.cninfo.com.cn
Place where the Annual Report of the Company is kept	Office of the Board of Directors of the Company

4. Company Registration and Alteration

Organization code	91440606722473344C
Changes in main business activities since the Company was listed (if any)	None
Changes of controlling shareholders of the Company (if any)	None

5. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	PricewaterhouseCoopers China (LLP)
Business address of the accounting firm	11/F., PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
Name of accountants for writing signature	Yao Wenping, Huang Meimei

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

☒ Applicable ☐ N/A

Name of the sponsor	Business office of the sponsor	Representative of the sponsor	Supervisory period
CITIC Securities Co., Ltd.	CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen City, Guangdong Province 518040	Zeng Jinsong, Wu Hongri	2015.6.26-2016.12.31
		Wu Hongri, Qin Chengdong	2013.9.18-2015.12.31
China International Capital Corporation Limited	27 and 28F, International Trade Building 2, No. 1 Jianguomenwai Avenue, Beijing, China	Zhao Liang, Long Liang	2013.9.18-2015.12.31

Note: Upon the receipt of a personnel change notice from China International Capital Corporation Limited (CICC) on 21 July 2015, the Company issued an announcement stating that Mr. Li Xiaodai of the CICC was no longer responsible for relevant work during the supervisory period due to his job change. Mr. Long Liang would replace him to work with Mr.

Zhao Liang as a representative of the listing sponsor and to work with Ms. Gao Shu as a financial advisor respectively during the supervisory period.

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

☒ Applicable ☐ N/A

Name of the financial advisor	Business office of the financial advisor	Representative of the financial advisor	Supervisory period
China International Capital Corporation Limited	27 and 28F, International Trade Building 2, 1 Jianguomenwai Avenue, Beijing, China	Gao Shu, Long Liang	2013.9.18-2015.12.31

6. Key Accounting Data and Financial Indicators

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

☐ Yes ☒ No

	2015	2014	YoY Change (%)	2013
Operating revenues (RMB'000)	138,441,226	141,668,175	-2.28%	120,975,003
Net profits attributable to shareholders of the Company (RMB'000)	12,706,725	10,502,220	20.99%	5,317,458
Net profits attributable to shareholders of the Company after non-recurring gains and losses (RMB'000)	10,911,341	9,476,849	15.14%	3,903,376
Net cash flows from operating activities (RMB'000)	26,764,254	24,788,512	7.97%	10,054,196
Basic earnings per share (RMB/share)	2.99	2.49	20.08%	1.73
Diluted earnings per share (RMB/share)	2.99	2.49	20.08%	1.73
Weighted average ROE (%)	29.06%	29.49%	-0.43%	24.87%
	At the end of 2015	At the end of 2014	YoY Change (%)	At the end of 2013
Total assets (RMB'000)	128,841,935	120,292,086	7.11%	96,946,025
Net assets attributable to shareholders of the Company (RMB'000)	49,201,852	39,470,499	24.65%	32,847,431

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)	4,267,391,228
Fully diluted earnings per share based on the latest share capital above (RMB/share)	2.98

Whether there are any corporate bonds

☐ Yes ☒ No

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

☐ Applicable ☒ N/A

8. Key Financial Results by Quarter

RMB'000

	Q1	Q2	Q3	Q4
Operating revenues	42,426,714	40,082,430	28,865,272	27,066,810
Net profits attributable to shareholders of the Company	3,342,135	4,981,988	2,687,980	1,694,622
Net profits attributable to shareholders of the Company after non-recurring gains and losses	3,019,956	4,413,081	1,942,548	1,535,756
Net cash flows from operating activities	2,498,715	6,316,957	9,154,812	8,793,770

9. Items and Amounts of Non-recurring Profits and Losses

☒ Applicable ☐ N/A

RMB'000

Item	2015	2014	2013	Note
Profit or loss from disposal of non-current assets	-242,814	-223,943	-215,390	
Government grants accounted for, in the profit or loss for the current period (except for the government grants closely related to the business of the Company and given at a fixed amount or quantity in accordance with the State's uniform standards)	1,348,652	790,501	656,458	

Profit generated for the costs of the Company in the acquisition of subsidiaries, associates or joint ventures are lower than the fair value of the Company's share in the identifiable net assets of the investees	19,513			
Profit or loss from entrusted investments or entrusted asset management	1,008,770	953,661	250,372	
Corporate restructuring costs (e.g. staff replacement costs and expenses for consolidation)		-17,259	-9,634	
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 held-for-trading financial assets and liabilities, as well as investment profit or loss produced from the disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets	369,806	-268,422	1,502,895	
Impairment provision reversal of the accounts receivable on which the impairment test is carried out separately	45,752			
Other non-operating income and expenditure except above-mentioned items	-16,398	-62,072	143,869	
Less: Corporate income tax	505,642	204,646	419,965	
Minority interests (after tax)	232,255	-57,551	494,522	
Total	1,795,384	1,025,371	1,414,082	--

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

√ Applicable □ N/A

Item	Amount involved (RMB'000)	Reason
Profit on financial investment	300,863	In the Reporting Period, the Company added "financial investment" into its business scope. The profit on financial investment item thus became a recurring item.

Section III Business Profile

1. Business Scope in the Reporting Period

1.1 Business scope and position in the household appliance industry

Being globally influential, Midea Group is one of China's top household appliance manufacturers, with the widest product range and the most complete industrial chain. We have extensive industrial chains for air-conditioners, refrigerators and washing machines as well as for a complete group of small household appliances. Our 14 production bases in China cover the southern, eastern, central, southwestern and northern regions of the country. We also have production bases in Vietnam, the Republic of Belarus, Egypt, Brazil, Argentina and India. The production capacity, output and sales volumes of our large and small household appliances are among the best-performing not only in China but even in the rest of the world.

In 2015, Midea Group was ranked 32nd on *Fortune Magazine's List of China's Top 500 Enterprises*, making it the leader in the country's household appliance sector. In addition, we made our way onto the *Top 500 of Forbes' list of Top 2000 Global Enterprises* taking 436th position. In addition, according to the All-China Federation of Industry and Commerce, Midea was ranked 13th on the *List of China's Top 500 Private Companies*. Furthermore, we placed 38th on China's Enterprise Confederation's *List of China's Top 500 Manufacturers*. Also during the year, Midea Group became the first household appliance manufacturer in China to be rated by the three major international rating agencies—Standard & Poor's, Fitch and Moody's, with their outlooks for the Company's credit rating all being "stable", which stood out among the global household appliance makers and the domestic non-state-owned enterprises.

Retail market share of the Company's major products sourced from China Market Monitor

Product category	2015		2014	
	Market share	Market ranking	Market share	Market ranking
Air-conditioners	25.2%	2	24.7%	2
Washing machines	21.3%	2	18.4%	2
Electric rice cookers	42.3%	1	42.2%	1

Induction cookers	48.6%	1	47.5%	1
Electric pressure cookers	42.7%	1	42.1%	1
Electric kettles	32.2%	1	31.7%	1
Water purifiers	27.9%	1	33.6%	1
Microwave ovens	44.6%	2	45.1%	2
Range hoods	8.8%	3	7.8%	4
Vacuum cleaners	11.3%	3	12.5%	3
Water heaters	12.2%	3	10.8%	3
Refrigerators	9.6%	4	8.2%	4
Stoves	7.2%	4	6.7%	4

1.2 Industrial development and prospect

In 2015, affected by such factors as the fluctuating global economy, the “new normal” state of China’s domestic macro-economy and the declining real estate industry, the household appliances industry experienced even greater challenges, with falling growth on the whole and even negative growth in some categories. The data from the Ministry of Industry and Information Technology of the People’s Republic of China (MIIT) shows that from January to December 2015, the revenue from household appliances industry reached RMB 14 trillion, an year-on-year 0.4% decline. According to data from the China Market Monitor, in 2015, the retail sales of air-conditioners for the year declined by 5% year-on-year, and 2.2% for refrigerator in the same period. Among the three white goods products, namely air conditioners, refrigerators, and washing machines, with the latter seeing a slow growth rate with retail sales up about 1.8%. Though kitchen appliances boasted faster growth than the overall household appliances’ growth rate, its growth rate saw a slow down as well.

A new wave of industrial restructuring has helped accelerate both product and consumption upgrading in the household appliance field. Digital and intelligent technologies are exerting significant influences on household appliances reform. For household appliance manufacturers to maintain sustainable growth in the future we need to gravitate towards becoming both user and product oriented, improving efficiency, promoting product upgrade, increasing intelligent product development, expanding our e-commerce

channels, and driving innovation in technology, sales channel and service.

For the medium-and-long term future, the following factors will help contribute to the unchanging growth in the household appliances industry within China:

a. Under the recently launched government framework, the *“Income Doubling Plan”* and *“New Urbanization”* initiatives, the possession ratio of appliances per household is expected to keep growing continuously. In 2015, the per capita income of urban residents nationwide was close to USD 5,000, and that in Shanghai, Beijing, Zhejiang and Shenzhen even reached or approached USD 8,000. The increase in per capita disposable income has supported the structural upgrading of household appliances, making those appliances becoming more of a daily consumer product. In 2015, the urbanization ratio of China was about 56%. However there is greater growth potential for China to become more urbanized, be it in quantity or quality. The implementation of “people-centered urbanization construction” has played a positive role in driving consumption and releasing domestic demand potential, while also injecting new development opportunities for the long-term stable growth of the household appliances sector.

b. China has witnessed an apparent consumption upgrading trend in the household appliances industry. With over 1.6 billion units of households appliances owned by Chinese families so far, the continuous and stable upgrading demand from consumers will be a main driver for further growth in household appliances sales. Furthermore, improvements in performance and quality in regards to energy-saving, environmentally friendly, smart innovation, online platforms and industrial design will further promote the consumption upgrade, and improve the product mix and profitability of home appliance manufacturers. According to data from the China Market Monitor, inverter products have become more and more popular. The share of retail sales from inverter air-conditioners rose from 54% in 2013 to 62% in 2015, and from 20% in 2013 to 37% in 2015 and 12% in 2013 to 20% in 2015 for washing machines and refrigerators respectively. Meanwhile, the share of retail sales from multi-door and side-by-side refrigerators increased from 14% in 2013 to 26% in 2015, with sales for automatic washing machines rising from 73% in 2013 to 92% in 2015, and sales of its 7kg washing machines growing from 42% in 2013 to 65% in 2015. The shares of various high-end kitchen products and health appliances maintained its growing trend, which came in faster than the whole industry as a whole.

c. In this era of Internet+, technological innovation will certainly move China from a manufacturing base towards an actual manufacturing power for household appliances. Moreover, with continuously developed supporting application technologies such as smart control technology, electronic information technology, Internet-of-Things technology, big data and cloud computing, and the popularity of various mobile intelligent devices will effectively promote the fast development of intelligent household appliances. Thus, the *Smart Home* is widely considered as the future of home appliances. From the accomplishment of a single intelligent product in providing a smart home solution to customers, and the configuration of a harmonious, cooperative and sharing smart home platform chain, those household appliances giants that own the core resources will enjoy greater competitive advantages. According to data sourced from AVC (All View Cloud), a Chinese Big Data Organization, by 2020, the overall output of intelligent household appliances will break the RMB 1 trillion mark. The years 2015 to 2020 will see an explosive growth in smart washing machines, air-conditioners and refrigerators, with penetration rates growing from 15% to 45%, 10% to 55%, and 6% to 38% respectively, of which the output of intelligent hardware will exceed RMB 600 billion.

d. During this Internet generation, the O2O model with online-offline integration and big data, will continuously foster the upgrade of channel transformation in household appliances manufacturers. The e-commerce market is growing rapidly, the information platform for household appliances manufacturers is gradually maturing, and the partnerships between household appliances manufacturers and Internet industries are setting a new trend. In 2015, as the data from the Ministry of Commerce indicates, online retail sales nationwide reached RMB 3.88 trillion, an increase of 33.3% year-on-year, ranking it first place in the world.

e. Relying on this giant domestic market in China, with a population of 1.4 billion, together with its large-scale advantages, product cluster advantages, industrial support advantages and capital advantages, China's household appliances industry will continue to keep its global competitive position. China's position as a global household appliances manufacturer and exporter will be further stabilized. Furthermore, Chinese home appliances manufacturers are also changing their role internationally. They have begun to positively engage in global industrial resources integration, and are pushing forward with their global strategy and positioning, improving its international competitiveness while creating new chances for global operations.

f. With new competitive conditions, the household appliance industrial environment will further improve and the markets will become more increasingly centralized. Relying on their strengths in brand, technology, capital, distribution channels and marketing skills, the leading household appliance manufacturers are expected to further increase their market shares and profitability, and as a result promote orderly competition and sound progress in the industry.

2. Significant Changes in the Main Assets

2.1 Significant changes in the main assets

Main assets	Reasons for any significant change
Monetary assets	Up 91% YoY, mainly due to the increase in operating cash flows
Fixed assets	Down 4% YoY
Intangible assets	Down 1% YoY
Inventories	Down 30% YoY, mainly due to de-stocking measures
Construction in progress	Up 44% YoY, mainly due to the investment in the Global Innovation Center and R&D

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 the only white goods enterprise with a whole industrial chain and full product line in China, Midea Group has developed a complete industrial chain combining R&D, manufacturing and sales of key components and finished products, supported by an industry-leading R&D centre and the manufacturing technology of home appliance's core components (such as compressors, electrical controls and magnetrons), and ultimately based on its powerful capabilities in production and logistics services of upstream parts and components, for example, motors. Midea is widely known as a top appliance brand in China, ranking 6th on the *Ruifu Global List 2015 of China's Top 100 Brands in Value* with a value of RMB71.611 billion. Its dominance in the major appliance markets means that it can provide a wider

range of competitive product sets than its competitors. It also means internal synergies in brand effect (awareness), price negotiation with distribution channels, customers' needs research and R&D investments. Compatibility, coordination and interaction among household appliances have become increasingly important since smart home is gaining popularity. With a full product line, Midea has had a head start in providing a combined and compatible e-home platform with integrated home solutions for customers.

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

The Group is focused on building a competitive, multi-layered global R&D system centering on user experience and product functions, which represents world-class R&D input and strength. Up to end of 2015, the Group has had 21,581 patents granted. In the past three years, it participated in the formulation of 5 international standards, and 112 national / industry standards. Meanwhile, the Group has set up its Global Innovation Center to bring in more hi-tech talent and integrate its global R&D resources. It has also set up R&D hubs in the US, Germany, Singapore, South Korea, Japan and Italy to research our international needs. The Group has been in close cooperation with over 30 scientific research institutions at home and abroad such as Tsinghua University, Zhejiang University, MIT, UCB and Stanford, improving our R&D strength and facilitating our business relationships with their assistance. While developing our new core technology, the Group has also placed great importance to the commercial application of its R&D achievements. Meanwhile, we became the main industry players in developing and launching a series of innovative products based on customers' needs, such as the air conditioner that consumes "1 kWh per night", the air conditioner with high-efficient cooling/heating system, the air conditioner tailor-made for children, the "intelligent precision-dispensing" washer-dryer, the "Steam Cube" (Zhenglifang) Series microwave oven, the IH smart electric rice cooker, the high-temperature steam cleaning range hood, the running water heater and the smart water purifier, which have been highly recognized within the market.

3.3 A strong network of global operations and self-owned brands developed and designed with Midea's globally-advanced manufacturing capabilities, enormous business size, wide product range and global production bases

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 markets. The Group is one of the biggest manufacturers in the world for many product categories, which gives it its competitive edges in efficiency and cost, that its overseas competitors are unable to compete with or replicate. Overseas sales have accounted for nearly 40% of the Group's total sales. Its products are exported to over 200 countries. In addition, through its long history of ODM and OEM services for foreign brands, the Group has obtained a deeper knowledge and understanding about the characteristics and needs of those markets. It is expanding its overseas marketing channels and accumulating operational experience in overseas markets through overseas joint ventures set up by seizing opportunities. In this way, it is trying to promote overseas branding, and shifting its focus from OEM to OBM and giving direct supervision to local operations.

3.4 Broad and stable channel networks 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 such as Gome and Suning. While in the broad third and fourth-tier markets, the Company uses flagship stores, exclusive shops, traditional channels and new channels as effective supplements. Already, the Company has achieved its full coverage in first and second-tier markets with over 95% coverage in the third and fourth-tier markets. 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 approached RMB16 billion in 2015.

3.5 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, separation of powers, 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 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, so they all have rich industry and professional experience, a deep understanding of the home appliance industry throughout both China and the world, and an accurate understanding of the industry's functioning environment and corporate operations management. The Company's advantages in systems and mechanisms have laid a solid foundation for the promising, stable and sustainable future development of the Company.

Currently, the senior core management team and the key managerial staff hold a total stake of approximately 10% in the Company through direct or indirect stock ownership, multiple stock option incentive plans and employee stock ownership plans, marking the establishment of a governance structure aligning the interests of management and shareholders, as well as the formulation of an incentive scheme comprising long and short-term incentives and restrains.

Section IV Management Discussion and Analysis

1. Overview

In 2015, guided by the three main strategies of “Leading Products, Operational Efficiency and Global Operations”, we strengthened our transformation by focusing on improving products, investigating customers’ needs, clarifying our business structure, streamlining our organization at all levels, building a synergy platform and improving our innovation mechanism and R&D capabilities. As a result, our product quality and reputation have kept improving. Our profitability and operating quality have continued to increase and our competitive edge with multiple products have been further solidified. Compared with 2014, the Company recorded a slight drop of 2% in its operating revenues for 2015 amid the slower growth of the entire household appliance industry. However, due to an upgrade of our product mix, our cost controls and the stable costs of raw materials, 2015 saw an impressive year-on-year growth of 21% in net profits attributable to the Company, one of the best performers among the appliance makers. The gross profit rate of the Company reached 25.92%, up by 0.46 percentage points from 2014. Furthermore, the net cash flows arising from the operating activities of the Company reached RMB26.76 billion, up 8% from the year earlier.

In 2015, Midea Group was ranked 32nd on *Fortune Magazine’s list of China’s Top 500 Enterprises*, the best in the country’s household appliance sector. In addition, we broke into the Top 500 on the prestigious *Forbes Magazine’s List of the Top 2000 Global Enterprises* taking 436th place. According to the All-China Federation of Industry and Commerce, Midea was ranked 13th on the list of *China’s Top 500 Private Companies*, and according to the China Enterprise Confederation, we came in at No. 38 on the list of *China’s Top 500 Manufacturers*. On the *Ruifu Global List 2015 of China’s Top 100 Brands in Value*, the “Midea” brand was ranked 6th with a value of RMB71.611 billion. Also, this year, Midea Group became the first household appliance manufacturer in China to be rated by the three major international rating agencies—Standard & Poor’s, Fitch and Moody’s, with their outlooks for the Company’s credit rating all being “stable”, which stood out among the global household appliance makers and the domestic private enterprises.

In 2015, the Company carried out the following tasks:

a. Focused on products and users, continuously optimized product mix and improved the stability of our product's competitive advantages

—Household Air-conditioners: Midea values consumer research and user experience. It has, based on the core values for air-conditioners – cooling, heating and energy-saving, innovated its product development, continuously optimizing our product mix, earning praise throughout the industry, advancing our new innovation excellence and breakthroughs in several technological areas including intelligent control, core parts, alternative refrigerant application and efficient energy saving to develop a series of products with greater differentiation. Midea's *"Cooling King"* air-conditioners have adopted alternative refrigerant ring technology, which helps maintain cooling even under 60°C. Our *"Heating King"* series uses innovative air spraying enthalpy compressor technology to greatly improve its heating capacity, even when operating at less than -32°C. The *"Mute King"* series has introduced a special air system to shorten the air stroke, and strengthen air capacity, with its noise level running at only 17 DB at low speed level. The *"Comfortable Star"* series utilizes the principle of "lowering speed to increase pressure" to provide a "no-wind" air-conditioning experience. The *"I-Young"* series of intelligent cloud air-conditioners realized its interaction with Xiaomi's intelligent wristband, which makes it possible for automatic power-on/off and temperature control during sleep. Midea air-conditioners for children have been equipped with "intelligent temperature control" and "intelligent quilt-kicking prevention" functions which can automatically adjust temperature, wind speed and direction based on the child's sleep features.

— The Midea Residential Air-conditioner, thanks to its strong creativity, won the National Technology Advance Award 2nd prize for its project on *"Research and Industrialization of key energy-saving technology in room air regulators"*, the China Household Appliances Technology Advance Award 1st prize for its project on *"Research and Application of key air-conditioning intelligent technology"*, the third prize from the China Household Appliances Technology Advance Awards for its project on *"Research and Application of key cooling technology under super-high temperature in inverter air-conditioners"* and was included on the 2015 National Torch Plan of the Year. Other awards included first prize in the China Light Industry Council Science Technology Advance Awards for its project on *"Research and Application of efficient energy control technology of European A+++ household air-conditioners"*, second prize from

the 6th Chinese Association of Refrigeration Science Technology Advance Awards for its project on *“Research and Application of key technology in double-tubular flow cabinet air-conditioners”*. For the year 2015-2016 Central Government Air-conditioner Supply Scheme, Midea products have won the most tender bids, accounting for nearly half of the total number of air-conditioners acquired. This presents as further evidence that Midea’s outstanding technology and brand advantages in both household and commercial air-conditioning leads the field.

—Commercial Air-conditioners: As a leading brand for Commercial Air-Conditioning in China, Midea currently possesses more than 1,000 patented technologies. Technologies such as our highly efficient double-level-compression falling-film centrifugal unit, the highly efficient flotation DC frequency conversion centrifuge, the highly efficient falling-film spiral air heat pump, and our MDVS series DC frequency conversion VRV are top in this industry. Moreover, many globally leading technologies have also originated from Midea commercial air-conditioners. Relying on its internationally advanced technologies, rich product lines, excellent quality and local services, Midea’s commercial air-conditioners have frequently won the bid for global projects. In 2015, domestically, Midea made a name for itself winning national key projects including Tianjin National Sports Games and supporting real estate projects, the Guangzhou metro, Shenzhen metro, and Putian Wenxian Pedestrian Street project. Internationally, it successfully won the tender for nearly all air-conditioning installation projects for the 2016 Rio Olympic Games venues, European Youth Olympic Games venues, African National Sports Games, the terminal building of Benin international airport in West Africa, Banco de Portugal, and the government information building in Cambodia, clearly enhancing the reputation of Midea’s commercial air-conditioning products.

The coil tube heat exchanger and MKZ series combined air handler, conceived by Midea’s Commercial Air-conditioners Division have gained the authorized certification from AHRI. Benefitting from its long-term investment and its accumulation knowledge and experience in intelligent household industry, Midea commercial air-conditioners have passed the KNX global residential and building control standards certification originating from Europe, and have achieved the LonMark quality mark that represents using top technologies in the automatic intelligent field, making it China’s first air-conditioning brand to obtain both the KNX and LonMark certifications simultaneously. In the field of VRF, Midea’s CAC were the first to pass strict global building BTL testing in China, making it clearly comparable with

other products in the same global intelligent buildings category. In 2015, Midea's CAC MDVXi DC intelligent inverter VRF won the China Appliance Environmental Friendliness Award at the China Appliance & Electronics World Expo due to its outstanding performance.

—Washing machines: Midea's front load inverter intelligent washing machines "*i-Bigger*" features such functions as mobile remote control, intelligent reminding and failure diagnosis, effectively motivating users' demands for intelligent washing machine market. Little Swan's "*Beverly*" front load washing machine and top load washing machine both won the international industrial design awards, the *Red Dot Award*, and the *China Red Star Award* for their automatic washing detergent dispenser, unique water flowing technology and brand-new interactive experience. Little Swan also joined forces with Disney to launch a child's customized washing machines. The "*Big White*" and "*Mickey Mouse*" provide more personalized and gentle washing functions based on children's clothes fabrics.

At the 2015 China Household Electrical Appliances Technical Conference Awards, our "*Innovation and Application of washing machine's hydrodynamic platform design optimization technology*" was awarded first prize, and for its "*Innovation and Application of smart washing machine sensor technology*" it received third prize. At the 12th China (Wuxi) International Industrial Design Expo, Little Swan's i-Intelligent "*Watercube*" front load washing machine won the 4th China "Taihu Award", while Midea's "fast cleaning" front load washing machine, was awarded second prize.

—Refrigerators: Concentrating on users' demands, and focusing on intelligent and high-end products, Midea launched a series of star products that aimed to satisfy different consumer demands. The Midea "i+(plus)" smart refrigerators are linked to the smart mobile APP, which enables users to know what foods are currently in the refrigerator, learn popular recipes, report automatic failures and engage community interaction. The Midea BCD-436WGPZM refrigerator consumes no more than 1 KW.h every day, keeping noise levels at 39 DB, and protects delicate foods effectively through a multi-contact temperature sensor. Midea's BCD-303WTZMA(E) intelligent refrigerator allows convenient operations through *Aliyun* intelligent WIFI, keeping food fresh via a platinum odor cleaning system, and cooling dimensionally in a 360° revolution, making food storage more safe. The Midea 620WKGDZV and BCD-330WGZM intelligent refrigerators triumphed at the CHEAA Awards Ceremony winning the *2014-2015 Intelligent Refrigerator Innovation Technology Leading Award* and the *2012-2015 Star of Intelligent Food Refrigerators* respectively.

—Small household appliances: The Midea “*Tianmu*” series hood has replaced manual cleaning with an intelligent vapor cleaning technology, improving the cleaning rate up to 98.5%, and has achieved the collection, absorption and exhaustion of smoke effects through excellent structural and functional design, truly overcoming usage disadvantages of traditional hoods. Midea’s smart “*Steamcube*” microwave oven adopts intelligent vapor sensing technology to control heat intelligently, while maintaining more nutrition and tastes. The “*Research and Application of smart sensing control technology use on highly efficient energy-saving gas cookers*” project won the 2015 China Household Appliances Technology Advance Award 2nd prize, while its “*Research and Application of kitchen appliances intelligent sensing and control system*”, was awarded third prize. Our “*Research and Industrialization of key technology in household inverter micro-wave ovens*” project and “*Research and Industrialization of high-efficient Magnetron key technologies*” project were successfully included into the 2015 National Torch Program of China. Midea’s “*Dingfu*” series rice cooker effectively addresses consumers’ concerns of rice being stuck to the bottom of the cooker, being tasteless, and not being totally cooked as well as concerns over water overflowing. Its multi-section IH heating technology produces powerful heat, boiling water more thoroughly, effectively retaining nutrition, and achieving a better taste. For this, it won the 2015 China Appliance Award and 2015 German IF industrial design award. The induction cooker exclusively for the Chinese “hot pot” dish has a unique structure and heat control mode designed specifically for hot pot usage, enabling users to enjoy a professional and pleasant hot pot experience. The Midea *Safe* series water heater perfectly protect users’ health and safety through automatic gas detecting valves, and the double inverter constant temperature system can help achieve 7-second speedy water heating as well as heat preservation, greatly reducing cool water consumption. Midea’s “*Purifying Cube*” air purifier successfully obtained the new national standard certification due to its outstanding bacteria removal and purifying functions. Midea’s water dispenser and purifier products use unique nano-filter technology and impulse washing technology to effectively filter heavy metal ions while achieving the lowest level of waste water in the industry. As a star product generated under the “*Making a fresh start*” project mechanism, Midea’s “*Silent & Clean*” M2 intelligent water purifier overcomes the usage disadvantages of traditional machines, and earning it high praise from consumers because of its free from installation, RO+ filter, convenient filter replacement and intelligent/smart control.

b. Pushing “double-smart” (smart home + intelligent manufacturing) strategy and positioning it in new business areas

Relying on its wide range of product categories and customer base globally, Midea is transitioning from a single product manufacture to a product supplier that provides systematical service solutions and systems, actively and pragmatically promoting Midea’s M-SMART smart home strategy, and constructing the intelligent household application and demand design under “Internet+” mode. Currently, Midea has become the Corporate Chair of the China Smart Home Industry Alliance. In 2015, the Company internally made active movements towards the support of intelligent product launches in the market. In terms of the smart home system structure and platform capacity improvement, it has developed the WIFI modular, a Midea intelligent cloud and system core SDK (software package), continuously optimizing our Meiju APP and facilitating it with fast connection and voice control functions. In addition, it has established a user community platform to achieve direct consumer interaction and has started a housekeeping management system. Externally, the Company opened itself up to other various fields, and completed its connection with many cloud system platforms and protocols including Jingdong, Alibaba, Xiaomi and Wechat, maintaining Meiju’s compatibility with other platforms. It has also established a connection and technology follow-up with international mainstream IOTs (Interoperability Tests) including Apple Homekit, Allseen, Tread, WIFI, and ZIGBEE alliances. Furthermore, the Company promoted its partnerships with household interior design companies (Turningcat/Home Cloud Intelligent), routers (Huawei/Xiaomi/Tenda), mobile Internet platforms (Wechat/Baidu/Umeng), intelligent hardware (ROKID robot/Dingdong loudspeaker box), and other third-party applications (IFLYTEK/MoWeather). Through the impact of SDK on external platforms, Midea has realized M-Smart’s connection with several external platforms.

In 2015, Midea expanded its business into robotics, and established an industrial and service robot company with the globally renowned robot giant, YASKAWA, from Japan. It aims to completely improve its intelligent manufacturing level by way of “intelligent manufacturing + industrial robots”, and to push the development of core parts such as serve motors and system integration along with the development of industrial robots. The “smart home + service robots” have assisted in the promotion of Midea’s smart home development and ecological construction. Moreover, the service robots have helped the development of sensors, artificial intelligence and the smart home business, contributing to the

development of Midea's capacity in making its smart home project systematic and forming an ecological chain. Furthermore, the Company holds 17.8% shares in Anhui EFORT and increased its number of shares in Germany's KUKA, actively marching into the robot industry to create a "Second Track" development route. Ever since 2012, Midea has in total invested in about a thousand production line robots, and is expected to further invest about RMB 5 billion in factory automation. Midea's air-conditioner intelligent factories in Guangzhou and Wuhan have achieved real-time monitoring in ordering, supply, R&D, production and distribution through their automative equipment, transparent production, intelligent logistics, mobile management and data-based decision-making, greatly improving the production automatization.

c. Strengthening the expansion of core channels, with fast growth in e-commerce and upgraded logistics coordination

In terms of offline channels, Midea flagship stores total more than 2,200, covering over 90% of markets in the third and fourth tier cities. It has gradually implemented its e-commerce O2O integration business largely supported by these flagship stores, and wholly improved its after-sales service level. The Company continued to strengthen its strategic cooperation with Suning and Gome, the two largest KA channels, and with more than 80 "TOP club" customers, with whom it carried out joint promotional activities exclusively for our Midea brand in order to strengthen its position in the end market. In 2015, Midea realized over RMB 40 billion of sales revenue in these 4 main channels.

In terms of online channels, the Company continued to further strengthen its strategic cooperation with platforms such as Taobao and Jingdong, and the Midea online flagship stores has operated successfully within this platforms. 2015 saw a total of RMB 16 billion in retail sales for all online channels, ranking it first place in the household appliances industry, and in which 11 of our products achieved first places in its own category. During this year the official site for Midea's online shopping set up its formal operations, and initially established a user-oriented interactive O2O platform. In 2015, there were nearly one hundred offline distributors and dealers and over 100,000 online sales promotors connected to this platform, with daily orders exceeding 600, and member numbers exceeding 10 million. With regard to channel cooperation, Midea's e-commerce platform reinforced its strategic cooperation with various platforms including Jingdong, Tmall and Suning.com, enjoying a stable development via direct sales and

the rapid improvement in business efficiency.

The Company continued to promote the consolidation of its internal and external social logistics resources, improving its overall capability to provide logistical solutions. It has launched an integrated logistics system covering 17 provinces and cities nationwide, initially completing the construction of a highly efficient end-to-end logistics system from storage, trunk routes and branch transport to the last kilometer delivery.

d. Consolidating our overseas business platforms, strengthening cooperation with joint ventures and promoting OBM sales and overseas business growth

Midea international HQ was set up to coordinate our overseas OBM business, to transition the overseas sales business mode from “OEM” to “OBM”, and to transform the organizational function from supporting “export from China” to “local operation”. Midea continues to invest heavily in overseas markets, to improve the risk control system and after-sales service platforms for overseas businesses, setting up a special team for our OBM products and markets to ensure the stable growth of OBM business. Furthermore, it has expanded our product categories in our overseas manufacturing bases, encouraged the localization of factory supply chain, and connected the business evaluation mechanism between product divisions and overseas subsidiaries, further empowering the Group’s support for overseas subsidiaries and accelerating our cost competitiveness. Though 2015 witnessed a downturn in the global economy and a great decline in demand in many countries, Midea’s exports in such product categories as refrigerators, washing machines, water heaters and vacuum cleaners are still topping China’s household appliances enterprises. Particularly sales in the main targeted markets such as the Middle East and Central Africa, the Association of Southeast Asian Nations and India all boasted a growth rate of over 20%. The Brazilian market retained its leading position with the OBM business share among overseas sales increasing to over 5%.

It has continued its joint venture and cooperative partnerships with global leading giants in the fields of HVAC (heating, ventilation, and air-conditioner) as well as with other household appliance manufacturers, thus expanding its business growth space. In March of 2015, Carrier acquired 35% shares in Midea’s Commercial Air-Conditioning Chongqing factory, intending to expand its market sector in water chiller products and increase its global market shares and product competitiveness. In the same month, the

Company established a joint-venture company with BOSCH, with an aim to jointly expand the market of VRF products by consolidating and utilizing the professional knowledge, technology and market channels of both companies. In April 2015, Midea announced a joint venture with SIIX, to implement its product excellence strategy, expand intelligent industry, and carry out further cooperation in such fields as household appliances control, smart sensor, energy management, intelligent security and healthcare electronic system.

e. Increase R&D investment, innovate creation mechanism and activate global innovation center

Centering on our consumers, the Company continued to increase its investment in product R&D, set up a globally competitive R&D organizational structure and improving its innovation capacity. By the end of 2015, the Company had been granted 21,581 patents in total. In 2015, the Company applied for a total of 10,523 patents consisting of 4,205 invention patents. At the 17th China Patent Awards, in their appraisals Midea Group was granted 12 China Patent Outstanding Awards. It reformed its innovation structure while integrating and establishing Midea's new global innovation center, which not only looks forward to the future but also focuses on sharing of fundamental technologies, research innovation in common and core technologies, and also research into artificial intelligence including image and voice identification. Additionally, focusing on the market and users, it promoted its development of top products with brand-new ideas and operating modes. The "making a fresh start" project which focuses on developing new platforms, as well as with "the second track" plan aimed at developing innovative products in the new fields of health, smart intelligence, beauty, nutrition and environment protection broke through the traditional organizational system and development approaches, providing greater incentives to R&D personnel and ensuring the sufficient resource support for an innovative projects.

f. Strengthening industrial chain coordination and support, and creating a platform for "industry + finance"

Midea has set up a global capital financial platform, in order to improve its global capital management capabilities and whole-value chain operations efficiency, which has helped to achieve the visualization, verification and utilization of its capital. Meanwhile, it has introduced a new development policy integrating industry with finance by centering on Midea's industry ecology circle, and focusing on industry and finance development and "fintech" platform creation. This has provided a more diversified

financial services area embracing our supply chain finance, consumer finance, Midea wallet, and third-party payment and asset management for users, thus creating drivers for both industry and finance. In 2015, Midea strengthened its position in the financial field covering financing, small-amount loan and commercial factoring businesses, by acquiring small loan companies, by establishing an online financial services and commercial factoring companies so becoming part of the new “fintech” sector. Dependent on our Midea logistics, e-commerce, after-sales and venture capital platforms, we have utilized big data and Internet tools to provide financial service solutions in the industrial chain including loan settlements and discounting *Meiedai*, fast loan provisions *Meisudai* and employee financing services *Meirendai* in this industrial ecological circle.

Financial institutions, including Shunde Rural Commercial Bank, Fengcheng Shunyin County Bank, Zhangshu Shunyin County Bank and Wanjiang Financial Leasing Co., Ltd., in which the Company has shares witnessed sound development. During the reporting period, the financial operations contributed more than RMB2.2 billion to the Company.

g. Launching organizational and procedural reform, establishing efficient operational systems and popularizing our T+3 production strategy

Midea has connected both its external and internal value chains, gradually establishing a market-oriented efficient operating system. As an important supporter of “One Midea, One System and One Standard”, Midea has targeted “consistent procedures, consistent main data and consistent IT systems”, launching its “632” project spread over 6 operating systems (PLM/ERP/APS/MES/SRM/CRM), 3 management platforms (BI/FMS/HRMS) and 2 technological platforms (MIP/MDP). These projects were all put into operation, laying a solid foundation for Midea management and its business base, and providing overall optimization and improvement in various aspects, such as customer experience, management standardization, operation transparency and coordination.

Focused on users and products, Midea restructured its organizational structures operational systems and procedures based on internet +, and has established a sharing and open business and functional platform for e-commerce, logistics, services, innovation, finance, purchasing and internationalization, creating a cultural atmosphere featuring “equality, trust, boundless and partnership”.

With an emphasis on markets and consumer needs, Midea actively popularized its T+3 production and

sales approach, changing its original self-estimated production planning to that based on customer orders and needs, which has reduced intermediary links, improved manufacturing productivity through dual production and marketing, accelerated inventory turnover and rejuvenated its market competitiveness. In order to help the implementation of T+3 production and sales system, the Company took the following measures: from the marketing and sales end we are guiding customers towards changing their way of thinking putting an emphasis on order and inventory management. Meanwhile, we have strengthened our supply chain management, introducing high-quality resource suppliers and eliminating low-quality suppliers thus improving our supply strategy. With our R&D position, we have continuously tried to simplify product models and materials, enhance the overall modular design, reduce product material quantities and improve standardization levels. While from our manufacturing viewpoint, Midea has also encouraged improving manufacturing flexibility, automation and lean manufacturing upgrading, and actively engaging in the product design phase to ensure better quality and more efficient production.

h. Continuously implementing long-term incentive plans, and improving corporate governance:

After two stock option incentive plans for our medium and high-level management as well as for key-business employees, the Company continued to carry out two “partner” stock ownership plans for its core management personnel that have played a significant role in the Company’s medium and long-term development business performance, therefore trying to change them from “managers” to “partners”. Through allocating share purchase quotas according to their performances, executing stock options in three stages and extending their share lock-up periods, management are empowered with the responsibility to create long-term value for the Company. The “partner” stock ownership plans and the stock option incentive plans have helped to build up a stock ownership structure in line with the long-term interests of all shareholders. In this way, the governance mechanism of the Company was further improved.

2. Analysis of Main Business

2.1 Overview

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

√ Yes □ No

See “1. Overview” of this section.

2.2 Revenues and Costs

2.2.1 Breakdown of operating revenues

Unit: RMB'000

	2015		2014		YoY Change (%)
	Amount	As a percentage of operating revenues (%)	Amount	As a percentage of operating revenues (%)	
Total	138,441,226	100%	141,668,175	100%	-2.28%
By business segment					
Manufacturing	126,911,843	91.67%	129,095,704	91.13%	-1.69%
Logistics transportation	1,652,757	1.19%	1,966,345	1.39%	-15.95%
By product					
Large home appliances	87,932,142	63.52%	92,402,440	65.22%	-4.84%
Air conditioners and components	64,491,950	46.58%	72,704,843	51.32%	-11.30%
Refrigerators and components	11,422,676	8.25%	9,723,781	6.86%	17.47%
Washing machines and components	12,017,516	8.68%	9,973,816	7.04%	20.49%
Small household appliances	35,445,859	25.60%	32,709,715	23.09%	8.36%
Motors	6,471,372	4.67%	7,219,614	5.10%	-10.36%
Logistics	4,008,479	2.90%	3,564,559	2.52%	12.45%
By geographical segment					
PRC	79,147,263	57.17%	81,277,239	57.37%	-2.62%
Other countries and regions	49,417,336	35.70%	49,784,809	35.14%	-0.74%

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

2.2.2 Business segments, products or geographical segments contributing over 10% of the operating revenues or profits

√ Applicable □ N/A

Unit: RMB'000

	Operating Revenue	Operating costs	Gross profit margin	YoY change of operating revenue (%)	YoY change of operating costs (%)	YoY change of gross profit margin (%)
By business segment						
Manufacturing	126,911,843	93,226,876	26.54%	-1.69%	-2.46%	0.58%
By product						
Large home appliances	87,932,142	63,685,678	27.57%	-4.84%	-5.82%	0.76%
Air conditioners and components	64,491,950	46,270,517	28.25%	-11.30%	-12.88%	1.30%
Small household appliances	35,445,859	26,574,533	25.03%	8.36%	7.95%	0.29%
By geographical segment						
PRC	79,147,263	55,265,927	30.17%	-2.62%	-5.71%	2.28%
Regions outside of PRC	49,417,336	39,415,872	20.24%	-0.74%	1.89%	-2.06%

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

□ Applicable √ N/A

2.2.3 Whether revenue from physical sales is higher than service revenue

√ Yes □ No

Business segment	Item	Unit	2015	2014	YoY Change (%)
Home appliances	Sales volume	0,000 units/sets	27,945.50	26,498.79	5%
	Output volume	0,000 units/sets	26,691.48	27,198.96	-2%
	Inventory	0,000 units/sets	2,524.80	3,829.78	-34%

Note: The aforementioned statistics about output volume, sales volume and inventory were calculated based on internal standards. Lighting products are excluded because they are difficult to count.

2.2.4 Execution of significant sales contracts in the Reporting Period

□ Applicable √ N/A

2.2.5 Breakdown of operating costs

By product

Unit: RMB'000

Product	Item	2015		2014		YoY Change (%)
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
Home appliances	Raw materials	78,714,556	84.43%	82,547,228	84.84%	-4.64%
	Labor costs	5,602,646	6.01%	5,369,794	5.52%	4.34%
	Depreciation	2,135,140	2.29%	2,085,768	2.14%	2.37%
	Energy	1,417,455	1.52%	1,451,043	1.49%	-2.31%

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

2.2.6 Changes in the scope of the consolidated financial statements for the Reporting Period

☒ Yes ☐ No

For the main subsidiaries included the scope of the consolidated financial statements for the current year, please refer to Note 5 and Note 6 to the Financial Statements. And the main companies newly consolidated in the current year are Main Power Electrical Factory Limited, Midea Microcredit Co., Ltd., Foshan Shunde Midea Microcredit Co., Ltd. and PT Midea Planet Indonesia (for details, please see “5.1” and “a”, “5.2” under Note 5 to the Financial Statements). For the companies deconsolidated in the current year, please refer to “b”, “5.2” under Note 5 to the Financial Statements.

2.2.7 Major changes in the business, products or services in the Reporting Period

☐ Applicable ☒ N/A

2.2.8 Main customers and suppliers

Sales to major customers of the Company

Total sales to top five customers (RMB'000)	11,145,302.31
Total sales to top five customers as a percentage of the total sales for the year (%)	8.05%

Information on top five customers

No.	Customer	Sales amount (RMB'000)	As a percentage of the total
-----	----------	------------------------	------------------------------

			sales for the year (%)
1	Customer A	3,468,261.93	2.51%
2	Customer B	2,685,044.61	1.94%
3	Customer C	2,291,935.44	1.66%
4	Customer D	1,386,432.73	1.00%
5	Customer E	1,313,627.59	0.95%
Total	--	11,145,302.31	8.05%

Major suppliers of the Company

Total purchases from top five suppliers (RMB'000)	5,692,494.14
Total purchases from top five suppliers as a percentage of the total purchases for the year (%)	6.27%

Information on top five suppliers of the Company

No.	Supplier	Purchases (RMB'000)	As a percentage of the total purchases for the year (%)
1	Supplier A	1,776,348.47	1.96%
2	Supplier B	1,170,353.30	1.29%
3	Supplier C	1,104,901.54	1.22%
4	Supplier D	839,827.14	0.92%
5	Supplier E	801,063.68	0.88%
Total	--	5,692,494.14	6.27%

2.3 Expense

Unit: RMB'000

	2015	2014	YoY Change (%)	Reason for any significant change
Selling and distribution expenses	14,799,769	14,733,917	0.45%	N/A
General and Administrative expenses	7,441,755	7,498,256	-0.75%	N/A
Financial expenses	138,932	251,327	-44.72%	Increased interest income due to increased Time deposits

2.4 R&D input

√ Applicable □ N/A

In the Reporting Period, we enhanced our product competitiveness in a consumer-oriented way, ensuring continuous R&D input and encouraging technical innovation, for the purpose of establishing a long-lasting, stable superiority in our products. Our R&D input was mainly used to: A). strengthen consumer research and find out their needs to help create unique selling points for our products, resulting in a point of competitive differentiation for us; B). improve core technology and develop new technology for a better technology system; and C). open up to future cooperations and integrate global innovation resources to improve our R&D system, as well as build up an innovation incubation platform and an open, self-driven and hard-working technical team. For more details about our R&D input and product competitiveness improvements, please refer to the relevant contents presented in “Core Competitiveness Analysis” under Section III and “Overview” under Section IV.

	2015	2014	YoY Change (%)
Number of R&D personnel	8,672	9,002	-3.67%
R&D personnel as a percentage in total employees	9.30%	8.32%	0.98%
R&D input (RMB'000)	5,262,600	4,530,000	16.17%
R&D input as a percentage in operating revenues	3.80%	3.20%	0.60%
Capitalized R&D input (RMB Yuan)	0	0	0
Capitalized R&D input as a percentage in total R&D input	0	0	0

Information about R&D input

Reason for any significant YoY change in the percentage of the R&D input in the operating revenues

☐ Applicable ☒ N/A

Reason for any sharp variation in the percentage of the capitalized R&D input and rationale

☐ Applicable ☒ N/A

Number of patents for the recent two years

☒ Applicable ☐ N/A

	Applied for	Obtained	Closing total number
Invention patent	6,899	770	1,452
Utility model patent	9,535	9,252	14,560
Design patent	2,340	2,282	5,137

Changes in core technical personnel in Reporting Period	No changes in our core technical personnel, who have a significant influence on our core competitiveness, in the Reporting Period, and thus no impact on our production and operation.
“Hi-tech Enterprise” certified by Ministry of Science and Technology	Yes

2.5 Cash flows

Unit: RMB'000

Item	2015	2014	YoY Change (%)
Subtotal of cash inflows from operating activities	134,278,290	112,305,174	19.57%
Subtotal of cash outflows from operating activities	107,514,036	87,516,662	22.85%
Net cash flows from operating activities	26,764,254	24,788,512	7.97%
Subtotal of cash inflows from investing activities	44,741,136	2,618,925	1608.38%
Subtotal of cash outflows from investing activities	62,730,329	31,481,322	99.26%
Net cash flows from investing activities	-17,989,193	-28,862,397	-37.67%
Subtotal of cash inflows from financing activities	26,383,619	37,296,774	-29.26%
Subtotal of cash outflows from financing activities	35,260,272	44,706,904	-21.13%
Net cash flows from financing activities	-8,876,653	-7,410,130	19.79%
Net increase in cash and cash equivalents	-84,923	-11,491,634	-99.26%

Explanation of why the data above varied significantly

√ Applicable □ N/A

Mainly due to a larger cash outflow for wealth management products in the prior year, net cash flows from investing activities decreased 37.67%.

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

√ Applicable □ N/A

A higher percentage of cash payments received in operating activities.

3. Analysis of Non-Core Business

☐ Applicable ☒ N/A

4. Assets and Liabilities

4.1 Material changes of asset items

Unit: RMB'000

	As at the end of 2015		As at the end of 2014		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	11,861,977	9.21%	6,203,283	5.16%	4.05%	
Accounts receivable	10,371,718	8.05%	9,362,103	7.78%	0.27%	
Inventories	10,448,937	8.11%	15,020,030	12.49%	-4.38%	
Investment properties	150,803	0.12%	171,635	0.14%	-0.02%	
Long-term equity investments	2,888,274	2.24%	951,874	0.79%	1.45%	
Fixed assets	18,729,881	14.54%	19,521,814	16.23%	-1.69%	
Construction in progress	954,761	0.74%	661,882	0.55%	0.19%	
Short-term borrowings	3,920,933	3.04%	6,070,879	5.05%	-2.00%	
Long-term borrowings	90,061	0.07%	19,205	0.02%	0.05%	

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	Impairment provided during the period	Purchased in the period	Sold in the period	Closing balance
Financial assets							
1. Financial assets measured at fair value with fair value changes included in profit and loss for the year (excluding derivative financial assets)							
2. Derivative financial assets	162,514	-3,692	7,599				166,421
3. Financial assets available for sale	24,789,271	1,306,890	202,757		25,757,914	32,057,556	19,999,275
Sub-total of financial assets	24,951,785	1,303,198	210,356		25,757,914	32,057,556	20,165,696
Investment properties							
Productive living assets							
Others							
Sub-total of the above	24,951,785	1,303,198	210,356		25,757,914	32,057,556	20,165,696
Financial liabilities	360,694	-41,582	-76,028				243,083

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

☐ Yes ☒ No

5. Investments Made

5.1 Total investments made

☒ Applicable ☐ N/A

Investments made in the Reporting Period (RMB'000)	Investments made in the prior year (RMB'000)	YoY Change
62,730,329	31,481,322	99.26%

5.2 Significant equity investments made in the Reporting Period

□ Applicable √ N/A

5.3 Significant non-equity investments ongoing in the Reporting Period

□ Applicable √ N/A

5.4 Financial investments**5.4.1 Securities investments**

□ Applicable √ N/A

No such cases in the Reporting Period.

5.4.2 Derivatives investments

√ Applicable □ N/A

Unit: RMB'0,000

Operating Parties	Related party or not	Related - party transaction or not	Investment type	Initial investment amount	Commence ment date	Termination date	Investment amount at the beginning of the period	Purchase d in the period	Sold in the period	Amount provided for impair- ment (if applicabl e)	Investment amount at the end of the period	Ratio of investment amount to net asset at the end of the period (%)	Actual profit and loss amount for the period
Futures company	No	No	Futures contracts	-327.94	2015.01.01	2015.12.31	-327.94			-	748.16	0.02%	1,759.01
Bank	No	No	Forward forex contracts	-19,490.04	2015.01.01	2015.12.31	-19,490.04			-	-8,414.41	-0.17%	26,528.85
Total				-19,817.98	--	--	-19,817.98			-	-7,666.25	-0.15%	28,287.86
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)				2015.03.31									
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)				2015.04.22									
Risk analysis of positions held in				For the sake of eliminating the cost risk of the Company's bulk purchases of raw materials as a									

derivatives during the Reporting Period and explanation of control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk)	result of significant fluctuations in raw material prices, the Company not only carried out futures business for some of the materials, but also made use of bank financial instruments and promoted forex funds business, with the purpose of avoiding the risks of exchange and interest rate fluctuation, realizing the preservation and appreciation of forex assets, reducing forex liabilities, as well as achieving locked-in costs. The Company has performed sufficient evaluation and control against derivatives investment and position risks, details of which are described as follows: 1. Legal risk: The Company's futures business and forex funds businesses shall be conducted in compliance with laws and regulations, with clearly covenanted responsibility and obligation relationship between the Company and the agencies. Control measures: The Company has designated relevant responsible departments to enhance learning of laws and regulations and market rules, conducted strict examination and verification of contracts, defined responsibility and obligation well, and strengthened compliance check, so as to ensure that the Company's derivatives investment and position operations meet the requirements of the laws and regulations and internal management system of the Company. 2. Operational risk: Imperfect internal process, staff, systems and external issues may cause the Company to suffer from loss during the course of its futures business and forex funds business. Control measures: The Company has not only developed relevant management systems that clearly defined the assignment of responsibility and approval process for the futures business and forex funds business, but also established a comparatively well-developed monitoring mechanism, aiming to effectively reduce operational risk by strengthening risk control over the business, decision-making and trading processes. 3. Market risk: Uncertainties caused by changes in the prices of bulk commodity and exchange rate fluctuations in foreign exchange market could lead to greater market risk in the futures business and forex funds business. Meanwhile, inability to timely raise sufficient funds to establish and maintain hedging positions in futures operations, or the forex funds required for performance in forex funds operations being unable to be credited into account could also result in loss and default risks. Control measures: The futures business and forex funds business of the Company shall always be conducted by adhering to prudent operation principles. For futures business, the futures transaction volume and application have been determined strictly according to the requirements of production & operations, and the stop-loss mechanism has been implemented. Besides, to determine the prepared margin amount which may be required to be supplemented, the futures risk measuring system has been established to measure and calculate the margin amount occupied, floating gains and losses, margin amount available and margin amount required for intended positions. As for forex funds business, a hierarchical management mechanism has been implemented, whereby the operating unit which has submitted application for funds business should conduct risk analysis on the conditions and environment affecting operating profit and loss, evaluate the possible greatest revenue and loss, and report the greatest acceptable margin ratio or total margin amount, so that the Company can update operating status of the funds business on a timely basis to ensure proper funds arrangement before the expiry dates.
Changes in market price or fair value of derivatives product invested during the Reporting Period: specific methods	1. Profit/loss from futures hedging contracts incurred during the Reporting Period was RMB17,590,100; 2. Profit/loss from forward forex contracts incurred during the Reporting Period was

used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives	RMB265,288,500; 3. Public quotations in futures market or forward forex quotations announced by Bank of China are used in the analysis of derivatives fair value.
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.

5.5 Use of funds raised

√ Applicable □ N/A

In the Reporting Period, the Company issued 55,000,000 shares through a private placement to Xiaomi Technology, which was completed on 26 June 2015. With RMB22.01 per share, this private placement has raised a total capital of RMB1,210,550,000 (all paid in cash). The net amount of the raised capital stands at RMB1,203,543,228.39 after deducting the share issuing expense of RMB7,006,771.61 (including sponsoring and underwriting fees, accountant and law firms costs and other advisors, as well as other direct expenses).

The funds raised under this private placement have been deposited in the Company's special account for raised funds. In compliance with the applicable laws and regulations and the Company's Regulations for Raised Funds Management, the Company will use all the said raised funds for liquidity management use or for other uses as detailed in its usage plan. In addition, as per the applicable rules of the Shenzhen Stock Exchange, the sponsors, the raised funds deposit bank and the Company will sign a three-party supervision agreement to supervise the use of the raised funds together.

In the Reporting Period, the funds raised under this private placement generated an interest income of RMB819,272.63. Meanwhile, RMB1,204,362,478.91 in the account was used, leaving a balance of RMB22.11. The use of the funds was in compliance with the Company's commitment on the use of the

raised funds.

Up to the disclosure date of this Report, the balance in the special account for raised funds stands at nil.

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

Company name	Company type	Business scope	Registered capital (RMB'0,000)	Total assets (RMB million)	Net assets (RMB million)	Operating Revenue (RMB million)	Operating profit (RMB million)	Net profit (RMB million)
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD7,200.00	8,145	1,992	11,358	1,366	1,175
Guangdong Midea Refrigeration Equipment Co., Ltd.	Subsidiary	Manufacturing of air conditioners	RMB85,400.00	28,785	3,395	28,039	1,020	955
Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD4,200.00	4,833	1,217	6,422	950	800
Wuhu Midea Kitchen & Bathroom Electric Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of water heaters	RMB6,000.00	3,777	716	5,091	571	599
Anhui GMCC Precise Manufacture Co., Ltd.	Subsidiary	Manufacturing of compressors	RMB84,210.5263	2,168	1,507	3,994	563	560

Acquisition and disposal of subsidiaries during the Reporting Period

☒ Applicable ☐ N/A

Subsidiary name	How subsidiary was acquired or disposed during the Reporting Period	Impact on overall operation and results
Main Power Electrical Factory Limited	Acquired in cash	Net profit decrease of RMB38,904,000 for the Reporting Period.
Midea Microcredit Co., Ltd.	Ditto	Net profit increase of RMB13,652,000 for the Reporting Period.
Foshan Shunde Midea Microcredit Co., Ltd.	Ditto	Net profit increase of RMB10,438,000 for the Reporting Period.
PT Midea Planet Indonesia	Ditto	Net profit decrease of RMB6,718,000 for the Reporting Period.

8. Structured Bodies Controlled by the Company

☐ Applicable ☒ N/A

9. Outlook for the Future Development of the Company

9.1 Development strategies of the Company

Setting the strategic vision of “becoming the leader in the Chinese household appliance industry, and ranking among the top three global white goods corporations”, the Company will escalate transformation, drive sustainable improvement of operational quality, achieve leading products through technology innovation, quality improvement and engineering excellence, and create new cost competitive edges driven by efficiency through advancing management, manufacturing, and asset management competencies. The Company will focus on consumers, further promote its industrial cooperations, optimize our channel strategy in the domestic market, and consolidate our global operations footprint by further improving our management and control systems, boosting joint ventures and growing new market expansion, as well as seeking new M&A opportunities in overseas markets. In face of new economic growth models in this internet era, the Company will further innovate and reform, pragmatically driving the strategy of “Smart Home + Intelligent Manufacturing”, enhancing strategy research and positioning us in new industries, and generating new growth points and industry platforms.

9.2 Key operation points in Y2016

a. Push forward with the transformation and upgrade of existing businesses, adopt a strict policy for product quality, launch campaigns for competitive products, encourage product innovation and product mix optimization, continue to invest in R&D and bring in hi-tech talent, for the purpose of increasing

product competitiveness.

b. Further promote the Company's organizational, procedural, personnel, performance and cultural reconstructing by means of "Internet+" thinking, build up a governance structure with customers and products at its core, create beneficial synergies, and enhance the operational development of eight major platforms.

c. Continue to apply lean management to design, supply chain, production, understand customers' needs and improve their experience in using our products, and push forward our "T+3" production approach based on customer orders, so as to improve manufacturing efficiency and product quality and make us more competitive in cost.

d. Continuously promote our marketing transformation, enhance the construction of our national large-scale logistics platform, concentrate on core channels, improve weaker markets, guarantee rapid development in our e-commerce businesses, and establish the Midea End-to-End logistics platform.

e. Focus on international strategic markets to ensure overseas revenue, push forward with our global OBM business, promote Midea's global businesses in stages, guide and propel various business departments to establish a professional management and operations system for our end-to-end product line covering the headquarters and overseas companies, and continue to seek M&A opportunities that can strengthen Midea's global influence.

f. Follow our "Smart Home + Intelligent Manufacturing" strategy, reform existing commercial and operating models, promote product development and try to develop new businesses so as to explore new growth points for Midea in the next five to ten years.

9.3 Future key capital expenditure plan

To adapt to changes in this industry environment, the Company will emphasize our 2016 investment on aspects including technology innovation, quality improvement, IT information process excellence, channel expansion and capability improvement for e-business, the execution of the overall M-SMART smart home strategy, as well as automation investment. We will also seek global M&A opportunities, trying to solidify and increase our global competitiveness. Meanwhile, the Company will strictly control investment in infrastructure and capacity expansion, and non-production operation projects. The investment fund will mainly derive from self-owned funds of the Company.

9.4 Main risks against future development

a. Risk of macro economy fluctuation

Products sold by the Company include air conditioners, refrigerators, washing machines, and small household appliances, which belong to the consumer appliance products category. The market demand can be largely affected by the economic situation and macro control. If the economy growth or consumer demand slows down, the growth of the household appliance industry, to which the Company belongs, will slow down accordingly, and as a result, will affect the product sales of Midea Group.

b. Risk of market competitions

The household appliance industry in China is fully subject to market competition. The quantity of household appliances manufacturers is significant. Fierce competition exists among foreign and local enterprises, foreign and Chinese brands, and within different product categories. Although the Company has obtained certain competitive advantages in the household appliance industry, it is still faced with market risks from intense industry competition, which might influence the business performance and financial situation of the Company.

c. Risks in the fluctuation of production factors

The raw materials required by Midea Group to manufacture household appliances and motors 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 sale prices of end products cannot support the cost fluctuation, the Company's business will certainly be influenced.

d. Risk in expanding the overseas market

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. However, there are still unpredictable risks associated 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

The export sales of the Company has accounted for over 40% of the overall sales. Exchange rate

fluctuation might not only bring negative effects on product export for the Company, but could also lead to exchange losses and increase the financial costs of the Company.

f. Market risks brought by trade barriers

While tariff barriers decrease, the non-tariff barriers among countries have become increasingly distinctive. These can mainly be seen on compulsory security 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. The non-tariff barriers, and 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 expansion for enterprises.

10. Visits Paid to the Company for Purposes of Research, Communication, Interview, etc.

10.1 In the Reporting Period

√ Applicable □ N/A

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
2015.03.10-31	One-on-one meeting	Institution	Log Sheet of Investor Relations Activities for 10-31 March 2015 on www.cninfo.com.cn
2015.04.21-05.22	One-on-one meeting	Institution	Log Sheet of Investor Relations Activities for 21 April-22 May 2015 on www.cninfo.com.cn
2015.06.05-17	One-on-one meeting	Institution	Log Sheet of Investor Relations Activities for 5-17 June 2015 on www.cninfo.com.cn
2015.07.14-24	One-on-one meeting	Institution	Log Sheet of Investor Relations Activities for 14-24 July 2015 on www.cninfo.com.cn
2015.08.31-09.22	One-on-one meeting	Institution	Log Sheet of Investor Relations Activities for 31 August-22 September 2015 on www.cninfo.com.cn
2015.10.29-11.12	One-on-one meeting	Institution	Log Sheet of Investor Relations Activities for 29 October-12 November 2015 on www.cninfo.com.cn
2015.11.30-12.15	One-on-one meeting	Institution	Log Sheet of Investor Relations Activities for 30 November-15 December 2015 on www.cninfo.com.cn

Times of visit	98
Number of visiting institutions	941
Number of visiting individuals	64
Number of other visitors	0
Significant undisclosed information disclosed, revealed or leaked	No

10.2 From the end of the Reporting Period to the disclosure date of this Report

√ Applicable □ N/A

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
2015.01.05-29	One-on-one meeting	Institution	Log Sheet of Investor Relations Activities for 5-29 January 2016 on www.cninfo.com.cn

Times of visit	11
Number of visiting institutions	114
Number of visiting individuals	12
Number of other visitors	0
Significant undisclosed information disclosed, revealed or leaked	No

Section V Significant Events

1. Profit Distribution and Converting Capital Reserves into Share Capital for Common Shareholders

Formulation, execution or adjustments of profit distribution policy, especially cash dividend policy, for common shareholders in the Reporting Period

☐ Applicable ☒ N/A

Plans (or preliminary plans) for profit distribution and converting capital reserves into share capital for common shareholders for the recent three years (including the Reporting Period)

Plan for profit distribution and converting capital reserves into share capital for 2013: Based on its total of 1,686,323,389 shares as at 31 December 2013, the Company distributed a cash dividend of RMB20.00 (tax inclusive) per 10 shares to all shareholders, and at the same time increased shares of all shareholders by converting capital reserves into share capital on the basis of 15 additional shares for every 10 shares. The book closure day was 29 April 2014 and the ex-right & ex-dividend day 30 April 2014.

Plan for profit distribution for 2014: Based on its total of 4,215,808,472 shares as at 31 December 2014, the Company distributed a cash dividend of RMB10 (tax inclusive) per 10 shares to all shareholders. The book closure day was 29 April 2015 and the ex-right & ex-dividend day 30 April 2015.

Preliminary plan for profit distribution and converting capital reserves into share capital for 2015: Based on its total of 4,267,391,228 existing shares, the Company is to distribute a cash dividend of RMB12 (tax inclusive) per 10 shares to all shareholders, and at the same time increase shares of all shareholders by converting capital reserves into share capital on the basis of 5 additional shares for every 10 shares. The said preliminary plan has been considered and approved by the 6th Meeting of the 2nd Board of the Company and will later be submitted to the General Meeting for further consideration.

Cash dividend distribution of the Company to common shareholders over the recent three years (including the Reporting Period)

Unit: RMB

Year	Cash dividends (tax included)	Net profit attributable to common shareholders in the consolidated statement in the year	Ratio to net profit attributable to common shareholders in the consolidated statement in the year	Cash dividends in other forms	Ratio of cash dividends in other forms
------	----------------------------------	--	---	----------------------------------	--

2015	5,120,869,473.60	12,706,725,000.00	40.30%	0.00	0.00
2014	4,215,808,472.00	10,502,220,260.00	40.14%	0.00	0.00
2013	3,372,646,778.00	5,317,458,060.00	63.43%	0.00	0.00

The Company made a profit in the Reporting Period and the profit distributable to common shareholders of the Company (without subsidiaries) was positive, but it did not put forward a preliminary plan for cash dividend distribution to its common shareholders

☐ Applicable ☒ N/A

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

☒ Applicable ☐ N/A

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax included)	12.00
Additional shares converted from capital reserves for every 10 shares (share)	5
Total shares as the basis for the preliminary plan for profit distribution (share)	4,267,391,228
Total cash dividends (RMB) (tax included)	5,120,869,473.60
Distributable profit (RMB)	9,878,385,000
Percentage of cash dividends in the total distributed profit (%)	100%
Cash dividend policy	
Other	
Details about the preliminary plan for profit distribution and converting capital reserves into share capital	
As audited by PricewaterhouseCoopers China (LLP), the Company realized a net profit of RMB6,567,314,000 for 2015. Pursuant to the relevant provisions under the Articles of Association, it provided 10% as statutory surplus reserves, namely RMB656,732,000. Plus undistributed profit at the beginning of the year of RMB7,282,924,000 as well as the undistributed profit from the subsidiaries merged into the Company of RMB900,687,000 and minus the distributed profit of RMB4,215,808,000, the actual distributable profit would be RMB9,878,385,000. Preliminary plan for profit distribution and converting capital reserves into share capital for 2015: Based on its total of 4,267,391,228 existing shares, the Company is to distribute a cash dividend of RMB12.00 (tax inclusive) per 10 shares to all shareholders, resulting in a total cash dividend payment of RMB5,120,869,473.60. The remaining undistributed profit shall be carried forward for future distribution. And the Company also intends to increase shares of all shareholders by converting capital reserves into share capital on the basis of 5 additional shares for every 10 shares, representing a total increment of 2,133,695,614 shares. The preliminary plan shall be submitted to the Company's 2015 Annual General Meeting for further consideration.	

3. Performance of Undertakings

3.1 Undertakings of the Company, its shareholders, actual controller, acquirer, directors, supervisors, senior management staff or other related parties fulfilled in the Reporting Period or ongoing at the period-end

√ Applicable □ N/A

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

	controller	industry	his controlled companies, Midea Holding and He Xiangjian have undertaken as follows: (1) None of the entities or individuals mentioned above is or will be engaged in the same or similar business as the existing main business of Midea Group and its controlled companies. They are not or will not be engaged or participate in such business that is competitive to the existing main business of Midea Group and its controlled companies by controlling other economic entities, institutions or economic organizations; (2) If Midea Group and its controlled companies expand their business on the basis of the existing ones to those where the above mentioned related entities or individuals are already performing such production and operations, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they will agree on solving the problem of competition within the industry arising therefrom within a reasonable period; (3) If Midea Group and its controlled companies expand their business scope on the basis of the existing ones to those where the above mentioned related subjects have not gone into production or operation, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they would undertake as not to engage in competitive business to the new ones of Midea Group and its controlled companies; (4) In accordance with effective laws, regulations or other regulatory documents of People's Republic of China, as long as Midea Holding is identified as the controlling shareholder of Midea Group, and He Xiangjian the actual controller, they will			
--	------------	----------	---	--	--	--

			not change or terminate this undertaking. (5) Midea Holding and He Xiangjian shall faithfully fulfill the above undertaking, and assume the corresponding legal responsibilities. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they would bear the corresponding legal responsibilities according to relevant laws, rules, regulations and regulatory documents.			
	Controlling shareholder, actual controller	Regulation of related transactions	4. In order to regulate matters of related transactions that may occur in the future between Midea Group and Midea Holding and its controlled companies as well as He Xiangjian, his immediate family and his controlled companies, Midea Holding and He Xiangjian have undertaken as follows: (1) They will regulate any related transactions with Midea Group and its controlled companies using their utmost efforts to reduce them. For unavoidable related transactions with Midea Group and its controlled companies, including but not limited to commodity trading, providing services to each other or as agent, they will sign legal normative agreements with Midea Group, and go through approval procedures in accordance with related laws, regulations, rules, other regulatory documents, and relevant provisions of the Articles of Association of Midea Group. They guarantee to offer fair prices for related transactions, and fulfill the information disclosure obligations in respect of the related transactions according to related laws, regulations, rules, other regulatory documents, and relevant provisions of the Articles of Association of Midea Group. They also guarantee not to illegally transfer the funds or profits from Midea Group, or damage the interests of its shareholders at their advantages during the related transactions.	2013.03.28	Long-standing	4. There has been no violation of this undertaking.

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

			Committee funded the establishment of Midea Group Co., Ltd. In addition the letter also confirmed that the council of Midea Trade Union Committee is entitled to dispose any property of the committee, and such property disposal does not need any agreement from all staff committee members. Midea Holding and He Xiangjian, respectively the controlling shareholder and actual controller of Midea Group Co., Ltd. have undertaken as follows: For any loss to Midea Group caused by any dispute or potential dispute arising from the matters of equity transfer mentioned above, they are willing to assume full liability for such loss.			
	Controlling shareholder, actual controller	Issues about Payment of the Staff Social Insurance and the Housing Provident Fund involved in Midea Group's Overall Listing	6. Midea Holding and He Xiangjian have undertaken to be liable for (1) paying such expenses and related expenses on time based on the requirements of relevant state departments if Midea Group is required to be liable for the payment of staff social insurance, housing provident fund and the payment required by relevant state authorities prior to this merger, (2) paying corresponding compensation for all direct and indirect losses incurred by Midea Group and its subsidiaries due to this merger, (3) indemnifying and holding harmless Midea Group and its subsidiaries in time from such expenses when Midea Group and its subsidiaries are required to pay them in advance.	2013.03.28	Long-standing	6. So far, the payment of the staff social insurance and the housing provident fund has not brought about any controversy or potential disputes. There has been no violation of this undertaking.
	Controlling shareholder, actual controller	Issues about asset alteration, asset flaw and house leasing of Midea Group and its	7. Undertakings on issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries Midea Holding and He Xiangjian have undertaken as follows: (1) Midea Holding will do its utmost to assist and urge Midea Group (including its subsidiaries) to complete renaming procedures of related assets, such as land, housing, trademarks, patents and stock rights, declared in the related	2013.03.28	Long-standing	7.1 The Process of Property Ownership Certificate: The Report discloses that the Company is trying to get the Property Ownership Certificate for 177 of its properties, which cover an area of 2,148,485.65 square

		subsidiaries files of this merger. Midea Holding will be liable for all compensations of losses caused by issues about renaming procedures of related assets mentioned above to Midea Group. (2) Midea Holding shall do its utmost to assist Midea Group (including its subsidiaries) to apply for ownership certificates of land and housing or property declared in related files of this merger. (3) Midea Holding shall assist Midea Group (including its subsidiaries) to re-apply for corresponding construction procedures and apply for their ownership certificates for houses without complete procedures, as happened in the past, to apply for the ownership certificate. If the competent authorities requires Midea Group to dismantle buildings that cannot acquire the re-application for real estate registration procedures, Midea Holding shall do its utmost to provide assistance and be liable for any related expenses used in dismantling such buildings by Midea Group (including its subsidiaries). (4) Under any circumstances that Midea Group suffers from losses incurred from no longer using these properties or presently using the land or house above due to failing to obtain or collect in time the ownership certificates of the land or house above or any losses caused by any other reasons, Midea Holding shall compensate any loss for these reasons in time and in full. Midea Holding shall compensate the actual loss Midea Group suffers from any circumstances above resulting in penalties subjected to from competent authorities or through claims from any other third party. (5) Based on issues of defective house leasing declared in related files of this merger, Midea Holding shall provide			meters. So far, 62 applications have been approved, the total area covers 2,086,357.42 square meters, which accounts for 97.11% of total area. Another property with an area of 1,966.69 square meters (0.09% of the total area) has been disposed. The remaining 114 properties, spanning an area of 60,161.54 square meters account for 2.8% of the total area. These properties are all small unit size auxiliary facilities such as security booth, transformer room, power room, pump room, gas station and so on, for which property ownership certificates cannot be granted or applied for. So far these 114 properties have not been required to be dismantled by competent departments so that these buildings are still in regular use, which has not brought about any controversy or any company loss caused by disputes. There has been no violation of this undertaking. 7.2 The Use of Rental Houses of
--	--	--	--	--	--

		sufficient compensations for all economic losses incurred by Midea Group (including its subsidiaries) where the leasehold relations above become invalid or other disputes occur, which are caused by rights claims from a third party or by means of an administrative authority exercising a right and therefore results in any economic losses due to eviction from rental houses, or any penalties subjected to by competent government departments or any recourse from related parties. (6) Based on the issues of defective land leasing declared in related files of this merger, when leasehold relations become invalid caused by defects of land leasing or when other disputes occur, resulting in any economic losses to Midea Group (including its subsidiaries) or through any penalties administered by competent government departments. Likewise if the lessor cannot compensate for losses caused by such defective leasing, Midea Holding shall compensate Midea Group for losses caused by such defective land leasing. Midea Holding and He Xiangjian will compensate any losses of Midea Group where a violation of guarantees and undertakings referred to previously occurs or such guarantees and undertakings are not consistent with the reality.		This Company The Report discloses that as of 31 December 2012, our company used 113 leasing houses in total, of which our company cannot get the property certificate of 100 leasing houses from the leasing party. So far the contracts of 81 out of the 113 rental houses have not been signed to extend the leasehold. The property certificates of 2 of the remaining 32 houses have been obtained while the other 30 certificates have not been obtained yet. These 30 rental houses have not rendered our company any economic loss or penalty caused by defective property rights, which result in removing to other rental houses. There has been no violation of this undertaking. 7.3 Land Use Rights of Leasing Use The "Report" discloses that as of 31 December, 2012, our company has had one case of using rental houses, covering a total area of
--	--	--	--	---

					57,506.95 square meters for which the lessor of the rental land mentioned above did not provide any legal ownership files showing or detailing ownership of this land. So far this rental land has not rendered our company any controversy or any loss caused by disputes. There has been no violation of this undertaking. 7.4 The Procedures of Renaming Land Owner Under Process Caused by the Alteration of the Company's Name The Report discloses that there are still 10 cases in the process of registering a new land owner caused by changing the company's name and its subsidiaries. So far, five cases have been approved and the other five cases are still under review, which have not rendered any loss to the company. There has been no violation of this undertaking. 7.5 Processing the Renaming
--	--	--	--	--	--

						Procedures of Some Trademarks So far, 8 of the 62 trademarks cases involved in the Report have applied for cancellation of the subjects through their owners and these trademarks shall no longer be in use. The company will not apply for the renaming procedures for those trademarks. The renaming procedures of the remaining 54 cases have been processed and this undertaking has been fulfilled. There has been no violation of this undertaking.
	Other shareholders	Share lock-up	Shareholders of Midea Group Ningbo Meicheng, Fang Hongbo, Huang Jian, Cai Qiwu, Yuan Liqun, Huang Xiaoming, Li Jianwei, Zheng Weikang promise that since Midea Group was listed on the Shenzhen Stock Exchange Center, transferring shares or delegating others to manage their shares with either direct or indirect ownership of Midea Group, issued before this time, has been forbidden for 36 months. Midea Group is not allowed to buy back those shares either.	2013.03.28	36 months from the day of Midea Group's listing (2013.09.18-2016.09.18)	There has been no violation of this undertaking.
Undertakings given in time of IPO or refinancing	The Company	Private issue	1. In strict accordance with the rules of the CSRC, the Shenzhen Stock Exchange and the Company regarding the use of raised funds, the Company shall have a special account for its raised funds and use the funds only for the previously set purposes.	2015.06.15	The undertakings shall expire when the raised funds have been	There has been no violation of this undertaking.

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

3.2 Where any earnings forecast was made for any of the Company's assets or projects and the Reporting Period is still within the forecast period, the Company shall explain whether the performance of the asset or project reaches the earnings forecast and why

☐ Applicable ☒ N/A

4. 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.

5. Explanation of the Board of Directors, the Supervisory Committee and Independent Directors (If Any) Regarding the "Non-standard Audit Opinion" for the Reporting Period

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

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

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

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

☒ Applicable ☐ N/A

For the main subsidiaries within the scope of the consolidated financial statements for the current year, please refer to Note 5 and Note 6 to the Financial Statements. And the main companies newly consolidated in the current year are Main Power Electrical Factory Limited, Midea Microcredit Co., Ltd., Foshan Shunde Midea Microcredit Co., Ltd. and PT Midea Planet Indonesia (for details, please see "5.1" and "a", "5.2" under Note 5 to the Financial Statements). For the companies deconsolidated in the

current year, please refer to “b”, “5.2” under Note 5 to the Financial Statements.

9. Engagement and Disengagement of CPAs Firm

CPAs firm at present

Name of the domestic CPAs firm	PricewaterhouseCoopers China (LLP)
The Company's payment for the domestic CPAs firm (RMB'0,000)	600
Consecutive years of the audit service provided by the domestic CPAs firm	One year
Names of the certified public accountants from the domestic CPAs firm	Yao Wenping, Huang Meimei

Whether the CPAs firm was changed in the current period

☒ Yes ☐ No

Whether the CPAs firm was changed during the audit

☒ Yes ☐ No

Whether the approval procedure was executed for change of the CPAs firm

☒ Yes ☐ No

Detailed explanation of the change of the CPAs firm

The Tianjian Accounting Firm (special general partnership) (hereinafter referred to as “Tianjian”) was both the financial report and internal control auditor for the Company in 2015. With an aim to choose a single auditor for all of our operations around the world, to better facilitate our business development globally, and ensure the independence and objectivity of the audit service, even though Tianjian has acted as the auditor for us for a number of years, we have deliberated and changed our financial report and internal control auditor to PricewaterhouseCoopers China (LLP) for 2015. The said change of the CPAs firm was considered and approved at the 3rd Meeting of the 2nd Board of Directors dated 17 November 2015 as well as at the 4th Special General Meeting 2015 dated 4 December 2015.

Engagement of any CPAs firm for internal control audit, financial advisor or sponsor

☒ Applicable ☐ N/A

The Company appointed PricewaterhouseCoopers China as the internal control auditor for this year. The remuneration in total paid by the Company to PricewaterhouseCoopers China for its audit of the

Company's financial report and internal control conditions for 2015 was RMB6 million.

During this reporting period, CITIC Securities Co., Ltd. was hired, with a payment of RMB5 million, as the listing sponsor for the private issue of A-shares by the Company to Xiaomi Technology.

10. Possibility of Listing Suspension and Termination after Disclosure of this Annual Report

☐ Applicable ☒ N/A

11. Bankruptcy and Reorganization

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

12. Material Litigation and Arbitration

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

13. Punishments and Rectifications

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

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

☒ Applicable ☐ N/A

In the Reporting Period, the Company as well as its controlling shareholder and actual controller were in a good credit position, without unsatisfied court judgments, or large-amount overdue liabilities.

15. Implementation of any Equity Incentive Plan, Employee Stock Ownership Plan or Other Incentive Measures for Employees

☒ Applicable ☐ N/A

A. Overview of the First Stock Option Incentive Plan

a. The Company convened the 26th Meeting of the First Board of Directors on 27 March 2015, at which

the Proposal for the Adjustments to the Incentive Receivers and Their Exercisable Stock Options of the Stock Option Incentive Plan was reviewed and approved. As such, it was agreed to adjust the incentive receivers and their exercisable stock options for the First Stock Option Incentive Plan due to the departure, positional changes or low performance appraisals of some incentive receivers. Upon the adjustments, the number of incentive receivers decreased from 681 to 626, and their exercisable stock options (entitled but not yet exercised) were also reduced from 99,862,500 to 90,660,000.

The Proposal for Matters Related to the Stock Option Exercise for the First Exercise Period of the First Stock Option Incentive Plan was also considered and approved. For the exercise conditions that have grown mature for the first exercise period, a total of 613 incentive receivers who have ascertained and verified the First Stock Option Incentive Plan have been allowed to exercise 29,840,000 stock options in the first exercise period, leaving 60,820,000 stock options with unsatisfied exercise conditions.

b. On 24 April 2015, the Announcement on the 2014 Annual Profit Distribution was disclosed by the Company, with a decision to distribute a cash dividend of RMB10.00 for every 10 shares to all the shareholders based on the total of 4,215,808,472 shares of the Company. The book closure date was 29 April and the ex-right and ex-dividend date was 30 April 2015.

The Company convened the 27th Meeting of the First Board of Directors on 27 April 2015, at which the Proposal for the Adjustment to the Exercise Price for the First Stock Option Incentive Plan was reviewed and approved. As the said profit distribution pre-plan had been carried out, the exercise price for the First Stock Option Incentive Plan was revised from RMB18.72 to RMB17.72 per share.

c. On 31 March 2015, the exercise conditions grew mature for the first exercise period of the First Stock Option Incentive Plan. Upon examination by the Shenzhen Stock Exchange and the Shenzhen branch of China Securities Depository and Clearing Co., Ltd., the incentive receivers for the First Stock Option Incentive Plan have started to exercise their stock options since 18 May 2015. Up to the end of the Reporting Period, 25,622,621 stock options have been exercised.

B. Overview of the Second Stock Option Incentive Plan

a. On 27 March 2015, the Second Stock Option Incentive Plan (Draft) and its Abstract of Midea Group Co., Ltd. was reviewed and approved at the 26th Meeting of the First Board of Directors, and the incentive receiver list for the Second Stock Option Incentive Plan (Draft) was examined at the 18th Meeting of the First Supervisory Committee.

b. The Company filed the materials of the Second Stock Option Incentive Plan to the CSRC and the CSRC raised no objection against the materials. On 27 April 2015, the Second Stock Option Incentive Plan (Draft) and its Abstract (Revised) and the Proposal for the Formulation of the Implementation and Appraisal Measures for the Second Stock Option Incentive Plan (Revised) were reviewed and approved at the 27th Meeting of the First Board of Directors.

c. On 25 May 2015, the Company convened the First Special General Meeting for 2015, at which the Second Stock Option Incentive Plan (Draft) and its Abstract (Revised) of Midea Group Co., Ltd. (the “Second Stock Option Incentive Plan”), the Implementation and Appraisal Measures for the Second Stock Option Incentive Plan (Revised) of Midea Group Co., Ltd., the Proposal for Asking the General Meeting to Authorize the Board to Handle Matters Related to the Second Stock Option Incentive Plan and other relevant proposals were reviewed and approved.

d. In light of the authorization given at the First Special General Meeting for 2015 and the completion of the aforesaid 2014 Annual Profit Distribution Plan, the Company convened the 28th Meeting of the First Board of Directors on 27 May 2015, at which the Proposal for the Adjustments to the Exercise Price, the Incentive Receiver List and the Number of Granted Stock Options for the Second Stock Option Incentive Plan, the Proposal for the Determination of the Grant Date for the Second Stock Option Incentive Plan and the Proposal for the Grant-Related Matters for the Second Stock Option Incentive Plan were reviewed and approved. As such, the Company agreed to grant 83,790,000 stock options to 733 receivers on 27 May 2015 with the exercise price being adjusted from RMB31.54 to RMB30.54 per share.

C. Overview of the First Employee Stock Ownership Plan

a. The Proposal for the Core Management and “Midea Group Partner” Stock Ownership Plan (Draft) of Midea Group Co., Ltd. & Its Abstract as well as the Proposal for Asking the General Meeting to Authorize the Board to Handle Matters Related to the Stock Ownership Plan were considered and approved at the 26th Meeting of the 1st Board of Directors on 27 March 2015 and later at the 2014 Annual General Meeting on 21 April 2015.

b. As resolved by the Holders’ Meeting for the First Employee Stock Ownership Plan, China International Capital Corporation Limited (CICC) was entrusted to conduct the “CICC Directional Asset Management Plan for the First Midea Group Partner Stock Ownership Plan” with Midea Group shares purchased from

the secondary market.

From 7 May 2015 to 18 May 2015, CICC, the stock ownership plan administrator, purchased a total of 6,483,759 Midea Group shares at an average price of RMB34.85/share from the secondary market. The funds used for the share purchase were sourced from Midea Group's special fund for the stock ownership plan of RMB115 million as well as another RMB115 million as a self-financing. As such, the shares needed by the First Employee Stock Ownership Plan have been purchased, with a statutory lock-up period from 19 May 2015 to 18 May 2016.

16. Significant Related-Party Transactions

16.1 Related-party transactions arising from routine operation

√ Applicable □ N/A

Related transaction party	Relation	Type of the transaction	Contents of the transaction	Pricing principle	Transaction price	Transaction amount (RMB '0,000)	Proportion in the total amounts of transaction of the same kind (%)	Approved transaction line (RMB '0,000)	Over approved line	Mode of settlement	Obtainable market price for the transaction of the same kind	Disclosure date	Index to the disclosed information
Infore Environment Technology Group Co., Ltd.	Controlled by family member of Company's actual controller	Procurement	Procurement of goods	Market price	-	92,039	1.01%	200,000	No	Payment after delivery	-	2015.03.31	www.cninfo.com.cn
Total				--	--	92,039		200,000	--	--	--	--	--
Details of any sales return of a large amount				Zero									
Give the actual situation in the Reporting Period (if any) where a forecast had been made for the total amounts of routine related-party transactions by type to occur in the current period				The associated amount limit between the Company and the related parties and the subsidiaries did not exceed the estimated total amounts of routine related-party transactions by type.									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				N/A									

Note: Zhejiang Shangfeng Industrial Holdings Co., Ltd. (Shangfeng Industrial) has changed its name to "Infore

Environment Technology Group Co., Ltd.” (Infore Environment), with its new business license obtained in February 2016.

16.2 Related-party transactions regarding purchase or sales of assets or equity interests

☒ Applicable ☐ N/A

Related transaction party	Relation	Type of the transaction	Contents of the transaction	Pricing principle	Book value of the transferred asset (RMB '0,000)	Assessed value of the transferred asset (RMB'0,000)	Price of transfer (RMB '0,000)	Mode of settlement	Profit / loss (RMB '0,000)	Disclosure date	Index to the disclosed information
Midea Holding Co., Ltd.	Controlling share-holder of the Company	Equity transfer	Transfer of the 100% stake of Foshan Meihui to Midea Holding	Based on the net assets of Foshan Meihui	27,290	27,290	27,290	-	-	2015.08.31	www.cninfo.com.cn
Reason for any large difference between the transfer price and the book value or assessed value				N/A							
Effect on the Company's business results and financial position				The transaction further improved the asset structure and quality of the Company and helped it focus on its main business with more resources for more concentrated business development.							
Performance of the asset in the Reporting Period when a performance-related undertaking is involved in the transaction				N/A							

16.3 Related-party transitions arising from joint investments in external parties

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

16.4 Credits and liabilities with related parties

☒ Applicable ☐ N/A

Credits and liabilities with related parties for non-operating purposes

☐ Yes ☒ No

16.5 Other significant related-party transactions

√ Applicable □ N/A

a. The Proposal for Related-party Transactions Regarding Making Deposits in and Securing Loans from Shunde Rural Commercial Bank and the Proposal for the Related-Party Transaction Regarding Note Discounting for Shangfeng Industrial were reviewed and approved at the 26th Meeting of the 1st Board of Directors held on 27 March 2015 and later at the 2014 Annual General Meeting held on 21 April 2015.

In 2015, the deposit balance of the Company in Shunde Rural Commercial Bank did not exceed RMB3 billion and neither did the credit balance provided by the bank to the Company exceed RMB3 billion.

In 2015, Midea Group Finance Co., Ltd., a subsidiary of the Company, provided note discounting services for Shangfeng Industrial and its subsidiaries, with the total amount of discounted notes not exceeding RMB1.4 billion and the interest charged not exceeding RMB30 million.

b. The Proposal for the Trial Implementation of a Diversified Employee Stock Ownership Plan & a Related-Party Transaction Regarding Transferring the Equity Interests in a Subsidiary was considered and approved at the 32nd Meeting of the 1st Board of Directors dated 28 August 2015.

In order to boost the development of Annto Logistics Co., Ltd. (Annto), a directly and indirectly wholly-owned subsidiary of Midea Group, a diversified, long-term employee stock ownership plan was carried out for Annto's core management and logistics division heads, as well as some senior executives of Midea Group working concurrently with Annto (the "Incentive Receivers"). Based on Annto's net assets as at 30 June 2015, and taking into account the dividend payout and other equity adjustments before the transfer, Midea Group transferred the 20% equity interests that it held in Annto to a limited partnership enterprise jointly incorporated by the Incentive Receivers.

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

Title of Announcement	Disclosure date	Disclosure website
Announcement on Related-party Transactions Regarding Making Deposits in and Securing Loans from Shunde Rural Commercial Bank	2015.03.31	www.cninfo.com.cn
Announcement on the Related-party Transaction Regarding Note Discounting for Shangfeng Industrial	2015.03.31	www.cninfo.com.cn
Announcement on the Trial Implementation of a Diversified Employee Stock Ownership Plan & a Related-Party Transaction Regarding Transferring the Equity Interests in a Subsidiary	2015.08.31	www.cninfo.com.cn

17. Significant Contracts and Their Execution

17.1 Trusteeship, contracting and leasing

17.1.1 Trusteeship

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

17.1.2 Contracting

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

17.1.3 Leasing

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

17.2 Major Guarantees

☒ Applicable ☐ N/A

17.2.1 Guarantees provided by the Company

Unit: RMB'0,000

Guarantees provided by the Company and its subsidiaries for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Shanxi Huaxiang Group Co., Ltd.	2015-3-31	38,200	2015-1-1	15,000	Joint and several liability	One year	No	No
Total external guarantee line approved during the Reporting Period (A1)	31,800			Total actual external guarantee amount during the Reporting Period (A2)	31,800			
Total approved external	15,000			Total actual external	15,000			

guarantee line at the end of the Reporting Period (A3)				guarantee balance at the end of the Reporting Period (A4)				
Guarantees between the Company and its subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Midea Group Finance Co., Ltd.	2015-3-31	950,000	2015-1-1	0	Joint and several liability	One year	No	No
Guangdong Midea Refrigeration Equipment Co., Ltd.	2015-3-31	770,000	2015-1-1	39,798	Ditto	Ditto	Ditto	Ditto
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	2015-3-31	500,000	2015-1-1	13,434	Ditto	Ditto	Ditto	Ditto
Guangdong Witt Vacuum Electronics Manufacturing Co., Ltd.	2015-3-31	43,600	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	2015-3-31	65,000	2015-1-1	33,000	Ditto	Ditto	Ditto	Ditto
Midea Commercial Air Conditioning Equipment Co., Ltd., Guangdong Province	2015-3-31	14,500	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Guangdong Midea Consumer Electric	2015-3-31	27,500	2015-1-1	0	Ditto	Ditto	Ditto	Ditto

Manufacturing Co., Ltd.								
Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd.	2015-3-31	109,500	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Guangdong Midea Kitchen & Bathroom Appliances Manufacturing Co., Ltd.	2015-3-31	10,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Foshan Shunde Midea Drinking Manufacturing Co., Ltd.	2015-3-31	19,300	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Foshan Midea Clear Lake Water Purification Equipment Manufacturing Co., Ltd.	2015-3-31	10,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Guangdong Midea Environment Appliances Manufacturing Co., Ltd.	2015-3-31	176,500	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Foshan Shunde Midea Washing Appliance Manufacturing Co., Ltd.	2015-3-31	274,800	2015-1-1	2,419	Ditto	Ditto	Ditto	Ditto
Guangdong GMCC Refrigeration Equipment	2015-3-31	67,800	2015-1-1	0	Ditto	Ditto	Ditto	Ditto

Co., Ltd.								
Guangdong GMCC Precise Manufacture Co., Ltd.	2015-3-31	34,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Guangdong Welling Motor Co., Ltd.	2015-3-31	65,700	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Foshan Welling Electronic and Electric Appliances Co., Ltd.	2015-3-31	10,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Foshan Welling Washer Motor Manufacturing Co., Ltd.	2015-3-31	92,400	2015-1-1	6,490	Ditto	Ditto	Ditto	Ditto
Ningbo Midea Joint Materials Supply Co. Ltd.	2015-3-31	66,000	2015-1-1	10,000	Ditto	Ditto	Ditto	Ditto
Foshan Welling Material Co., Ltd.	2015-3-31	21,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Guangzhou Kaizhao Trading Co., Ltd.	2015-3-31	18,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Foshan Midea Carrier Refrigeration Equipment Co., Ltd.	2015-3-31	46,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	2015-3-31	30,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto

Wuhu GMCC Air Conditioning Equipment Co., Ltd.	2015-3-31	123,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Hefei Midea Refrigerator Co., Ltd.	2015-3-31	38,000	2015-1-1	2,500	Ditto	Ditto	Ditto	Ditto
Hubei Midea Refrigerator Co., Ltd.	2015-3-31	10,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Hefei Hualing Co., Ltd.	2015-3-31	63,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Guangzhou Midea Hualing Refrigerator Equipment Co., Ltd.	2015-3-31	20,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	2015-3-31	7,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd.	2015-3-31	5,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Wuhu Midea Washing Appliance Manufacturing Co., Ltd.	2015-3-31	12,500	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Anhui GMCC Refrigeration Equipment Co., Ltd.	2015-3-31	10,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Anhui GMCC Precise Manufacture Co., Ltd.	2015-3-31	20,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto

Welling (Wuhu) Motor Manufacturing Co., Ltd.	2015-3-31	10,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Hefei Midea Washing Machine Co., Ltd.	2015-3-31	40,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Annto Logistics Co., Ltd.	2015-3-31	20,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Jiangsu Midea Chunhua Electric Co., Ltd.	2015-3-31	14,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Jiangxi Midea Guiya Lighting Co., Ltd.	2015-3-31	5,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Chongqing Midea General Refrigeration Equipment Co., Ltd.	2015-3-31	12,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Zhejiang GMCC Compressor Co., Ltd.	2015-3-31	50,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Changzhou Welling Motor Manufacturing Co., Ltd.	2015-3-31	12,500	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Midea International Holdings Ltd.	2015-3-31	750,000	2015-1-1	87,200	Ditto	Ditto	Ditto	Ditto
Midea International Trading Co., Ltd.	2015-3-31	70,000	2015-1-1	26,476	Ditto	Ditto	Ditto	Ditto
Midea Electric Investment (BVI) Limited	2015-3-31	50,000	2015-1-1	26,880	Ditto	Ditto	Ditto	Ditto

Calpore Macao Commercial Offshore Ltd.	2015-3-31	30,000	2015-1-1	3,814	Ditto	Ditto	Ditto	Ditto
Century Carrier Residential Air-Conditioning Equipment Co., Ltd.	2015-3-31	6,300	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Welling International Hong Kong Limited	2015-3-31	30,500	2015-1-1	3,648	Ditto	Ditto	Ditto	Ditto
Welling Macao Commercial Offshore Ltd.	2015-3-31	7,000	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Midea Electric Trading (Singapore) Co. Pte. Ltd.	2015-3-31	300,000	2015-1-1	64,947	Ditto	Ditto	Ditto	Ditto
Midea Consumer Electric (Vietnam) Co., Ltd.	2015-3-31	30,500	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Midea Electrics Netherlands B.V.	2015-3-31	6,300	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
Midea America Corp.	2015-3-31	6,300	2015-1-1	0	Ditto	Ditto	Ditto	Ditto
PT Midea Heating and Ventilating Air Conditioner Indonesia	2015-3-31	12,600	2015-1-1	704	Ditto	Ditto	Ditto	Ditto
Midea Malaysia Joint Venture	2015-3-31	3,150	2015-1-1	1,507	Ditto	Ditto	Ditto	Ditto
Total guarantee line for subsidiaries		1,674,920		Total actual guarantee		1,674,920		

approved during the Reporting Period (B1)					amount for subsidiaries during the Reporting Period (B2)			
Total approved guarantee line for subsidiaries at the end of the Reporting Period (B3)			322,816		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)		322,816	
Guarantees between subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
No such cases								
Total guarantee line for subsidiaries approved during the Reporting Period (C1)		0		Total actual guarantee amount for subsidiaries during the Reporting Period (C2)		0		
Total approved guarantee line for subsidiaries at the end of the Reporting Period (C3)		0		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (C4)		0		
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the Reporting Period (A1+B1+C1)		1,706,720		Total actual guarantee amount during the Reporting Period (A2+B2+C2)		1,706,720		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		337,816		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		337,816		
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company				6.03%				
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)				181,662				

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)	181,662
Joint responsibilities possibly borne or already borne in the Reporting Period for undue guarantees (if any)	N/A
Provision of external guarantees in breach of the prescribed procedures (if any)	N/A

17.2.2 Illegal provision of guarantees for external parties

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

17.3 Entrusted cash management

17.3.1 Entrusted asset management

☒ Applicable ☐ N/A

Unit: RMB'0,000

Name of trustee	Whether it is a related-party transaction	Product type	Value of entrusted assets	Commence-ment date	Termi- nation date	Method of remuneration	Actual principal amount recovered for the period	Amount provided for impairment (if applicable)	Projected income	Actual profit & loss for the period	Actually received/ paid profit/loss for the period
Bank	No	Bank financial product	2,404,136	2015.01.01	2015.12.31	Agree-ment	3,205,518	-	130,963	130,963	130,963
Total			2,404,136	--	--	--	3,205,518	-	130,963	130,963	--
Source of entrusted assets			All from the Company's own funds								
Cumulative amount of principal and revenue overdue			0								
Litigation involved (if applicable)			N/A								
Disclosure date of the announcement about the board's consent for the asset			2015.03.31								

management entrustment (if any)	
Disclosure date of the announcement about the general meeting's consent for the asset management entrustment (if any)	2015.04.22
Any plan for asset management entrustment in the future	The Proposal for the Entrustment of the Company's Own Idle Funds for Management in 2016 was considered and approved at the 6 th Meeting of the 2 nd Board of Directors on 24 March 2016. As such, in order to increase the service efficiency of and the returns on its cash assets under the condition that investment risks are under control, the Company has agreed to entrust its own idle funds not exceeding RMB35 billion in total to low-risk investment on a rolling basis. The Proposal awaits further consideration at the 2015 Annual General Meeting of the Company.

17.3.2 Entrusted loans

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

17.4 Other significant contracts

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

18. Other Significant Events

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

19. Significant Events of Subsidiaries

☐ Applicable ☒ N/A

20. Social Responsibilities

☒ Applicable ☐ N/A

The Company has shouldered its social responsibility. It has put much emphasis on preserving the legal interests of stakeholders, including shareholders, staff, consumers, partners, the government and community. It has reinforced its communication and coordination with these interested parties, insisting

on a harmonious relationship and coexistence with all parties, adhering to the principles of good faith and commitment, complying with laws and moral standards and striving to achieve the sustainable development of the society and environment (details of which can be found in the 2015 Social Responsibility Report disclosed on www.cninfo.com.cn).

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

☐ Yes ☒ No ☐ N/A

21. Corporate Bonds

Corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full

No

Section VI Changes in Shares and Information about Shareholders

1. Changes in Shares

1.1 Changes in shares

Unit: share

	Before		+/-					After	
	Number	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization of capital reserves	Other	Subtotal	Number	Proportion (%)
1. Restricted shares	1,973,072,529	46.80	55,093,750	0	0	-1,822,529	53,271,221	2,026,343,750	47.49
1.1 Shares held by the state	0	0	0	0	0	0	0		
1.2 Shares held by state-owned corporations	0	0	0	0	0	0	0		
1.3 Shares held by other domestic investors	1,973,072,529	46.80	55,093,750	0	0	-1,822,529	53,271,221	2,026,343,750	47.49
Among which:									
Shares held by domestic corporations	1,571,250,000	37.27	55,000,000	0	0	0	55,000,000	1,626,250,000	38.11
Shares held by domestic individuals	401,822,529	9.53	93,750	0	0	-1,822,529	-1,728,779	400,093,750	9.38
1.4 Shares held by foreign investors	0	0	0	0	0	0	0	0	0
Among which:									
Shares held by foreign corporations	0	0	0	0	0	0	0	0	0
Shares held by foreign individuals	0	0	0	0	0	0	0	0	0

2. Non-restricted shares	2,242,735,943	53.20	25,528,871	0	0	-27,769,115	-2,240,244	2,240,495,699	52.51
2.1 RMB common shares	2,242,735,943	53.20	25,528,871	0	0	-27,769,115	-2,240,244	2,240,495,699	52.51
2.2 Domestically listed foreign shares	0	0	0	0	0	0	0	0	0
2.3 Overseas listed foreign shares	0	0	0	0	0	0	0	0	0
2.4 Other	0	0	0	0	0	0	0	0	0
3. Total shares	4,215,808,472	100.00	80,622,621	0	0	-29,591,644	51,030,977	4,266,839,449	100

Reasons for the changes in shares

√ Applicable □ N/A

a. In the Reporting Period, the Company made a private placement of 55,000,000 restricted tradable shares to Xiaomi Technology, which were listed on the Shenzhen Stock Exchange on 26 June 2015 and not allowed to be transferred within 36 months from the listing.

b. On 15 May 2015, the Company disclosed the Indicative Announcement on the Commencement of the Self-Decided Exercise by the Eligible Incentive Receivers for the First Exercise Period of the First Stock Option Incentive Plan. The stock options' exercise started on 18 May 2015. Up to the end of the Reporting Period, the incentive receivers had exercised 25,622,621 stock options for the First Stock Option Incentive Plan, of which 125,000 stock options had been exercised by the Company Secretary Jiang Peng on his own decision (93,750 shares locked up due to the 75% lock-up ratio requirement for the senior executives).

c. In June 2014, with confidence in the Company's long-term solid growth, Fang Hongbo, Yuan Liqun and Li Jianwei from the top management of the Company increased their shareholdings in the Company by approximately 2,430,037 shares in total through the secondary market (1,822,529 shares locked up due to the 75% lock-up ratio requirement for the senior executives). According to the applicable rules, the annual transferable shares for the senior executives shall be calculated **[the transferable shares = (restricted tradable shares + non-restricted tradable shares) × 25%]** at the first trading day of every year. As such, the aforesaid locked-up shares were unlocked for trading at the beginning of 2015.

d. The Preliminary Plan for the First Repurchase of Some Public Shares was reviewed and approved at the 30th Meeting of the First Board of Directors on 26 June 2015 and later at the Second Special General

Meeting for 2015 on 13 July 2015. According to the Preliminary Plan, the Company would repurchase some of its shares under the price of RMB48.54/share and the total price for the repurchase should not exceed RMB1 billion. 29,591,644 shares were bought back during the period from 21 July 2015 to 31 July 2015. With the highest price at RMB35.74/share and the lowest at RMB30.69/share, the total repurchase price stood at RMB999,997,670.86, reaching its limit. As such, this repurchase plan has been carried out. The Company cancelled the repurchase shares of 29,591,644 with the Shenzhen branch of China Securities Depository and Clearing Co., Ltd. on 6 August 2015.

Approval of share changes

√ Applicable □ N/A

a. On 20 May 2015, the Issue Review Committee of the CSRC reviewed and approved the Company's application for a private placement to Xiaomi Technology.

b. On 11 June 2015, the Company received from the CSRC the Reply Regarding the Approval for the Private Placement of Midea Group Co., Ltd. (CSRC Permit [2015] No. 1169), approving a private placement of no more than 55,000,000 new shares by the Company to Xiaomi Technology.

Transfer of share ownership

□ Applicable √ N/A

Effects of changes in shares on the 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 unlocking	Date of unlocking
Fang Hongbo, Yuan Liqun and Li Jianwei	201,822,529	1,822,529	0	200,000,000	Quotas for transferable shares released at the beginning of the year	2015-01-04

Jiang Peng	0	0	93,750	93,750	Lock-up of the shares obtained by the senior executive by exercising stock options in an equity incentive plan	-
Xiaomi Technology Co., Ltd.	0	0	55,000,000	55,000,000	Lock-up of privately offered shares	2018-6-26
Total	201,822,529	1,822,529	55,093,750	255,093,750	--	--

2. Issuance and Listing of Securities

2.1 Securities (excluding preference shares) issued in the Reporting Period

√ Applicable □ N/A

Names of the stock and derivative securities	Issuing date	Issuing price (or interest rate)	Number of shares issued	Listing date	Number approved for listing	Ending date of trade
Stocks						
A-share	2015.06.26	22.01	55,000,000	2015.06.26	55,000,000	-

2.2 Changes in total shares of the Company and the shareholder structure, as well as the asset and liability structures

√ Applicable □ N/A

In the Reporting Period, the total number of the Company shares increased from 4,215,808,472 to 4,266,839,449 due to 25,622,621 stock options being exercised by incentive receivers at their own decision during the first exercise period of the First Stock Option Incentive Plan, 55,000,000 new shares from the private placement to Xiaomi Technology and the 29,591,644 shares bought back that were cancelled in the first repurchase.

2.3 Existing staff-held shares

□ Applicable √ N/A

3. Shareholders and Actual Controller

3.1 Total number of shareholders and their shareholdings

Unit: share

Total number of common shareholders at the end of the Reporting Period	75,479	Total number of common shareholders at the prior month-end before the disclosure date of the annual report	78,543	Total number of preference shareholders with resumed voting rights at the period-end (if any)	0	Total number of preference shareholders with resumed voting rights at the prior month-end before the disclosure date of the annual report (if any)	0	
Shareholdings of shareholders with a shareholding percentage over 5% or the top 10 shareholders								
Name of shareholder	Nature of shareholder	Sharehold- ing percentage (%)	Total shares held at the period-end	Increase/decr ease during the Reporting Period	Number of restricted shares held	Number of non-restrict ed shares held	Pledged or frozen shares	
							Status of shares	Number of shares
Midea Holding Co., Ltd.	Domestic non-state-owned corporation	35.07	1,496,250,000	0	1,496,250,000	0	Pledged	309,260,000
Rongrui Equity Investment (Zhuhai) Partnership (limited partnership)	Domestic non-state-owned corporation	7.14	304,500,000	0	0	304,500,000	-	-
China Securities Finance Co., Ltd.	State-owned corporation	2.99	127,545,960	127,545,960	0	127,545,960	-	-
Fang Hongbo	Domestic individual	2.14	91,326,995	0	90,000,000	1,326,995	-	-
Tianjin CDH Jiatai Equity Investment Partnership (limited partnership)	Domestic non-state-owned corporation	1.83	78,000,000	0	0	78,000,000	-	-
Huang Jian	Domestic individual	1.76	75,000,000	0	75,000,000	0	-	-
Ningbo Maysun Equity Investment Partnership (limited partnership)	Domestic non-state-owned corporation	1.76	75,000,000	0	75,000,000	0	-	-
Yuan Liquan	Domestic individual	1.42	60,500,000	0	60,000,000	500,000	-	-
CDH M-Tech (HK) Co., Ltd.	Overseas corporation	1.41	60,000,000	0	0	60,000,000	-	-
CDH Spark (HK) Co., Ltd.	Overseas corporation	1.35	57,500,000	0	0	57,500,000	-	-

Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any)	N/A		
Related-parties or acting-in-concert parties among the shareholders above	Two individual shareholders Mr. Fang Hongbo and Ms. Yuan Liquan, serve as director and senior executive. CDH Jiatai, CDH M-Tech and CDH Spark holding 4.59% shares of Midea Group are related parties.		
Shareholdings of the top 10 non-restricted shareholders			
Name of shareholder	Number of non-restricted shares held at the period-end	Type of shares	
		Type	Number
Rongrui Equity Investment (Zhuhai) Partnership (limited partnership)	304,500,000	RMB common share	304,500,000
China Securities Finance Co., Ltd.	127,545,960	Ditto	127,545,960
Tianjin CDH Jiatai Equity Investment Partnership (limited partnership)	78,000,000	Ditto	78,000,000
CDH M-Tech (HK) Co., Ltd.	60,000,000	Ditto	60,000,000
CDH Spark (HK) Co., Ltd.	57,500,000	Ditto	57,500,000
Central Huijin Asset Management Ltd.	52,316,600	Ditto	52,316,600
Fidelity Investments Management (HK) Ltd. — Clients' Funds	37,302,429	Ditto	37,302,429
Deutsche Bank Aktiengesellschaft	36,196,687	Ditto	36,196,687
Merrill Lynch International	33,385,844	Ditto	33,385,844
Hillhouse Capital Management Limited — HCM China Fund	31,263,565	Ditto	31,263,565
Related-parties or acting-in-concert parties among the top ten non-restricted shareholders and between the top ten non-restricted shareholders and the top ten shareholders	CDH Jiatai, CDH M-Tech and CDH Spark are related parties. Other than that, the Company does not know whether there are related parties among other shareholders of tradable shares and whether other shareholders of tradable shares belong to parties acting in concert as prescribed in the <Administrative Measures for Information Disclosure for Shareholding Alteration in a Listed Company>.		
Explanation on the top 10 common shareholders participating in securities margin trading (if any)	N/A		

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

☐ Yes ☒ No

No such cases in the Reporting Period.

3.2 Particulars about the controlling shareholder

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Credibility code	Main business scope
Midea Holding Co., Ltd.	He Xiangjian	2002-08-05	914406067429989733	Manufacture and commerce investment; domestic commerce and materials supply and marketing industry (excluding state-designated monopoly); CP software and hardware development; industrial product design; information technology consulting services, providing investment consultant and consulting services; installation, maintenance and after-sales service of electric appliances; real estate intermediary service and forwarding agent service.
Shareholdings of the controlling shareholder in other controlled or non-controlled listed companies at home or abroad during the Reporting Period	Apart from a direct control over the Company, Midea Holding does not directly control or have shares in other listed companies at home or abroad.			

Change of the controlling shareholder during the Reporting Period

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

3.3 Particulars about the actual controller

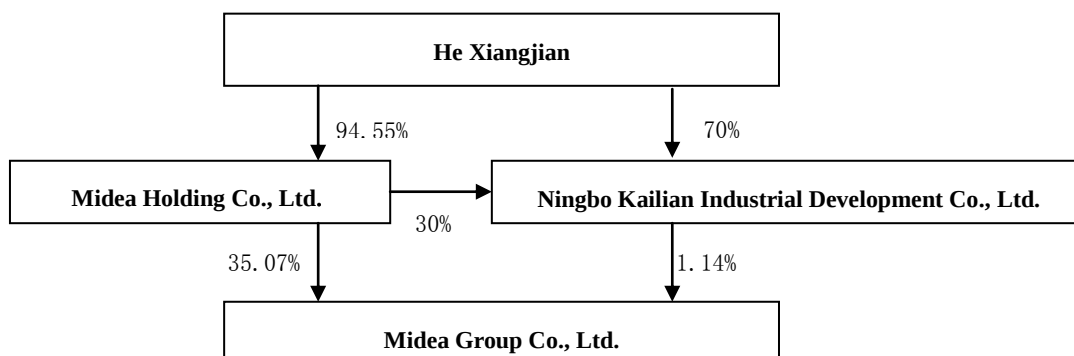
Name of the actual controller	Nationality	Right of residence in other countries or regions
He Xiangjian	The People's Republic of China	No
Main occupation and duty	Incumbent board chairman of Midea Holding	
Used-to-be-holding listed companies home and abroad in the last 10 years	Midea Group (000333.SZ), Welling Holding (00382.HK) and Little Swan (A: 000418.SZ; B:200418);	

Change of the actual controller during the Reporting Period

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

Ownership and control relations between the actual controller and the Company



The actual controller controls the Company via trust or other ways of asset management

☐ Applicable ☒ N/A

3.4 Other corporate shareholders with a shareholding percentage above 10%

☐ Applicable ☒ N/A

3.5 Limits on the Company's shares held by its controlling shareholder, actual controller, reorganizer and other commitment subjects

☐ Applicable ☒ N/A

Section VII Preference Shares

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

Section VIII Information about Directors, Supervisors, Senior Management and Employees

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

Name	Office title	Incumbent / Former	Gender	Age	Starting date of tenure	Ending date of tenure	Shares held at the year-begin (share)	Shares increased at the Reporting Period (share)	Shares decreased at the Reporting Period (share)	Other increase/decrease (share)	Shares held at the period-end (share)
Fang Hongbo	Chairman and President	Incumbent	Male	49	2012-8-25	2018-9-18	91,326,995	0	0	0	91,326,995
Yuan Liqun	Director, Vice President and Chief Financial Officer	Incumbent	Female	47	2012-8-25	2018-9-18	60,500,000	0	0	0	60,500,000
Wu Wenxin	Director and Vice President	Incumbent	Male	52	2014-4-21	2018-9-18	0	0	0	0	0
He Jianfeng	Director	Incumbent	Male	49	2012-8-25	2018-9-18	0	0	0	0	0
Li Feide	Director and Vice President	Incumbent	Male	39	2012-8-31	2018-9-18	0	0	0	0	0
Xu Hai	Director	Incumbent	Male	40	2013-3-4	2018-9-18	0	0	0	0	0
Hu Xiaoling	Director	Incumbent	Female	46	2012-8-25	2018-9-18	0	0	0	0	0
Wu Shinong	Independent Director	Incumbent	Male	60	2013-3-4	2018-9-18	0	0	0	0	0
Rui Meng	Independent Director	Incumbent	Male	49	2015-9-18	2018-9-18	0	0	0	0	0
Guo Xuejin	Independent Director	Incumbent	Male	57	2013-3-4	2018-9-18	0	0	0	0	0
Li Wenjing	Independent Director	Incumbent	Male	37	2013-3-4	2018-9-18	0	0	0	0	0
Liu Min	Chairman of the Supervisory Committee	Incumbent	Female	39	2016-2-1	2018-9-18	0	0	0	0	0
Zhao Jun	Supervisor	Incumbent	Male	41	2014-4-21	2018-9-18	0	0	0	0	0
Mai Yufen	Worker-representative Supervisor	Incumbent	Female	32	2016-1-16	2018-9-18	0	0	0	0	0

Zhu Fengtao	Vice President	Incumbent	Male	48	2014-4-21	2018-9-18	0	0	0	0	0
Gu Yanmin	Vice President	Incumbent	Male	53	2014-4-21	2018-9-18	0	0	0	0	0
Hu Ziqiang	Vice President	Incumbent	Male	59	2014-8-18	2018-9-18	0	0	0	0	0
Wang Jinliang	Vice President	Incumbent	Male	49	2014-8-18	2018-9-18	0	0	0	0	0
Jiang Peng	Company Secretary	Incumbent	Male	43	2013-10-30	2018-9-18	0	0	0	125,000	125,000
Li Jianwei	Director	Former	Male	50	2012-8-25	2015-8-24	50,603,042	0	-203,042	0	50,400,000
Fu Zhengping	Independent Director	Former	Male	51	2013-3-4	2015-8-24	0	0	0	0	0
Zeng Qiao	Chairman of the Supervisory Committee	Former	Female	43	2012-8-25	2016-1-31	0	0	0	0	0
Li Baoqiong	Worker-representative Supervisor	Former	Female	35	2014-5-26	2016-1-15	0	0	0	0	0
Total	--	--	--	--	--	--	202,430,037	0	-203,042	125,000	202,351,995

2. Changes in Directors, Supervisors and Senior Management

Name	Office title	Type of change	Date	Reason
Li Jianwei	Director	Left upon the expiration of his office term	2015.08.24	Expiration of his office term
Fu Zhengping	Independent Director	Left	2015.08.24	Personal reason
Zeng Qiao	Chairman of the Supervisory Committee	Left	2016.01.31	Personal reason
Li Baoqiong	Worker-representative Supervisor	Left	2016.01.15	Personal reason

3. Brief Biographies

Professional backgrounds, main work experience and current responsibilities in the Company of the incumbent directors, supervisors and senior management

Mr. Fang Hongbo, holder of a Master's degree, is the Chairman and President of the Company. He joined Midea in 1992 and previously served as the General Manager of the Midea Air-Conditioning Business Department, the President of Midea Refrigeration Electric Appliances Group, the Chairman and President of GD Midea Holding Co., Ltd. Mr. Fang Hongbo is also the Chairman of the Company's subsidiary, Wuxi Little Swan Co., Ltd.

Ms. Yuan Liqun, a Master's degree graduate, is a director, senior vice president, the CFO and Party Secretary of the Company as well as a representative of the National People's Congress. She joined Midea in 1992 and was a director of GD Midea Holding Co., Ltd. Ms. Yuan Liqun is also an executive

director of the Hong Kong listed company, Welling Holding Co., Ltd., which is controlled by the Company and also a director in Guangdong Shunde Rural Commercial Bank Co., Ltd. in which the Company owns shares.

Mr. Wu Wenxin, a Master's graduate, joined Midea in 1993 and served as the Household Air Conditioning Vice President in Midea. He is now a director and vice president of the Company as well as the President of Household Air Conditioning Division of the Company.

Mr. He Jianfeng, holder of a Bachelor's degree, is one of the Company's directors. He is also the Chairman and President of Infore Investments Holding Group Co., Ltd., in addition to being the Chairman of Infore Environment Technology Group Co., Ltd.

Mr. Li Feide, holder of a Master's degree, joined Midea in 1999 and served as the Company Secretary, the Strategic Operation Head, the Operational Management Head, and the President's Assistant. He is now a company director, vice president. and also an executive director of the Hong Kong listed company, Welling Holding Co., Ltd., which is controlled by the Company.

Mr. Xu Hai, a Bachelor's degree graduate, a former Executive Director of Goldman Sachs Gaohua Co., Ltd. and Managing Director of ICBC International Holdings Ltd. He is now the Managing Director of Zhuhai Rongze Tongyuan Investment Management Partnership (Limited) and a director in the Company.

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

Mr. Wu Shinong, holder of a doctoral degree, is Professor and Tutor for doctoral students at the Management School of Xiamen University. He is also involved as an Independent Director of Midea Group, and a member of the National Natural Science Foundation of China.

Mr. Rui Meng, holder of a doctoral degree. He is now an independent director of the Company, a professor of finance and accounting at China Europe International Business School, a chaired professor of finance in Zhong Kun Group, a doctoral advisor, and concurrently the director of a doctoral program, the head of the CEIBS Shoushan Wealth Management Research Center, a member of the Risk Management Committee of the Shanghai Clearing House.

Mr. Guo Xuejin, a master's degree graduate, is the director of Guangdong Kings Law Firm, a member of the Guangzhou 14th People's Congress, a member of Guangzhou Law Committee of the NPC, the arbitrator of Guangzhou Arbitrator Committee, an expert consultant of Guangzhou Traffic Committee and is currently an independent director of Midea Group.

Mr. Li Wenjing, holder of a doctoral degree, is the Vice Director of the Accounting Department, professor and doctoral supervisor in the Accounting Department of the School of Management at Jinan University, and at present is an independent director of Midea Group. He also holds concurrent positions including being a member of the International Exchange Committee & a director of the Branch Society of Financial Costs under the Accounting Society of China, a director of Accounting Academy of Guangdong Province,

a researcher at the Managerial Accounting Research Center of Jinan University, and a researcher in Social Responsibility and Environmental Accounting Research Center of Jinan University.

Ms. Liu Min, a master's degree graduate, joined Midea in 1998. She used to be the General Manager of an overseas marketing company under Midea's Household Air-Conditioning Division. She is now the Chairman of the Supervisory Committee and the Chief Operations Officer of the Company.

Mr. Zhao Jun, a master's degree graduate, joined Midea in 2000 and has functioned as the Director and the CFO of GD Midea Holding Co., Ltd. He is now a Supervisor of the Company, the President's Assistant and CFO in Midea Holding Co., Ltd.

Ms. Mai Yufen, a bachelor's degree graduate, joined Midea in 2007. She served to function as the Budget Commissioner-General of the Financial Management Department of the Company and now the Operation Control Commissioner-General and the Worker-representative Supervisor of the Company.

Mr. Zhu Fengtao, holder of a doctoral degree, joined Midea in 1993 and has served as the President of Midea Microwave Appliance Manufacturing Co., Ltd. He is currently a Vice President and the General Manager of Kitchen Appliances Division in the Company.

Mr. Gu Yanmin, holder of a doctoral degree, joined Midea in 2000 and once functioned as Midea Group's Planning & Investment Head, Midea Air-Conditioning & Refrigeration Group's Overseas Strategy & Development Head, Vice President and Head of Overseas Business Expansion in the Marketing Department, and Midea Group's Head of Overseas Strategy. He is currently a vice president of the Company.

Mr. Hu Ziqiang, holder of a doctoral degree, joined Midea in 2012, and has formerly worked for GE and Samsung and as a Vice GM in Wuxi Little Swan Co., Ltd. At present he is a Vice President and the Chief of the Central Research Institute of the Company.

Mr. Wang Jinliang, holder of a master's degree, joined Midea in 1995 and previously worked as the Vice President of China Marketing in the Company, and was GD Midea Holding's Vice President and Marketing Head. He is now a Vice President and the Head of Domestic Marketing in the Company.

Mr. Jiang Peng, holder of a master's degree, joined Midea in 2007 and used to be the Representative for Securities Affairs and Company Secretary for GD Midea Holding Co., Ltd. He is now the Secretary of the Company.

Posts held in shareholding entities

√ Applicable □ N/A

Name	Shareholding entity	Position	Beginning date of office term	Ending date of office term	Allowance from the shareholding entity
Li Jianwei	Midea Holding Co., Ltd.	President	2013-01-01	2015-12-31	Yes
Zhao Jun	Midea Holding Co., Ltd.	Vice President, CFO	2013-01-01	-	Yes
Note	Mr. Zhao Jun has become a vice president of Midea Holding since 5 January 2016, and Mr. Li Jianwei left Midea Holding for his personal reason.				

Posts held in other entities

√ Applicable □ N/A

Name	Other entity	Position	Beginning date of office term	Ending date of office term	Allowance from the entity
Fang Hongbo	Wuxi Little Swan Co., Ltd.	Board Chairman	2012-08	2018-08	No
Yuan Liquan	Welling Holding Limited	Executive Director	2007-01	-	No
	Guangdong Shunde Rural Commercial Bank Co., Ltd	Director	2013-03	-	No
Li Feide	Welling Holding Limited	Executive Director	2012-12		No
He Jianfeng	Infore Investments Holding Group Co., Ltd.	Board Chairman, President	1995	-	Yes
	Infore Environment Technology Group Co., Ltd.	Board Chairman	2007-10	-	No
Xu Hai	Zhuhai Rongze Tongyuan Investment Management Partnership (Limited)	Managing Director	2016-01	2017-12	Yes
	Green Energy High-tech Co., Ltd.	Supervisor	2013-08	2016-08	No
Hu Xiaoling	Belle International Holdings Limited	Non-executive director	2005-09	-	No
	Anhui Yingliu Electro Mechanical Co., Ltd	Director	2006-04	-	No
	Beijing Xiron Book Co., Ltd	Director	2010-07	-	No
	Baroque Japan Ltd	Non-executive director	2013-08	-	No
	Dali Foods Group Co., Ltd.	Non-executive director	2015-05	-	No
	Tianjin CDH Jiatai Equity Investment Partnership (limited partnership)	Representative appointed by a partner conducting partnership affairs	2011-08	-	No
Wu Shinong	Fuyao Glass Industry Group Holding Co., Ltd.	Director	2011-04	-	Yes
	Xiamen Xiangyu Holding Co., Ltd.	Independent Director	2010-06	2016-06	Yes
	Xiamen ITG Group Co., Ltd.	Independent Director	2014-06	2017-06	Yes
Rui Meng	China Shipping Development Co., Ltd.	Independent Director	2015-06	2018-06	Yes
Guo Xuejin	Donlinks Grain & Oil Co., Ltd.	Independent Director	2008-04	2014-04	Yes
Li Wenjing	Guangzhou Devotion Thermal Technology Co., Ltd.	Independent Director	2014-11	-	Yes
	Guangzhou Longse Technology Co., Ltd.	Independent Director	2015-11	-	Yes

Punishments imposed in the recent three years by the securities regulators on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period

□ Applicable √ N/A

4. Remuneration of Directors, Supervisors and Senior Executives

The following describes the decision-making procedures, grounds on which decisions are made and

actual remuneration payment of directors, supervisors and senior executives.

The decision-making remuneration procedure for directors, supervisors and senior executives: The remuneration is proposed by the Board Compensation Committee and approved by the Board. Decisions are made finally after the deliberation of shareholders' meeting.

The remuneration of directors, supervisors and senior executives consist of basic annual payments and performance-related annual payments according to the *Salary Management System for the Directors, Supervisors and Senior Executives* which has been approved by the Company. Basic payment is determined based on the responsibility, risk and pressure of directors, supervisors and senior executives. The basic annual payment remains stable. Performance-related annual payment is related to the completion rate of corporate profit, the assessment result of target responsibility system and the performance evaluation structure of their own department. The remuneration system for directors, supervisors and senior executives serves the Company's strategy, and shall be adjusted with the Company's operating conditions in order to meet the Company's development requirements. The basis for adjusting the remuneration of directors, supervisors and senior executives are as follows:

- a. Wage growth in the industry
- b. Inflation
- c. Corporate earnings
- d. Organizational structure adjustment
- e. Individual adjustment due to a change in position

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

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

Unit: RMB'0,000

Name	Position	Gender	Age	Incumbent/ Former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company
Fang Hongbo	Board Chairman and President	Male	49	Incumbent	688	
Yuan Liquan	Director, Vice President and CFO	Female	47	Incumbent	368	
Wu Wenxin	Director and Vice President	Male	52	Incumbent	522	
He Jianfeng	Director	Male	49	Incumbent		Yes
Li Feide	Director and Vice President	Male	39	Incumbent	174	
Xu Hai	Director	Male	40	Incumbent		No
Hu Xiaoling	Director	Female	46	Incumbent		No
Wu Shinong	Independent Director	Male	60	Incumbent	15	
Guo Xuejin	Independent Director	Male	57	Incumbent	15	
Li Wenjing	Independent Director	Male	37	Incumbent	15	
Zhao Jun	Supervisor	Male	41	Incumbent		Yes

Zhu Fengtao	Vice President	Male	48	Incumbent	326	
Gu Yanmin	Vice President	Male	53	Incumbent	243	
Hu Ziqiang	Vice President	Male	59	Incumbent	317	
Wang Jinliang	Vice President	Male	49	Incumbent	192	
Jiang Peng	Company Secretary	Male	43	Incumbent	98	
Li Jianwei	Director	Male	50	Former		Yes
Fu Zhengping	Independent Director	Male	51	Former	15	
Zeng Qiao	Chairman of the Supervisory Committee	Female	43	Former	128	
Li Baoqiong	Worker-representative Supervisor	Female	35	Former	47	
Total	--	--	--	--	3,163	--

Share incentives for directors, supervisors and senior executives in the Reporting Period

√ Applicable □ N/A

Unit: share

Name	Office title	Exercisable share options for the Reporting Period	Exercised share options in the Reporting Period	Exercise price for exercised share options in the Reporting Period (RMB / share)	Market price at the end of the Reporting Period (RMB / share)	Restricted shares held at the beginning of the Reporting Period	Unlocked shares in the Reporting Period	Restricted shares granted in the Reporting Period	Grant price of the restricted shares (RMB/share)	Restricted shares held at the end of the Reporting Period
Li Feide	Director, Vice President	250,000	0	17.72	32.82	0	0	0	-	0
Jiang Peng	Company Secretary	125,000	125,000	17.72	32.82	0	0	0	-	0
Total	--	375,000	125,000	--	--	0	0	0	--	0
Note (if any)		The equity incentive plans carried out in the Reporting Period are about offering of stock options to the incentive receivers.								

5. Staff in the Company

5.1 Number, functions and educational backgrounds of the staff

Number of in-service staff of the Company	1,200
Number of in-service staff of main subsidiaries	92,099
Total number of in-service staff	93,299
Total number of staff with remuneration in the period	93,299
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	2,181
Functions	
Function	Number of staff
Production	78,731
Sales	3,837
R&D	8,672
Financial	1,175
Administrative	884
Total	93,299

Educational backgrounds	
Educational background	Number of staff
Doctor	143
Master	1,740
Bachelor	14,164
College, technical secondary school	45,269
Others	31,983
Total	93,299

5.2 Staff remuneration policy

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

5.3 Staff training plans

The number of training sessions was 1,389,465 in the Reporting Period, of which 155,173 were for executives, 148,242 for technical and sales staff, and 1,086,049 for operating staff.

Main training:

- Building a pilot Leadership Development Program and the High-Potential Leaders Training system to facilitate talent management and training. They have carried out 87 talent training programs and trained 2,620 highly skilled managerial staff.
- The internet occupational E-learning platform, together with "Midea Learning" App ("Meike") on the mobile platform, have become the most significant means of support for the daily training in our business divisions. The training comprises all managerial employees in Midea Group. An approximate total of 279,000 staff hours within the Company logged in to the various platforms for training throughout the year, including 178,000 staff hours through Midea's mobile Learning platform and 121,000 staff hours through the computer E-learning platform.
- Facilitating organizational learning by developing 1,760 internal trainers. The annual teaching time was 10,560 hours. A total of 2,839 courses were designed in the year, including 85 training sessions conducted by top management, which consisted of 15,000 sessions with 30,000 man-hours, and 240 of those by senior staff with 240,000 man-hours.
- Continuous training for mid-level and senior managers. 16 trips, equivalent to 227 sessions, were undertaken by mid-level and senior managers to benchmarking companies, taking up 18,160 man-hours. A total of 48 TCG ("Transform, Change, Grow") lectures on leadership skills for mid-level management were given to 1,190 persons, representing 19,040 teaching man-hours. Seven lectures on leadership

skills for senior management (11 days) were given to 193 persons, which consisted of 1,544 man-hours. Meanwhile, courses on subjects such as leadership skills, Internet thinking, Industry 4.0. for top management consisted of 4,224 man-hours in total.

e. Facilitating the training of key technical staff and working team leaders. The total training time was 2,968,572 hours.

Section IX Corporate Governance

1. Basic Situation of Corporate Governance

The Company is constantly improving its corporate governance in strict accordance with the *Company Law*, the *Securities Law* and the relevant regulations of the China Securities Regulatory Commission. There are four special committees under the Board, namely the Strategy Committee, the Auditing Committee, the Nomination Committee as well as the Remuneration and Appraisal Committee. They were designed to provide consultation and advice to the Board and validate the professionalization and efficiency of discussions and decision-making. The Company has established clear rules of procedure for its shareholders' general meeting, board of directors, supervisory committee and special committees under the board, as well as the *Work Rules for Company Secretary*. It has also established a set of standard documents including *Information Disclosure Management System*, *Funds Raising Management System*, *Connected Transaction Management System*, *Wealth Management Entrustment Management System*, *Insider Registration System*, *External Guaranty Decision-making System*, *Foreign Investment Management System*, *Management System for Finance Flow with Connected Parties*, *Internal Auditing System*. The shareholders' meeting, the Board, supervisory committee and operations management departments have clear authority and responsibility. Each performs its own functions and maintains its stability effectively. Their scientific decision-making and coordinated operations have laid a firm foundation for the sustained, healthy and steady development of the Company.

The principal high-level staff of the Company are its shareholders. The Company also launched the core management team shareholding plan and equity incentive plan for core research, quality, technical, and production and management staff, which helps to develop an outstanding shareholding structure for the future growth of the Company.

In 2015, the Company won the following honors for its corporate governance:

"The Best Board of Directors" at "The Golden Round Table Awards 2015" presented by the *Directors & Boards* magazine; "The Top 100 Golden Bull Listed Companies" and "The Golden Bull Company Secretary" by *China Securities Journal*; "China's Top 100 Listed Companies on the Main Board" and "The Top 10 Management Teams of China's Main Board Listed Companies" by *Securities Times*; "The Excellent Board of Directors of Listed Companies" by the *21st Century Business Herald*; "The Listed Company with the Best Investment Value" by the *Hexun Net*; and rated by the Shenzhen Stock Exchange at "A" in information disclosure for the year among the companies listed on the main board of the exchange.

Any incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies

☐ Yes ☒ No

No such cases in the Reporting Period.

2. Independency of businesses, personnel, assets, organizations, and finance which are separate from the controlling shareholder

The Company is totally autonomous with respect to business, personnel, assets, organizations, and finance from Midea Holdings Limited, the controlling shareholder of the Company, therefore maintaining integrity and independency in both business and operations.

2.1 Business independence: The Company has a complete industrial chain for its manufacturing business, a completely distinct purchase and sales system, and an independent and comprehensive business operation capability.

2.2 Personnel independence: The Company is completely autonomous from the controlling shareholder regarding its personnel. The labor, personnel and remuneration management of the company are totally unrelated. All senior management members received remuneration from the Company except those that hold only a director's position in the controlling shareholder.

2.3 Asset integrity: The Company has its own independent production system as well as ancillary production systems and facilities. Intangible assets such as industrial rights, trademark ownership and non-patent technology are held by the Company.

2.4 Organization independence: The Company has set up an independent organizational structure which maintains its independent operation. The Company has the right to appoint or remove any personnel so there is no overlapping with the controlling shareholder.

2.5 Financial independence: The Company's financial management is independent from the controlling shareholder. The Company has its own accounting department, accounting system, financial management system, and bank accounts and independently makes financial decisions and pays its own taxes according to relevant laws.

3. Horizontal Competition

☐ Applicable ☒ N/A

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

Mr. He Xiangjian, actual controller of Midea Group and Midea Holdings has previously sent commitment letters concerning the avoidance of such horizontal competition in the past and will so do in the future.

For details, refer to *Performance of Undertakings* described in the Company Annual Report Section v.

4. Annual General Meeting and Special General Meetings Convened during the Reporting Period

4.1 General meetings convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure Date	Disclosure Index
2014 Annual General Meeting	Annual general meeting	45.34%	2015.04.21	2015.04.22	Announcement No. 2015-019, disclosed on www.cninfo.com.cn
2015 First Special General Meeting	Special general meeting	46.71%	2015.05.25	2015.05.26	Announcement No. 2015-034, disclosed on www.cninfo.com.cn
2015 Second Special General Meeting	Special general meeting	48.51%	2015.07.13	2015.07.14	Announcement No. 2015-051, disclosed on www.cninfo.com.cn
2015 Third Special General Meeting	Special general meeting	48.56%	2015.09.18	2015.09.19	Announcement No. 2015-070, disclosed on www.cninfo.com.cn
2015 Fourth Special General Meeting	Special general meeting	45.18%	2015.12.04	2015.12.05	Announcement No. 2015-080, disclosed on www.cninfo.com.cn

4.2 Special general meetings convened at the request of preference shareholders with resumed voting rights

☐ Applicable ☒ N/A

5. Performance of Independent Directors during the Reporting Period

5.1 Attendance of independent directors in Board meetings and general meetings

Attendance of independent directors in Board meetings						
Independent director	Presence due in the Reporting Period (times)	Presence on site (times)	Presence by telecommunication (times)	Presence through a proxy (times)	Absence (times)	Absence for two consecutive times
Wu Shinong	11	2	9	0	0	No
Fu Zhengping	7	2	5	0	0	No
Guo Xuejin	11	2	9	0	0	No
Li Wenjing	11	2	9	0	0	No
Rui Meng	4	0	4	0	0	No
Presence of independent directors in general meetings (times)	1					

5.2 Objections from independent directors on related issues of the Company

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

☐ Yes ☒ No

No such cases in the Reporting Period.

5.3 Other details about the performance of duties by independent directors

Were there any suggestions from independent directors adopted by the Company

☒ Yes ☐ No

Details about advice of independent directors accepted or not accepted by the Company

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

6. Performance of Duties by Special Committees under the Board during the Reporting Period

6.1 The Audit Committee under the Board convened four meetings in the Reporting Period, at which the following proposals were considered and approved: *The 2014 Final Account Report, The 2014 Annual Report & Its Abstract, The Report of the Audit Committee on Concluding and Appraising the 2014 Annual Audit Work, The Proposal for Appointing an Auditor for the 2015 Annual Result, The Proposal for Appointing an Auditor for the Internal Control in 2015, The Proposal for Writing off Asset Impairment Provisions, The 2015 Semi-Annual Report, The Report on the Third Quarter of 2015 and The Proposal for the Change of the CPAs Firm.*

6.2 The Strategy Committee under the Board convened one meeting in the Reporting Period, at which *The Mid-Term Development Planning (2015-2017)* was considered and approved.

6.3 The Remuneration and Appraisal Committee under the Board convened one meeting in the Reporting Period, at which *The Proposal for the Payment of Remuneration to Senior Executives for 2014* was considered and approved.

6.4 The Nomination Committee under the Board convened three meetings in the Reporting Period, at which the following proposals were considered and approved: *The Proposal for the Re-Election of the Board, The Proposal for President Appointment, The Proposal for CFO Appointment and the Proposal for Company Secretary Appointment.*

7. Performance of Duties by the Supervisory Committee

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

☐ Yes ☒ No

The Supervisory Committee of the Company had no objection to the matters of supervision during the Reporting Period.

8. Assessment and Incentive Mechanism for the Senior Management

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

9. Internal Control

9.1 Serious internal control defects found in the Reporting Period

☐ Yes ☒ No

9.2 Self-evaluation report on internal control

Disclosure date of the internal control self-evaluation report	2016.03.26	
Index to the disclosed internal control self-evaluation report	For details, please refer to the 2015 Self-Evaluation Report on Internal Control, which has been disclosed on www.cninfo.com.cn	
Ratio of the total assets of the appraised entities to the consolidated total assets	60%	
Ratio of the operating revenues of the appraised entities to the consolidated operating revenues	60%	
Defect identification standards		
Type	Financial-report related	Non-financial-report related
Nature standard	For details, please refer to “(c) Basis for internal control evaluation and identification standards for internal control defects” under Section III of The 2015 Self-Evaluation Report on Internal Control disclosed on www.cninfo.com.cn dated 10 March 2016.	For details, please refer to “(c) Basis for internal control evaluation and identification standards for internal control defects” under Section III of The 2015 Self-Evaluation Report on Internal Control disclosed on www.cninfo.com.cn dated 10 March 2016.
Quantitative standard	Ditto	Ditto
Number of serious financial-report-related defects	0	
Number of serious non-financial-report-related defects	0	
Number of important financial-report-related defects	0	
Number of important non-financial-report-related defects	0	

10. Auditor's Report on Internal Control

√ Applicable □ N/A

Opinion paragraph in the auditor's report on internal control	
The internal control auditor holds the view that on 31 December 2015, Midea Group maintained an effective internal control of a financial report in all significant aspects based on the <i>General Specifications of Company Internal Control</i> and relevant specifications.	
Auditor's report on internal control disclosed or not	Disclosed on www.cninfo.com.cn
Date of disclosing the full text of the auditor's report on internal control	2016.03.26
Index to the disclosed full text of the auditor's report on internal control	For details, please refer to the 2015 Auditor's Report on Internal Control, which has been disclosed on www.cninfo.com.cn
Type of the auditor's opinion	Standard unqualified opinion
Serious non-financial-report-related defects	No

Whether any modified opinions are expressed by the accounting firm in its auditor's report on the Company's internal control

□ Yes √ No

Whether the auditor's report on the Company's internal control issued by the accounting firm is consistent with the self-evaluation report of the Board

√ Yes □ No

Section X Financial Report

1. Auditor's report

Type of audit report	Standard & unqualified
Signing date of auditor's report	2016-03-27
Name of Audit	PricewaterhouseCoopers China (LLP)
No. of auditor's report	PwC ZT Shen Zi (2016) No. 10093
Names of auditors	Yao Wenping, Huang Meimei

Auditor's Report

To the shareholders of Midea Group Co., Ltd.,

We have audited the accompanying financial statements of Midea Group Co., Ltd. (hereinafter the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2015, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

24 March 2016

2. Financial Statements

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS AS AT 31 DECEMBER 2015

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

ASSETS	Note	31 December 2015 Consolidated	31 December 2014 Consolidated	31 December 2015 Company	31 December 2014 Company
Current assets					
Cash at bank and on hand	4(1)	11,861,977	6,203,283	14,213,747	8,452,624
Deposits with central bank	4(2)	1,048,045	1,279,592	-	-
Deposits with banks and other financial institutions	4(3)	4,062,807	2,126,445	-	-
Derivative financial assets		158,822	162,514	-	-
Notes receivable	4(4)	12,889,151	17,097,233	727,218	693,829
Accounts receivable	4(5)	10,371,718	9,362,103	-	-
Advances to suppliers	4(6)	988,625	1,414,470	8,915	1,102
Loans and advances	4(7)	6,608,705	5,940,800	-	-
Dividends receivable		-	45,943	290,245	280,771
Other receivables	4(5), 17(1)	1,101,339	1,180,768	7,461,039	2,418,306
Inventories	4(8)	10,448,937	15,020,030	-	-
Other current assets	4(9)	33,827,580	26,593,892	21,059,789	22,892,050
Total current assets		93,367,706	86,427,073	43,760,953	34,738,682
Non-current assets					
Available-for-sale financial assets	4(10)	3,289,954	1,655,495	9,000	1,230,278
Long-term equity investments	4(11), 17(2)	2,888,274	951,874	23,126,546	16,548,883
Investment properties		150,803	171,635	286,272	323,356
Fixed assets	4(12)	18,729,881	19,521,814	1,107,082	1,653,024
Construction in progress	4(13)	954,761	661,882	543,588	42,386
Intangible assets	4(14)	3,392,402	3,431,958	248,482	280,656
Goodwill	4(15)	2,393,066	2,931,791	-	-
Long-term prepaid expenses		781,359	758,576	57,393	68,788
Deferred income tax assets	4(16)	2,223,999	3,779,988	7,961	4,484
Other non-current assets		669,730	-	-	-
Total non-current assets		35,474,229	33,865,013	25,386,324	20,151,855
TOTAL ASSETS		128,841,935	120,292,086	69,147,277	54,890,537

MIDEA GROUP CO., LTD.**CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D)****AS AT 31 DECEMBER 2015**

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2015	31 December 2014	31 December 2015	31 December 2014
		Consolidated	Consolidated	Company	Company
Current liabilities					
Short-term borrowings	4(19)	3,920,933	6,070,879	1,290,000	500,000
Customer deposits and deposits from banks and other financial institutions		52,000	7,494	-	-
Derivative financial liabilities		33,377	74,961	22,671	55
Financial assets sold under repurchase agreements		651,784	-	-	-
Notes payable	4(20)	17,078,520	12,648,497	-	-
Accounts payable	4(21)	17,448,684	20,137,454	9,403	2,671
Advances from customers	4(22)	5,616,361	3,992,540	-	-
Employee benefits payable	4(23)	2,229,332	2,199,777	13,411	16,865
Taxes payable	4(24)	1,607,181	3,280,151	52,656	51,951
Interest payable		9,343	22,912	200,090	217,051
Dividends payable		118,851	93,799	-	-
Other payables	4(25)	1,139,306	1,223,549	45,166,453	36,057,341
Current portion of non-current liabilities		-	611,900	-	-
Other current liabilities	4(26)	22,098,177	22,778,936	5,106	-
Total current liabilities		72,003,849	73,142,849	46,759,790	36,845,934
Non-current liabilities					
Long-term borrowings	4(27)	90,061	19,205	-	-
Debentures payable		-	153,026	-	-
Payables for specific projects		500	851,825	-	-
Provisions		38,893	25,574	3,800	-
Deferred revenue		479,352	342,236	-	-
Deferred income tax liabilities	4(16)	40,464	25,917	-	-
Other non-current liabilities		157,194	-	-	-
Total non-current liabilities		806,464	1,417,783	3,800	-
Total liabilities		72,810,313	74,560,632	46,763,590	36,845,934
Shareholders' equity					
Share capital	4(28)	4,266,839	4,215,808	4,266,839	4,215,808
Capital surplus	4(29)	14,511,190	13,024,883	6,370,934	5,356,080
Other comprehensive income	4(30)	(1,071,151)	(774,299)	21,006	-
General reserve		118,624	-	-	-
Surplus reserve	4(31)	1,846,523	1,189,791	1,846,523	1,189,791
Undistributed profits	4(32)	29,529,827	21,814,316	9,878,385	7,282,924
Total equity attributable to shareholders of the parent company		49,201,852	39,470,499	22,383,687	18,044,603
Minority interests		6,829,770	6,260,955	-	-
Total shareholders' equity		56,031,622	45,731,454	22,383,687	18,044,603

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	128,841,935	120,292,086	69,147,277	54,890,537
---	--------------------	--------------------	-------------------	-------------------

The accompanying notes form an integral part of these financial statements.

Legal representative:
Fang Hongbo

Principal in charge of accounting function:
Yuan Liqun

Head of accounting department:
Chen Jianwu

MIDEA GROUP CO., LTD.**CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

[English translation for reference only]

Item	Note	2015 Consolidated	2014 Consolidated	2015 Company	2014 Company
1. Total revenue		139,347,124	142,310,967	862,376	754,282
Including: Operating revenue	4(33), 17(3)	138,441,226	141,668,175	862,376	754,282
Interest income	4(34)	900,161	632,525	-	-
Fee and commission income		5,737	10,267	-	-
Less: Cost of sales	4(33)	(102,662,818)	(105,669,686)	(24,369)	(25,841)
Interest expenses	4(34)	(561,514)	(404,527)	-	-
Fee and commission expenses		(2,247)	(1,668)	-	-
Taxes and surcharges	4(35)	(911,330)	(809,596)	(16,613)	(22,573)
Selling and distribution expenses	4(36)	(14,799,769)	(14,733,917)	-	-
General and administrative expenses	4(37)	(7,441,755)	(7,498,256)	(494,159)	(412,071)
Financial expenses – net	4(38)	(138,932)	(251,327)	(835,211)	(515,433)
Asset impairment (loss)/reversal	4(39)	(4,766)	(349,818)	751	5,224
Add: Gains/(losses) on changes in fair value	4(40)	81,611	(652,791)	(22,618)	(55)
Investment income	4(41), 17(4)	2,011,269	1,511,122	7,107,452	6,517,731
Including: Share of profit of associates and a joint venture		420,744	94,739	273,974	31,114
2. Operating profit		14,916,873	13,450,503	6,577,609	6,301,264
Add: Non-operating income	4(42)	1,707,039	1,057,069	111,749	15,512
Including: Gains on disposal of non-current assets		53,084	53,602	52,963	50
Less: Non-operating expenses	4(43)	(572,558)	(516,888)	(87,691)	(9,707)
Including: Losses on disposal of non-current assets		(287,167)	(270,391)	(77,897)	(8,769)
3. Total profit		16,051,354	13,990,684	6,601,667	6,307,069
Less: Income tax expenses	4(44)	(2,426,699)	(2,344,356)	(34,353)	(104,599)
4. Net profit		13,624,655	11,646,328	6,567,314	6,202,470
Attributable to shareholders of the parent company		12,706,725	10,502,220	6,567,314	6,202,470
Minority interests		917,930	1,144,108	-	-

MIDEA GROUP CO., LTD.**CONSOLIDATED AND COMPANY INCOME STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

[English translation for reference only]

Item	Note	2015 Consolidated	2014 Consolidated	2015 Company	2014 Company
5. Other comprehensive income net of tax		(469,463)	(596,465)	21,006	-
Attributable to shareholders of the parent company		(296,852)	(494,569)	21,006	-
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss		-	-	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss		(296,852)	(494,569)	21,006	-
1)Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss		39,924	(5,112)	21,006	-
2)Changes in fair value of available-for-sale financial assets		159,887	295	-	-
3)Effective portion of cash flow hedging gains or losses		74,392	(323,116)	-	-
4)Translation of foreign currency financial statements		(571,055)	(166,636)	-	-
Attributable to minority shareholders		(172,611)	(101,896)	-	-
6. Total comprehensive income		13,155,192	11,049,863	6,588,320	6,202,470
Attributable to shareholders of the parent company		12,409,873	10,007,651	6,588,320	6,202,470
Attributable to minority shareholders		745,319	1,042,212	-	-
7. Earnings per share					
Basic earnings per share (RMB Yuan)	4(45)	2.99	2.49	N/A	N/A
Diluted earnings per share (RMB Yuan)	4(45)	2.99	2.49	N/A	N/A

The accompanying notes form an integral part of these financial statements.

Legal representative:
Fang HongboPrincipal in charge of accounting function:
Yuan LiquanHead of accounting department:
Chen Jianwu

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015(All amounts in RMB'000 Yuan unless otherwise stated)
[English translation for reference only]

		2015	2014	2015	2014
Item	Note	Consolidated	Consolidated	Company	Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		125,902,444	105,499,097	-	-
Net increase in customer deposits and deposits from banks and other financial institutions		44,506	7,433	-	-
Net increase in deposits with central bank		313,636	-	-	-
Cash received from interest, fee and commission		905,898	642,792	-	-
Refund of taxes and surcharges		3,900,819	3,661,667	-	-
Cash received relating to other operating activities	4(46)(a)	3,210,987	2,494,185	3,683,989	16,447,074
Sub-total of cash inflows		134,278,290	112,305,174	3,683,989	16,447,074
Cash paid for goods and services		(71,733,220)	(51,280,772)	-	-
Net decrease in loans and advances		(63,624)	(884,183)	-	-
Decrease in borrowings from central bank		-	(89,708)	-	-
Net decrease in deposits with central bank		-	(357,838)	-	-
Cash paid for interest, fee and commission		(563,760)	(406,195)	-	-
Cash paid to and on behalf of employees		(10,493,582)	(10,426,381)	(150,458)	(33,734)
Payments of taxes and surcharges		(8,323,884)	(8,465,413)	(27,659)	(33,598)
Cash paid relating to other operating activities	4(46)(b)	(16,335,966)	(15,606,172)	(248,526)	(163,968)
Sub-total of cash outflows		(107,514,036)	(87,516,662)	(426,643)	(231,300)
Net cash flows from operating activities	4(46)(c)	26,764,254	24,788,512	3,257,346	16,215,774
2. Cash flows from investing activities					
Cash received from disposal of investments		42,061,959	-	30,722,557	24,902
Cash received from returns on investments		2,088,899	1,345,434	7,247,990	6,419,349
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		548,009	1,273,491	107,314	36,984
Cash received relating to other investing activities		42,269	-	-	-
Sub-total of cash inflows		44,741,136	2,618,925	38,077,861	6,481,235
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,130,932)	(2,678,179)	(623,193)	(163,494)
Cash paid to acquire investments		(59,315,666)	(28,800,775)	(37,061,751)	(24,737,701)
Net cash paid to acquire subsidiaries and other business units		(283,731)	(2,368)	-	-
Sub-total of cash outflows		(62,730,329)	(31,481,322)	(37,684,944)	(24,901,195)
Net cash flows from investing activities		(17,989,193)	(28,862,397)	392,917	(18,419,960)
3. Cash flows from financing activities					
Cash received from capital contributions		1,701,630	7,928	1,648,190	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		53,440	7,928	-	-
Cash received from borrowings		24,515,274	37,288,846	1,290,000	3,200,000
Cash received relating to other financing activities		166,715	-	-	-
Sub-total of cash inflows		26,383,619	37,296,774	2,938,190	3,200,000
Cash repayments of borrowings		(29,352,243)	(39,654,309)	(500,000)	(2,840,000)
Cash payments for medium-term notes		-	(1,000,000)	-	(1,000,000)
Cash payments for repurchase of shares		(999,998)	-	(999,998)	-

Cash payments for interest expenses and distribution of dividends or profits	(4,908,031)	(4,052,595)	(5,723,163)	(4,085,233)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	(552,545)	(530,052)	-	-
Sub-total of cash outflows	(35,260,272)	(44,706,904)	(7,223,161)	(7,925,233)
Net cash flows from financing activities	(8,876,653)	(7,410,130)	(4,284,971)	(4,725,233)
4. Effect of foreign exchange rate changes on cash and cash equivalents	16,669	(7,619)	-	-
5. Net decrease in cash and cash equivalents	(84,923)	(11,491,634)	(634,708)	(6,929,419)
Add: Cash and cash equivalents at beginning of year	5,272,240	16,763,874	6,879,716	13,809,135
6. Cash and cash equivalents at end of year	5,187,317	5,272,240	6,245,008	6,879,716

The accompanying notes form an integral part of these financial statements.

Legal representative:
Fang Hongbo

Principal in charge of accounting function:
Yuan Liqun

Head of accounting department:
Chen Jianwu

MIDEA GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

[English translation for reference only]

Item	Attributable to shareholders of the parent company					Minority shareholders	Shareholders' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Equity	Total
Balance at 31 December 2013	1,686,323	15,620,791	(334,217)	569,544	15,304,989	6,233,131	39,080,561
Changes in accounting policies	-	(54,487)	54,487	-	-	-	-
Balance at 1 January 2014	1,686,323	15,566,304	(279,730)	569,544	15,304,989	6,233,131	39,080,561
Movements for the year ended 31 December 2014							
Total comprehensive income							
Net profit	-	-	-	-	10,502,220	1,144,108	11,646,328
Other comprehensive income net of tax	-	-	(494,569)	-	-	(101,896)	(596,465)
Total comprehensive income	-	-	(494,569)	-	10,502,220	1,042,212	11,049,863
Capital contribution and withdrawal by shareholders							
Capital contribution by shareholders	-	-	-	-	-	7,928	7,928
Share-based payment included in shareholders' equity	-	150,991	-	-	-	25,357	176,348
Others	-	1,808	-	-	-	-	1,808
Profit distribution							
Appropriation to surplus reserve	-	-	-	620,247	(620,247)	-	-
Profit distribution to shareholders	-	-	-	-	(3,372,646)	(535,379)	(3,908,025)
Transfer within shareholders' equity							
Transfer from capital surplus to share capital	2,529,485	(2,529,485)	-	-	-	-	-
Acquisition of minority interests	-	(164,735)	-	-	-	(512,294)	(677,029)
Balance at 31 December 2014	4,215,808	13,024,883	(774,299)	1,189,791	21,814,316	6,260,955	45,731,454

MIDEA GROUP CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2015

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

Item	Attributable to shareholders of the parent company						Minority shareholders	Shareholders' equity
	Share capital	Capital surplus	Other comprehensive income	General reserve	Surplus reserve	Undistributed profits	Equity	Total
Balance at 1 January 2015	4,215,808	13,024,883	(774,299)	-	1,189,791	21,814,316	6,260,955	45,731,454
Movements for the year ended 31 December 2015								
Total comprehensive income								
Net profit	-	-	-	-	-	12,706,725	917,930	13,624,655
Other comprehensive income net of tax	-	-	(296,852)	-	-	-	(172,611)	(469,463)
Total comprehensive income	-	-	(296,852)	-	-	12,706,725	745,319	13,155,192
Capital contribution and withdrawal by shareholders								
Capital contribution by shareholders	80,623	1,667,248	-	-	-	-	244,910	1,992,781
Business combinations	-	-	-	-	-	-	106,106	106,106
Share-based payment included in shareholders' equity	-	237,613	-	-	-	-	49,752	287,365
Repurchase of shares	(29,592)	(970,406)	-	-	-	-	-	(999,998)
Profit distribution								
Appropriation to general reserve	-	-	-	118,624	-	(118,624)	-	-
Appropriation to surplus reserve	-	-	-	-	656,732	(656,732)	-	-
Profit distribution to shareholders	-	-	-	-	-	(4,215,808)	(577,272)	(4,793,080)
Others	-	551,852	-	-	-	(50)	-	551,802
Balance at 31 December 2015	4,266,839	14,511,190	(1,071,151)	118,624	1,846,523	29,529,827	6,829,770	56,031,622

The accompanying notes form an integral part of these financial statements.

Legal representative:
Fang Hongbo

Principal in charge of accounting function:
Yuan Liquan

Head of accounting department:
Chen Jianwu

MIDEA GROUP CO., LTD.**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

[English translation for reference only]

Item	Note	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2014		1,686,323	7,880,598	-	569,544	5,073,348	15,209,813
Movements for the year ended 31 December 2014							
Total comprehensive income							
Net profit		-	-	-	-	6,202,470	6,202,470
Other comprehensive income net of tax			-	-	-	-	-
Comprehensive income		-	-	-	-	6,202,470	6,202,470
Capital contribution and withdrawal by shareholders							
Capital contribution by shareholders							
Share-based payment included in shareholders' equity		-	3,106	-	-	-	3,106
Others		-	1,861	-	-	-	1,861
Profit distribution							
Appropriation to surplus reserve		-	-	-	620,247	(620,247)	-
Profit distribution to shareholders		-	-	-	-	(3,372,647)	(3,372,647)
Transfer within shareholders' equity							
Transfer from capital surplus to share capital		2,529,485	(2,529,485)	-	-	-	-
Balance at 31 December 2014		4,215,808	5,356,080	-	1,189,791	7,282,924	18,044,603
Balance at 1 January 2015		4,215,808	5,356,080	-	1,189,791	7,282,924	18,044,603
Movements for the year ended 31 December 2015							
Total comprehensive income							
Net profit		-	-	-	-	6,567,314	6,567,314
Other comprehensive income net of tax		-	-	21,006	-	-	21,006
Total comprehensive income		-	-	21,006	-	6,567,314	6,588,320
Capital contribution and withdrawal by shareholders							
Capital contribution by shareholders		80,623	1,667,248	-	-	-	1,747,871
Share-based payment included in shareholders' equity		-	320,856	-	-	-	320,856

Repurchase of shares		(29,592)	(970,406)	-	-	-	(999,998)
Profit distribution							
Appropriation to surplus reserve		-	-	-	656,732	(656,732)	-
Profit distribution to shareholders		-	-	-	-	(4,215,808)	(4,215,808)
Merger of subsidiaries	17(2)(a)	-	-	-	-	900,687	900,687
Others		-	(2,844)	-	-	-	(2,844)
Balance at 31 December 2015		4,266,839	6,370,934	21,006	1,846,523	9,878,385	22,383,687

The accompanying notes form an integral part of these financial statements.

Legal representative:
Fang Hongbo

Principal in charge of accounting function:
Yuan Liqun

Head of accounting department:
Chen Jianwu

3. Note to the Financial Statements

1 General information

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

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

As at 31 December 2015, the Company’s registered capital is RMB4,266,839,449 and the total number of shares in issue is 4,266,839,449, of which 2,026,343,750 shares are restricted tradable shares and 2,240,495,699 shares are unrestricted tradable shares.

The detailed information of major subsidiaries included in the consolidation scope in the current year is set out in Note 5 and 6. Entities newly included in the consolidation scope in the current year include Main Power Electrical Factory Limited, Midea Petty Loan Co., Ltd., Foshan Shunde District Midea Petty Loan Co., Ltd. and PT Midea Planet Indonesia (please refer to Note 5(1) and 5(2)(a) for details). The detailed information of subsidiaries no longer included in the consolidation scope in the 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 24 March 2016.

2 Summary of significant accounting policies and accounting estimates

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

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

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) 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.

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 year ended 31 December 2015 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the consolidated and the Company as at 31 December 2015 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting period

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

(4) Recording currency

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

(5) Business combinations

(a) Business combinations involving enterprises under common control

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

(b) Business combinations involving enterprises not under common control

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

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

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all

of its subsidiaries.

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

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

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of a subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the parent company. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary.

Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary. If the accounting treatment of a transaction which considers the Group as an accounting entity is different from that considers the Company or its subsidiaries as an accounting entity, it is adjusted from the perspective of the Group.

(7) Recognition criteria of cash and cash equivalents

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

(8) Foreign currency translation

(a) Foreign currency transaction

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

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

(b) Translation of foreign currency financial statements

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

(9) Financial instruments**(a) Financial assets****(i) Classification of financial assets**

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

(ii) Derivative financial instruments

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

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

At the inception of the transaction, the Group officially designates the hedging relations between

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

Cash flow hedge

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

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

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

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

(iii) Recognition and measurement

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

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

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

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

(iv) Impairment of financial assets

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

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

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

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

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

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

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

(v) Derecognition of financial assets

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

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

(b) Financial liabilities

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

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

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

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

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

(c) Determination of fair value of financial instruments

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

(10) Provision for bad debts of receivables

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

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

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

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

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

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

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

credit risk characteristics, taking into consideration of the current circumstances.

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

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

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

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

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

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

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

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

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

(11) Provision for bad debts of loans and advances

The provision for bad debts of loans and advances is provided at 1% of the ending balances of loans and advances using the percentage-of-balance method.

- (a) Classification of inventories

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

- (b) Costing of inventories

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

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

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

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

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

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

- (d) Inventory system

The Group adopts the perpetual inventory system.

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

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

(13) Long-term equity investments

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

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

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

- (a) Determination of investment cost

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

For previously-held equity accounted for using the equity method, the accounting treatment of related other comprehensive income from disposal of the equity is carried out on a same basis

with the investee's direct disposal of related assets or liabilities. Shareholders' equity, which is recognised due to changes in investee's shareholders' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, is accordingly transferred into profit or loss in the period in which the investment is disposed.

For investment in previously-held equity accounted for using the recognition and measurement standards of financial instruments, the initial investment cost accounted for using the cost method is the sum of carrying amount of previously-held equity investment and additional investment cost.

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

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

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

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

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

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

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

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

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

(d) Impairment of long-term equity investments

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

(14) Investment properties

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

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

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

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

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

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

(15) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, computers and electronic equipment and office equipment.

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

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

incurred.

(b) Depreciation methods of fixed assets

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

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

Classes	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	20 to 40 years	0% or 5%	5% to 2.38%
Machinery and equipment	8 to 18 years	0% or 5%	12.5% to 5.28%
Motor vehicles	3 to 12 years	0% or 5%	33.33% to 7.92%
Electronic equipment and other equipment	3 to 8 years	0% or 5%	33.33% to 11.88%

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

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

(d) Disposal of fixed assets

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

(16) Construction in progress

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

(17) Borrowing costs

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

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by

deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

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

(18) Intangible assets

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

(a) Land use rights

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

(b) Patents and non-patent technologies

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

(c) 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.

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

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

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

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

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as

expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(e) Impairment of intangible assets

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

(19) Long-term deferred expenses

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

(20) Impairment of long-term assets

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

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

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

(21) Employee benefits

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

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs,

and short-term paid absences. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at their fair value.

(b) Post-employment benefits

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

Basic pensions

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

(c) Termination benefits

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

Early retirement benefits

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

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

(22) Financial assets sold under repurchase agreements

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

(23) General reserve

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

(24) Dividend distribution

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

(25) Provisions

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

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

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

(26) Share-based payment**(a) Type of share-based payment**

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

Equity-settled share-based payment

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

(b) Determination of the fair value of equity instruments

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

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

At the end of each 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 date, the final number of estimated exercisable equity instruments is consistent with the number of exercised equity instruments.

(d) Accounting treatment related to the exercise of stock optionstock options

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium). At the same time, capital surplus recognised in the vesting period are carried forward to share premium.

(27) Revenue

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

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

(a) Sales of goods

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

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

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

(b) Rendering of services

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

(c) Interest income

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

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

includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

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

(d) Dividend income

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

(e) Rental income

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

(f) Fee and commission income

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

(28) Government grants

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

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

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

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

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

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

Deferred income tax assets and deferred income tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred income tax asset is recognised for the tax losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred income tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred income tax asset or deferred income tax liability is recognised for the temporary differences resulting from the initial

recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or tax loss). At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

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

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

Deferred income tax assets and liabilities are offset when:

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

(30) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease. The Group's leases are mainly operating leases.

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

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

(31) Segment information

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

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

(32) Critical accounting estimates and judgements

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

(a) Critical accounting estimates and key assumptions

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

(i) Income taxes

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

(ii) Provision for impairment of goodwill

The Group tests annually goodwill for impairment. The recoverable amount of asset groups inclusive of goodwill is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 4(20)).

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

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

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

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

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

(iv) Fair value of financial instruments

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

3 Taxation

(1) Main tax category and rate

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

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

- (a-1) The following subsidiaries of the Company are subject to a corporate income tax rate of 15% in 2015 as they qualified as high-tech enterprises and obtained the High-tech Enterprise Certificate.

Name of tax payer	No. of the Certificate of the High-tech Enterprise	Dates of issuance	Effective period
Guangdong GMCC Refrigeration Equipment Co., Ltd.	GR201444000397	10 October 2014	3 years
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	GF201544000292	20 October 2015	3 years
Anhui GMCC Refrigeration Equipment Co., Ltd.	GF201334000093	14 October 2013	3 years
Anhui GMCC Precision Manufacturing Co., Ltd.	GR2012234000097	14 October 2013	3 years
Guangdong Midea Refrigeration Equipment Co., Ltd.	GR201444000965	10 October 2014	3 years
Hefei Midea Refrigerator Co., Ltd.	GR201434001001	21 October 2014	3 years
Chongqing Midea General Refrigeration Equipment Co., Ltd.	GF201451100044	14 October 2014	3 years
Hefei Hualing Co., Ltd.	GR201434000715	21 October 2014	3 years
Hubei Midea Refrigerator Co., Ltd.	GF201442000015	14 October 2014	3 years
Wuxi Little Swan Company Limited	GR201532000606	6 July 2015	3 years
Foshan Shunde Midea Washing Appliance Manufacturing Co., Ltd.	GR201444001324	10 October 2014	3 years
Guangdong Witt Vacuum Electronics Manufacturing Co., Ltd.	GR201444000159	10 October 2014	3 years
Jiangxi Midea Guiya lighting Co., Ltd.	GR201436000009	9 April 2014	3 years
Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd.	GF201434000129	2 July 2014	3 years
Annto Logistics Company Limited	GF201534000356	19 June 2015	3 years
Foshan Welling Washer Motor Manufacturing Co., Ltd.	GR201444000608	10 October 2014	3 years
Guangdong Welling Motor Manufacturing Co., Ltd.	GR201444000268	10 October 2014	3 years

Huaian Weiling Motor Manufacturing Co., Ltd.	GF201332000124	25 September 2013	3 years
Welling (Wuhu) Motor Manufacturing Co., Ltd.	GR201434000371	2 July 2014	3 years
Jiangsu Midea Cleaning Appliance Company Limited	GF201432000806	5 August 2014	3 years
Hefei Midea Washing Machine Co., Ltd.	GR201434000147	2 July 2014	3 years
Wuxi Filin Electronics Co., Ltd.	GR201532000917	6 July 2015	3 years
Wuxi Little Swan General Appliance Co., Ltd.	GR201532000557	6 July 2015	3 years
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	GR201334000033	16 July 2013	3 years
Guangzhou Hualing Refrigeration Equipment Co., Ltd.	GR201444000463	10 October 2014	3 years
Handan Midea Refrigeration Equipment Co., Ltd.	GR201413000242	19 September 2014	3 years
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	GR201442000091	14 October 2014	3 years
Wuhu Meizhi Air-Conditioning Equipment Co., Ltd.	GR201434001064	21 October 2014	3 years

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

(a-1) The following subsidiaries of the Company are subject to a corporate income tax rate of 15% in 2015 as they qualified as high-tech enterprises and obtained the High-tech Enterprise Certificate. (Cont'd)

The Certificate of the High-tech Enterprise of following are due in 2015: Wuhu Midea Washing Appliance Manufacturing Co., Ltd., Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd., Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. and Chongqing Midea Refrigeration Equipment Co., Ltd. These subsidiaries are still in the progress of extending the certificates and are expected to be entitled to preferential tax treatment for High-tech Enterprise.

(a-2) The application for corporate income tax preferential treatment of Chongqing Midea Refrigeration Equipment Co., Ltd., the Company's subsidiary, was approved by the State Administration of Taxation of Chongqing Economical and Technological Development Zone on 3 June 2014. The subsidiary is subject to corporate income tax at the rate of 15% in 2015.

(a-3) Foshan City Shunde District Midea Electronic Technology Co., Ltd., the Company's subsidiary, is entitled to the preferential corporate income tax preferential treatment for qualified software enterprise as identified by the State Administration of Taxation of Foshan Shunde District pursuant to File Cai Shui (2012) No. 27. From the first profitable year before 31 December 2017, the enterprise is entitled to a tax-free period for the first and second years and a 50% reduction of corporate income tax at the statutory rate of 25% for the third to fifth years until the expiry date. The subsidiary is subject to corporate income tax at the rate of 12.5% in 2015, which is the fifth cumulative profitable year.

(a-4) The Company's subsidiaries in Mainland China other than those mentioned in (a-1), (a-2) and (a-3) are subject to corporate income tax rate of 25%.

(a-5) Calpore Macao Commercial Offshore Limited, the Company's subsidiary in Macau, is exempted from income supplement tax for profits gained from its offshore business pursuant to Article 12 in Chapter 2 of Decree-Law No. 58/99/M issued by Macao Special Administrative Region on 13 October 1999.

(a-6) In August 2008, Midea Electric Appliance (Singapore) Co., Ltd., the Company's subsidiary, was awarded with the Certificate of Honor for Development and Expansion (NO.587) by the Singapore Economic Development Board, which approves that qualified income exceeding a certain amount is subject to corporate income tax of 5% while the unqualified income is subject to the corporate income tax rate of 17%. Midea Electric Appliance (Singapore) Co., Ltd., the

Company's subsidiary, is subject to corporate income of 17%.

- (a-7) The Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax of 16.5%. Such subsidiaries include Midea International Trade Co., Ltd., Midea International Corporation Limited, Midea Appliance Investment (Hong Kong) Ltd., Gold Emperor Enterprises Ltd., Chairing Holding Ltd., Shi Ji Kaili household air-conditioning Co., Ltd., Midea Refrigeration (Hong Kong) Ltd., Welling Holding Limited (Hong Kong) and Welling International Hong Kong Ltd (HK).
- (a-8) The Company's subsidiaries in BVI and Cayman Islands are exempted from corporate income tax. Such subsidiaries include Mecca International (BVI) Limited, Titoni Investments Development Ltd., Midea Holdings (BVI) Ltd., Midea Electric Investment (BVI) Limited, Welling Holding (BVI) Ltd. and Midea Holding (Cayman Islands) Ltd.
- (a-9) Springer Carrier Ltda., the Company's subsidiaries in Brazil, is subject to Brazil corporate income tax 34%.

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2015	31 December 2014
Cash on hand	2,915	1,038
Cash at bank (a)	11,437,417	5,505,460
Other cash balances (b)	421,645	696,785
	<u>11,861,977</u>	<u>6,203,283</u>

Including: Cash abroad (including Hong Kong, Macau, Singapore, Brazil, etc.)	2,204,425	1,177,384
--	-----------	-----------

- (a) As at 31 December 2015, cash at bank includes fixed deposits with the term of over three months, amounting to RMB9,001,934,000 (31 December 2014: RMB1,019,912,000).
- (b) Other cash balances mainly include deposits for bank acceptance note and letter of credit.

(2) Cash due from the Central Bank

	31 December 2015	31 December 2014
Statutory reserve with the Central Bank (a)	963,926	1,277,562
Surplus reserve with the Central Bank	84,119	2,030
	<u>1,048,045</u>	<u>1,279,592</u>

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

(3) Deposits with banks and other financial institutions

	31 December 2015	31 December 2014
Financial enterprises' deposits with domestic banks	<u>4,062,807</u>	<u>2,126,445</u>

As at 31 December 2015, deposits with banks and other financial institutions include time deposits with the term of over three months, amounting to RMB1,400,000,000 (31 December 2014: Nil).

(4) Notes receivable

	31 December 2015	31 December 2014
Bank acceptance notes	<u>12,889,151</u>	<u>17,097,233</u>

(a) As at 31 December 2015, the Group's pledged notes receivable are as follows:

Bank acceptance notes	<u>4,889,884</u>
-----------------------	------------------

The above notes receivable are pledged bank acceptance notes with letter of loan commitment and such note pledge has been released before the approval date of the financial statements.

(b) As at 31 December 2015, the Group's notes receivable that are not mature but have been endorsed to other parties, or that have been discounted are as follows:

	Derecognised	Recognised
Bank acceptance notes	<u>28,490,476</u>	<u>-</u>

(5) Receivables

(a) Accounts receivable

	31 December 2015	31 December 2014
Accounts receivable	10,978,218	10,053,280
Less: Provision for bad debts	<u>(606,500)</u>	<u>(691,177)</u>
	<u>10,371,718</u>	<u>9,362,103</u>

The ageing of other receivables is analysed as follows:

	31 December 2015	31 December 2014
Within 1 year	10,728,566	9,815,311
1 to 2 years	104,495	90,779
2 to 3 years	88,558	94,450
3 to 5 years	49,487	50,915
Over 5 years	<u>7,112</u>	<u>1,825</u>
	<u>10,978,218</u>	<u>10,053,280</u>

As at 31 December 2015, the Group has no overdue accounts receivable with significant amount.

Accounts receivable are analysed by categories as follows:

31 December 2015	31 December 2014
------------------	------------------

	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	-	-	-	-	70,986	0.71%	45,113	63.55%
That the related provision for bad debts is provided on the age grouping basis	10,961,426	99.85%	593,762	5.42%	9,951,637	98.99%	615,407	6.18%
With amounts that are not individually significant but the related provision for bad debts is provided on the individual basis	16,792	0.15%	12,738	75.86%	30,657	0.30%	30,657	100.00%
	10,978,218	100.00%	606,500	5.52%	10,053,280	100.00%	691,177	6.88%

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

	31 December 2015			31 December 2014		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 1 year	10,718,211	403,660	3.77%	9,713,668	414,874	4.27%
1 to 2 years	102,186	76,371	74.74%	90,779	68,375	75.32%
2 to 3 years	84,473	63,191	74.81%	94,450	80,779	85.53%
3 to 5 years	49,444	43,428	87.83%	50,915	49,554	97.33%
Over 5 years	7,112	7,112	100.00%	1,825	1,825	100.00%
	10,961,426	593,762	5.42%	9,951,637	615,407	6.18%

The provision for bad debts reversed in the current year is RMB87,005,000.

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

As at 31 December 2015, the top 5 accounts receivable assembled by debtors are analysed as follows:

	Amount	Provision for bad debts	% of total balance
Total balance of top 5 accounts receivable	1,515,087	57,956	14%

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

(b) Other receivables

	31 December 2015	31 December 2014
Other receivables	1,161,880	1,224,463
Less: Provision for bad debts	(60,541)	(43,695)
	<u>1,101,339</u>	<u>1,180,768</u>

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

The ageing of other receivables is analysed as follows:

	31 December 2015	31 December 2014
Within 1 year	1,123,870	1,110,586
1 to 2 years	7,723	80,188
2 to 3 years	8,912	14,472
3 to 5 years	21,375	19,217
	<u>1,161,880</u>	<u>1,224,463</u>

Other receivables are analysed by categories as follows:

	31 December 2015				31 December 2014			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	13,486	1.16%	1,329	9.85%	154,563	12.62%	-	-
That the related provision for bad debts is provided on the age grouping basis	1,148,395	98.84%	59,212	5.16%	1,069,799	87.37%	43,594	4.07%
With amounts that are not individually significant but the related provision for bad debts is provided on the individual basis	-	-	-	-	101	0.01%	101	100.00%
	<u>1,161,881</u>	<u>100.00%</u>	<u>60,541</u>	<u>5.21%</u>	<u>1,224,463</u>	<u>100.00%</u>	<u>43,695</u>	<u>3.57%</u>

As at 31 December 2015, other receivables with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis are analysed as follows:

Ending	Provision	Ratio	Reason
			144

	balance	for bad debts	
China Securities Depository and Clearing Corporation Limited Shenzhen Branch	12,156	-	0%
Zhongshan Municipal Bureau of Finance	1,330	1,330	100%
	<u>13,486</u>	<u>1,330</u>	

Receivables related to stock options without bad debt risks

The provision for bad debts reversed in the current year is RMB4,051,000.

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

As at 31 December 2015, the top 5 other receivables assembled by debtors are analysed as follows:

	Amount	Provision for bad debts	% of total balance
Total balance of top 5 other receivables	<u>322,472</u>	<u>16,124</u>	<u>28%</u>

As at 31 December 2015, the Group' has no significant government grants recognised at amounts receivable.

(6) Advances to suppliers

	31 December 2015	31 December 2014
Advances paid for raw materials and others	<u>988,625</u>	<u>1,414,470</u>

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

	31 December 2015		31 December 2014	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	937,986	94.88%	1,298,444	91.79%
1 to 2 years	29,852	3.02%	93,716	6.63%
2 to 3 years	7,739	0.78%	16,962	1.20%
Over 3 years	13,048	1.32%	5,348	0.38%
	<u>988,625</u>	<u>100.00%</u>	<u>1,414,470</u>	<u>100.00%</u>

As at 31 December 2015, advances to suppliers over 1 year with a carrying amount of RMB50,639,000 (31 December 2014: RMB116,026,000) are mainly unsettled advances paid for raw materials.

As at 31 December 2015, the top five balances of advances to suppliers assembled by debtors are summarised as follows:

	Amount	% of total balance
Total balance of top 5 advances to suppliers	285,134	29%

(7) Loans and advances

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

	31 December 2015	31 December 2014
Loans and advances to individuals	304,230	-
Loans and advances to corporations	6,323,429	6,030,087
Including: Loans	3,689,104	964,523
Discounted bills	2,634,325	5,065,564
	6,627,659	6,030,087
Less: Loan impairment provision	(18,954)	(89,287)
	6,608,705	5,940,800

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

	31 December 2015	31 December 2014
Unsecured loans	134,280	110,500
Guaranteed loans	2,306,902	770,323
Secured loans by monetary assets	4,186,477	5,149,264
	6,627,659	6,030,087
Less: Loan impairment provision (Note 4(17))	(18,954)	(89,287)
	6,608,705	5,940,800

(8) Inventories

(a) Inventories are classified as follows:

	31 December 2015			31 December 2014		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Finished goods	8,233,608	(116,047)	8,117,561	11,934,496	(119,648)	11,814,848
Raw materials	1,648,630	(15,030)	1,633,600	2,453,511	(18,437)	2,435,074
Work in progress	504,454	(742)	503,712	392,334	-	392,334
Consigned processing materials	194,009	(149)	193,860	376,930	-	376,930
Low value consumables	204	-	204	844	-	844
	10,580,905	(131,968)	10,448,937	15,158,115	(138,085)	15,020,030

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

	31 December	Increase in current year	Decrease in current year	31 December
	2014	Provision	Reversal or write-off	2015
Finished goods	119,648	132,551	(136,152)	116,047
Raw materials	18,437	115,052	(118,459)	15,030
Consigned processing materials	-	149	-	149
Work in progress	-	742	-	742
	<u>138,085</u>	<u>248,494</u>	<u>(254,611)</u>	<u>131,968</u>

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

	Specific determination basis of net realisable value	Reason for the reversal or write-off of provision for decline in the value of inventories in current year
Finished goods	Stated at the lower of cost and net realisable value	Sales
Raw materials	Stated at the lower of cost and net realisable value	Requisition for production

(9) Other current assets

	31 December 2015	31 December 2014
Prepaid expenses	740,354	493,139
Deductible input VAT	1,818,591	1,303,176
Structural deposits with banks	12,436,000	-
Wealth management products purchased from financial institutions (a)	18,236,831	24,793,080
Others	595,804	4,497
	<u>33,827,580</u>	<u>26,593,892</u>

- (a) As at 31 December 2015, wealth management products are due within one year, and with floating earnings mainly including principal non-guaranteed products of RMB18,136,831,000 and principal guaranteed products of RMB100,000,000 (31 December 2014: RMB24,788,080,000 and RMB5,000,000) (Note 15(1)).

(10) Available-for-sale financial assets

	31 December 2015	31 December 2014
Measured at fair value		
- Available-for-sale equity instruments (a)	1,862,444	1,191
Measured at cost		
- Available-for-sale equity instruments (b)	1,427,510	1,654,304
	<u>3,289,954</u>	<u>1,655,495</u>

- (a) As at 31 December 2015, the cost of available-for-sale financial assets measured at fair value is RMB1,716,553,000 and the accumulative amount recorded in other comprehensive income is RMB145,891,000.
- (b) The available-for-sale financial assets measured at cost mainly include the unlisted equity investments held by the Group which are not quoted in an active market and whose fair value cannot be reliably measured as the range of fair value reasonable estimates is large and probabilities for determining these estimates cannot be reasonably determined. The Group has no plan to dispose these investments.

As at 31 December 2015, the available-for-sale financial assets measured at cost are mainly the investments in Millet Technology Co., Ltd. with the amount of RMB1,272,584,000.

(11) Long-term equity investments

Long-term equity investments are classified as follows:

	31 December 2015	31 December 2014
Investment in associates	2,510,138	951,874
Investments in a joint venture	378,136	-
Less: Provision for impairment of long-term equity investments	-	-
	<u>2,888,274</u>	<u>951,874</u>

		Current year movement										
		31 December 2014	Increase in Investment	Decrease in Investment	Share of net profit using the equity method	Adjustments of other comprehensive income	Other changes in equity	Cash dividends or profits declared	Provision for impairment	Others	31 December 2015	Ending balance of provision for impairment
Associates -												
Foshan Shunde Rural Commercial Bank Co., Ltd.	-	54,766	-	286,136	28,947	-	(118,395)	-	1,263,774	(i)	1,515,228	-
Misr Refrigeration And Air Conditioning Manufacturing Co.	309,822	-	-	25,182	14,067	-	(17,588)	-	(14,977)		316,506	-
Shanxi Huaxiang Group Co., Ltd.	248,344	-	-	43,000	-	-	(11,070)	-	-		280,274	-
Midea Petty Loan Co., Ltd.	109,311	-	-	4,190	-	-	(14,445)	-	(99,056)	(ii)	-	-
Foshan Shunde Midea Petty Loan Co., Ltd.	72,298	-	-	4,938	-	-	(9,601)	-	(67,635)	(ii)	-	-
Others	212,099	195,008	(12,911)	10,362	(3,090)	(63)	(2,000)	-	(1,275)		398,130	-
Joint venture -												
Wanjiang Financial Leasing Co., Ltd.	-	-	-	46,936	-	-	(28,800)	-	360,000	(iii)	378,136	-
	951,874	249,774	(12,911)	420,744	39,924	(63)	(201,899)	-	1,440,831		2,888,274	

- (i) In 2015, as the Company believed that it has significant influence on Foshan Shunde Rural Commercial Bank Co., Ltd. based on consideration of various factors, it is accounted for using the equity method.
- (ii) As at 31 December 2015, Midea Petty Loan Co., Ltd. and Foshan Shunde District Midea Petty Loan Co., Ltd., the Company's subsidiaries, are included in the consolidation scope (Note (5(1))).
- (iii) In 2015, as the Company believed that it has joint control over Wanjiang Financial Leasing Co., Ltd., it is accounted for under the equity method.

(12) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment and other equipment	Total
Cost					
31 December 2014	14,938,851	13,364,556	799,461	2,220,616	31,323,484
Increase in current year					
Purchase	115,948	1,018,098	24,713	365,145	1,523,904
Transfers from construction in progress	451,727	305,767	1,723	46,259	805,476
Increase in business combinations	60,996	30,077	1,030	18,240	110,343
Transfer from investment prosperities	21,168	-	-	-	21,168
Decrease in current year					
Disposal and retirement	(710,778)	(639,851)	(363,838)	(272,116)	(1,986,583)
Transfer to investment properties	(8,473)	-	-	-	(8,473)
Others	(8,769)	(3,073)	(956)	(10,084)	(22,882)
Differences on translation of foreign currency financial statements	(52,725)	(87,747)	(167)	(12,200)	(152,839)
31 December 2015	14,807,945	13,987,827	461,966	2,355,860	31,613,598
Accumulated depreciation					
31 December 2014	3,700,622	6,015,651	416,330	1,650,314	11,782,917
Increase in current year					
Depreciation charged	678,826	1,138,415	83,822	315,116	2,216,179
Decrease in current year					
Disposal and retirement	(203,874)	(411,910)	(175,272)	(246,242)	(1,037,298)
Others	(6,274)	(2,553)	(491)	(9,692)	(19,010)
Differences on translation of foreign currency financial statements	(18,953)	(48,588)	(161)	(6,777)	(74,479)
31 December 2015	4,150,347	6,691,015	324,228	1,702,719	12,868,309
Provision for impairment loss					
31 December 2014	3,918	13,396	51	1,388	18,753
Increase in current year					
Provision	-	1,219	65	98	1,382
Decrease in current year					
Disposal and retirement	-	(3,450)	(51)	(1,226)	(4,727)
31 December 2015	3,918	11,165	65	260	15,408
Carrying amount					
31 December 2015	10,653,680	7,285,647	137,673	652,881	18,729,881
31 December 2014	11,234,311	7,335,509	383,080	568,914	19,521,814

- (a) In 2015, the depreciation of fixed assets amounted to RMB2,216,179,000 (2014: RMB2,348,286,970) and is included in income statement.
- (b) As at 31 December 2015, the Company is still in the course of obtaining the ownership certificate for the fixed asset with a carrying amount of RMB519,552,000.

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

Name of project	31 December 2014	Increase in current year	Transfer to fixed assets in current year	Other decreases	31 December 2015	Accumulative amount of capitalised borrowing costs	Including: borrowing costs capitalised in current year	Capitali sation rate	Source of funds
	Ending balance				Ending balance				
Meizhi Compressor Project	89,067	149,737	(138,427)	-	100,377	-	-	-	Internal resource
Suzhou Xiangcheng Caohu Lake Base Project	121,599	120,429	(242,028)	-	-	-	-	-	Internal resource
Handan Air-conditioner Expansion Project	61,454	6,888	(68,342)	-	-	-	-	-	Internal resource
Compressor (Anhui) Project	9,567	45,854	(22,610)	-	32,811	-	-	-	Internal resource
Guiyang Meian Project	34,173	37,558	(34,042)	-	37,689	3,241	2,283	6%	Loans
Guangdong Welling construction in progress	71,714	19,640	(72,252)	(394)	18,708	-	-	-	Internal resource
Midea 5th Industrial Zone Dormitory Project	83,417	38,666	-	(1,807)	120,276	-	-	-	Internal resource
Zhengzhou Annto Project	26,361	7,165	(15,595)	(17,931)	-	4,612	237	6%	Loans
Hefei Annto Project	40,340	-	(40,340)	-	-	-	-	-	Internal resource
Innovation project	992	310,168	-	-	311,160	-	-	-	Internal resource
Other projects	123,198	425,886	(171,840)	(43,504)	333,740	1,799	193	6%	Loans/ Internal resource
	<u>661,882</u>	<u>1,161,991</u>	<u>(805,476)</u>	<u>(63,636)</u>	<u>954,761</u>	<u>9,652</u>	<u>2,713</u>		

As at 31 December 2015, there's no provision for impairment of construction in progress with the ending balance consistent with the carrying amount; and the cost of construction in progress matches the budget amount. The projects are carried out on schedule.

(14) Intangible assets

	Land use rights	Non-patents	Others	Total
Cost				
31 December 2014	3,830,963	187,224	49,822	4,068,009
Increase in current year				
Purchase	144,999	8,104	2,083	155,186
Increase in business combinations	69,348	12,245	124	81,717
Others	11,024	-	8,887	19,911
Decrease in current year				
Disposal	(208,982)	(21,836)	(1,430)	(232,248)
Transfer to investment properties	(2,131)	-	-	(2,131)
Others	(93)	(115)	-	(208)
Differences on translation of foreign currency financial statements	104	(15,755)	600	(15,051)
31 December 2015	3,845,232	169,867	60,086	4,075,185
Accumulated amortisation				
31 December 2014	481,906	134,745	19,400	636,051
Increase in current year				
Amortisation charged	80,061	12,717	2,717	95,495
Others	3,518	-	-	3,518
Decrease in current year				
Disposal	(19,952)	(20,438)	-	(40,390)
Others	(715)	(4)	-	(719)
Differences on translation of foreign currency financial statements	34	(11,608)	402	(11,172)
31 December 2015	544,852	115,412	22,519	682,783
Carrying amount				
31 December 2015	3,300,380	54,455	37,567	3,392,402
31 December 2014	3,349,057	52,479	30,422	3,431,958

- (a) In 2015, the amortisation of intangible assets amounted to RMB95,495,000 (2014: RMB133,412,710) and is included in income statement.
- (b) As at 31 December 2015, the Company is still in course of obtaining the title certificates for land use rights with a carrying amount of RMB20,694,000 (a cost of RMB21,594,000) (31 December 2014: a carrying amount of RMB4,652,556 and a cost of RMB4,699,552).
- (c) As at 31 December 2015, there's no provision for impairment of intangible assets.

(15) Goodwill

The goodwill allocated to the asset groups is summarised by operating segments as follows:

	31 December 2014	Increase in current year	Difference on translation of foreign currency financial statements	Others	31 December 2015
Air-conditioners segment and components	1,137,405	25,828	(564,553)	-	598,680

- Wuhu Lok Cheung Electric Co., Ltd.	4,817	-	-	-	4,817
- Guangdong GMCC Refrigeration Equipment Co., Ltd.	13,732	-	-	-	13,732
- Guangdong Midea Wuhu Refrigeration Equipment Co., Ltd.	46,788	-	-	-	46,788
- Guangdong Midea Refrigeration Equipment Co., Ltd.	11,436	-	-	-	11,436
- Midea Group Wuhan Refrigeration Equipment Co., Ltd.	10,161	-	-	-	10,161
- Guangdong Midea Commercial Air Conditioning Equipment Co., Ltd.	4,107	-	-	-	4,107
- Chongqing Midea General Refrigeration Equipment Co., Ltd.	8,210	-	-	-	8,210
- Midea Carrier Corporation	1,037,366	-	(564,553)	-	472,813
-PT Midea Planet Indonesia	-	25,828	-	-	25,828
-Midea Electric Trading Thailand Co Ltd	788	-	-	-	788
Refrigerators and components segment	14,269	-	-	-	14,269
- Hefei Midea Royalstar Refrigerator Co., Ltd.	5,260	-	-	9,009	14,269
- Hefei Royalstar Midea Electric Marketing Co., Ltd.	9,009	-	-	(9,009)	-
Washing machines and components segment	1,361,306	-	-	-	1,361,306
- Hefei Midea Washing Machine Co., Ltd.	34,374	-	-	-	34,374
- Wuxi Little Swan Company Limited	1,326,932	-	-	-	1,326,932
Small household appliances segment	54,427	-	-	-	54,427
- Jiangxi Midea Guiya lighting Co., Ltd.	54,427	-	-	-	54,427
Motors segment	4,639	-	-	-	4,639
- Changzhou Honglu Huate Electric Co., Ltd.	4,639	-	-	-	4,639
Other segments	359,745	-	-	-	359,745
- Calpore Macao Commercial Offshore Limited	329,957	-	-	-	329,957
- Gold Emperor Enterprises Ltd.	29,467	-	-	-	29,467
- Ningbo Meijia Investment Management Co., Ltd.	321	-	-	-	321
	2,931,791	25,828	(564,553)	-	2,393,066

(a) Impairment

On 31 December 2015, the Group carried out tests for impairment of goodwill. The recoverable amount of goodwill asset groups is calculated using the estimated cash flows determined according to the five-year budget approved by management. The cash flows beyond the five-year period are calculated based on the estimated growth rates. The weighted average growth rates applied by management are consistent with the industry estimates, and do not exceed the long-term average growth rates of each product. Management determines budgeted gross margin based on past experience and forecast on future market development. The discount rates used by management are the pre-tax interest rates that are able to reflect the risks specific to the related asset groups. The management analysed the recoverable amount of each asset group based on such estimates and believed that no provision for impairment of goodwill was required.

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

(a) Deferred income tax assets without taking into consideration the offsetting of balances

31 December 2015	31 December 2014
------------------	------------------

	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Tax losses	632,957	173,145	420,647	128,425
Provision for asset impairments	637,300	107,608	587,439	96,013
Employee benefits payable	177,487	30,015	1,679,406	290,303
Other current liabilities	9,996,930	1,711,198	19,641,042	3,143,330
Others	1,194,030	202,033	840,868	121,917
	<u>12,638,704</u>	<u>2,223,999</u>	<u>23,169,402</u>	<u>3,779,988</u>

Including:

Expected to be reversed within one year (inclusive)	1,704,162	3,618,766
Expected to be reversed after one year	519,837	161,222
	<u>2,223,999</u>	<u>3,779,988</u>

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

	31 December 2015		31 December 2014	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value	221,255	33,329	101,674	25,917
Others	44,102	7,135	-	-
	<u>265,357</u>	<u>40,464</u>	<u>101,674</u>	<u>25,917</u>
Including:				
Expected to be reversed within one year (inclusive)		16,192		10,772
Expected to be reversed after one year		24,272		15,145
		<u>40,464</u>		<u>25,917</u>

(c) Deductible temporary differences and tax losses that are not recognised as deferred income tax assets are analysed as follows:

	31 December 2015	31 December 2014
Deductible temporary differences	97,124	24,904
Tax losses	<u>547,021</u>	<u>507,397</u>
	<u>644,145</u>	<u>532,301</u>

(d) Tax losses that are not recognised as deferred income tax assets will expire in the following years:

Year	31 December 2015	31 December 2014
------	------------------	------------------

2015	-	5,881
2016	13,183	55,367
2017	42,450	42,450
2018	61,360	65,426
2019	138,662	146,587
2020 and subsequent years	291,366	191,686
	<u>547,021</u>	<u>507,397</u>

- (e) As at 31 December 2015, there's no significant offset item in deferred income tax assets and liabilities.

(17) Details of provision for asset impairments

	31 December 2014	Increase in current year	Decrease in current year		31 December 2015
			Reversal	Write-off	
Provision for bad debts	824,159	52,384	(168,542)	(22,006)	685,995
Including: Provision for bad debts of accounts receivable	691,177	22,485	(87,005)	(20,157)	606,500
Loan impairment provision	89,287	7,153	(77,486)	-	18,954
Provision for bad debts of other receivables	43,695	22,746	(4,051)	(1,849)	60,541
Provision for decline in the value of inventories	138,085	248,494	(128,952)	(125,659)	131,968
Provision for impairment of available-for-sale financial assets	100	-	-	-	100
Provision for impairment of fixed assets	18,753	1,382	-	(4,727)	15,408
Provision for impairment of investment properties	12,576	-	-	-	12,576
	<u>993,673</u>	<u>302,260</u>	<u>(297,494)</u>	<u>(152,392)</u>	<u>846,047</u>

(18) Assets with ownership or use right restricted

As at 31 December 2015, details of assets with restricted ownership are as follows:

	31 December 2015	31 December 2014
Cash at bank and on hand	9,421,586	3,059,518
Deposits with central bank	963,926	1,277,562
Deposits with banks and other financial institutions	1,400,000	-
Notes receivable	4,889,884	1,091,200
	<u>16,675,396</u>	<u>5,428,280</u>

(19) Short-term borrowings

31 December 2015 31 December 2014

Unsecured borrowings	977,793	723,605
Trade financing	1,818,174	2,335,281
Pledged borrowings	-	381,498
Guaranteed borrowings (a)	1,124,966	2,630,495
	<u>3,920,933</u>	<u>6,070,879</u>

(a) As at 31 December 2015, bank borrowings of RMB852,234,000 (31 December 2014: RMB1,756,153,000) are guaranteed by the Company, and bank borrowings of RMB272,732,000 (31 December 2014: 874,342,000) are guaranteed by the Company's subsidiaries.

(b) As at 31 December 2015, the annual interest rate range of short-term borrowings is 1% to 8% (31 December 2014: 1% to 9%).

(20) Notes payable

	31 December 2015	31 December 2014
Bank acceptance notes	<u>17,078,520</u>	<u>12,648,497</u>

(21) Accounts payable

	31 December 2015	31 December 2014
Accounts payable for materials	15,521,933	17,659,332
Others	<u>1,926,751</u>	<u>2,478,122</u>
	<u>17,448,684</u>	<u>20,137,454</u>

(a) As at 31 December 2015, accounts payable with ageing over 1 year with a carrying amount of RMB821,705,000 (31 December 2014: RMB1,312,169,000) are mainly unsettled accounts payable for materials.

(22) Advances from customers

	31 December 2015	31 December 2014
Advances on sales	<u>5,616,361</u>	<u>3,992,540</u>

(a) As at 31 December 2015, accounts payable with ageing over 1 year with a carrying amount of RMB64,267,000 (31 December 2014: RMB94,388,000) are mainly unsettled advances on sales.

(23) Employee benefits payable

	31 December 2015	31 December 2014
Short-term employee benefits (a)	2,114,196	2,083,515
Others	<u>115,136</u>	<u>116,262</u>
	<u>2,229,332</u>	<u>2,199,777</u>

(a) Short-term employee benefits

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Wages and salaries, bonus, allowances and subsidies	1,941,557	8,046,488	(8,037,030)	1,951,015
Staff welfare	77,897	557,211	(547,235)	87,873
Social security contributions	21,552	545,035	(552,598)	13,989
Including: Medical insurance	19,935	425,367	(432,577)	12,725
Work injury insurance	828	91,387	(91,176)	1,039
Maternity insurance	789	28,281	(28,845)	225
Housing funds	13,548	199,932	(198,196)	15,284
Labour union funds and employee education funds	18,978	63,998	(65,058)	17,918
Other employee expenses	9,983	336,922	(318,788)	28,117
	<u>2,083,515</u>	<u>9,749,586</u>	<u>(9,718,905)</u>	<u>2,114,196</u>

(24) Taxes payable

	31 December 2015	31 December 2014
VAT payable	140,083	375,168
Corporate income tax payable	1,188,759	2,721,473
Others	278,339	183,510
	<u>1,607,181</u>	<u>3,280,151</u>

(25) Other payables

	31 December 2015	31 December 2014
Deposit and security deposit	521,495	715,119
Payables and temporary receipts	215,747	282,557
Refund for energy-saving and beneficial to people	138,160	-
Others	263,904	225,873
	<u>1,139,306</u>	<u>1,223,549</u>

As at 31 December 2015, other payables with ageing over 1 year with a carrying amount of RMB244,788,000 (31 December 2014: RMB132,243,000) are mainly deposit and security deposit payable, which are unsettled for related projects that are uncompleted.

(26) Other current liabilities

	31 December 2015	31 December 2014
Accrued sales promotion expenses	828,535	986,114
Accrued sales rebate	13,765,370	13,428,468
Accrued installation and maintenance expenses	4,587,651	4,231,211
Accrued transportation expenses	487,859	358,027
American commercial paper (a)	355,460	2,127,551
Others	2,073,302	1,647,565
	<u>22,098,177</u>	<u>22,778,936</u>

- (a) As at 31 December 2015, the American commercial paper is with an annual interest rate range of 0.85% to 0.97%, due within one year and guaranteed by Bank of China.

(27) Long-term borrowings

	31 December 2015	31 December 2014
Guaranteed borrowings (a)	83,778	611,900
Unsecured borrowings	<u>6,283</u>	<u>19,205</u>
	90,061	631,105
Less: Current portion of long-term guaranteed borrowings	<u>-</u>	<u>(611,900)</u>
	<u>90,061</u>	<u>19,205</u>

- (a) As at 31 December 2015, bank borrowings of RMB83,778,000 (31 December 2014: RMB611,900,000) was guaranteed by the directors of Company's subsidiaries. Interest is payable every month and the principal are due for repayment in August 2018.

- (b) As at 31 December 2015, the annual interest rate range of the long-term borrowings is 2.09% to 4.5% (31 December 2014: 1.5% to 4.5%).

(28) Share capital

	31 December 2014	Current year movement					31 December 2015
		Newly issued	Exercise of stock options	Desterilisation	Repurchase of shares	Subtotal	
RMB-denominated ordinary shares -		(a)	(b)		(c)		
RMB-denominated ordinary shares subject to trading restriction (a)	1,973,072	55,000	94	(1,823)	-	53,271	2,026,343
RMB-denominated ordinary shares not subject to trading restriction (b)	2,242,736	-	25,529	1,823	(29,592)	(2,240)	2,240,496
	<u>4,215,808</u>	<u>55,000</u>	<u>25,623</u>	<u>-</u>	<u>(29,592)</u>	<u>51,031</u>	<u>4,266,839</u>

	31 December 2013	Current year movement					31 December 2014
		Newly issued	Bonus share	Transferred from reserves	Others	Subtotal	

RMB-denominated ordinary shares -							
RMB-denominated ordinary shares subject to trading restriction	1,000,005	-	-	973,067	-	973,067	1,973,072
RMB-denominated ordinary shares not subject to trading restriction	686,318	-	-	1,556,418	-	1,556,418	2,242,736
	1,686,323	-	-	2,529,485	-	2,529,485	4,215,808

- (a) On 11 June 2015, pursuant to the *Approval for the Non-public Offering of Midea Group Co. Ltd.* (Zheng Jian Xu Ke [2015] No. 1169) issued by the China Securities Regulatory Commission (CSRC), the Company non-publicly issued 55,000,000 shares to Millet Technology Co., Ltd. with an issue price of RMB22.01 per share. The net amount of the funds raised is RMB1,203,543,000 after the deduction of the underwriting fee, of which RMB55,000,000 recognised as share capital and RMB1,148,543,000 recognised as "capital surplus-share premium".
- (b) Pursuant to the first stock option incentive plan as approved at the first extraordinary general meeting dated 17 February 2014 (the "First Options Incentive Programme"), the Company granted 99,863,000 stock options with an exercise price of RMB17.72 to 691 employees. Under the circumstance that specified performance conditions are met, one third of the total stock options granted will become effective after 1 year, 2 years and 3 years, respectively, since 18 February 2014. In 2015, the total number of shares exercised by the granted employees is 25,622,621 and the total amount of capital received is RMB454,034,000, of which RMB25,623,000 is recognised as share capital, RMB428,411,000 recognised as capital surplus (share premium) and RMB90,294,000 transferred from capital surplus (others) to capital surplus (share premium). The weighted average price of stock options exercised in current period is RMB36.37 as calculated based on the price of exercise date.
- (c) On 6 August 2015, pursuant to the *Preplan for the First Repurchase of Partial Ordinary Shares* as approved at the second extraordinary general meeting in 2015, the Company repurchased 29,591,644 shares not subject to trading restriction in the total capital of RMB999,998,000, of which a RMB29,592,000 deduction to share capital and a RMB970,406,000 deduction to capital surplus (share premium).

(29) Capital reserve

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Share premium (a)	10,391,194	1,667,248	(970,406)	11,088,036
Stock option incentive plan (b)	150,991	327,907	(90,294)	388,604
Others (c)	2,482,698	551,852	-	3,034,550
	<u>13,024,883</u>	<u>2,547,007</u>	<u>(1,060,700)</u>	<u>14,511,190</u>
	31 December 2013	Increase in current year	Decrease in current year	31 December 2014
Share premium	13,075,813	-	(2,684,619)	10,391,194
Stock option compensation plan	-	150,991	-	150,991
Others	2,490,491	1,808	(9,601)	2,482,698
	<u>15,566,304</u>	<u>152,799</u>	<u>(2,694,220)</u>	<u>13,024,883</u>

- (a) The increase in share premium arises from newly issued share with the amount of RMB1,148,543,000 and the exercise of stock options with the amount of RMB518,705,000. The decrease in share premium arises from the repurchase of shares with the amount of RMB970,406,000 (Note 4(28)).
- (b) The increase in stock option incentive plan arises from the stock option expenses attributable to shareholders' equity of the Company with the amount of RMB327,907,000. The decrease in stock option incentive programme arises from the transfer of RMB90,294,000 stock options to share premium due to exercise of stock option.
- (c) The increase in other capital reserve mainly arises from the transfer of demolition compensation of a subsidiary to special payables.

(30) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2015				
	31 December 2014	Attributable to the parent company after tax	31 December 2015	Amount before income tax for year	Less: Reclassifications of previous other comprehensive income to profit or loss	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive income which will be reclassified subsequently to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	41,166	(39,924)	1,242	(39,924)	-	-	(39,924)	-
Gains or losses arising from changes in fair value of available-for-sale financial assets	(819)	(159,887)	(160,706)	(181,763)	969	8,206	(159,887)	(12,701)
Effective portion of cash flow hedging gains or losses	269,154	(74,392)	194,762	202,106	(285,733)	5,792	(74,392)	(3,443)
Exchange differences arising from translating foreign operations	464,798	571,055	1,035,853	759,810	-	-	571,055	188,755
	774,299	296,852	1,071,151	740,229	(284,764)	13,998	296,852	172,611
	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2014				
	31 December 2013	Attributable to the parent company after tax	31 December 2014	Amount before income tax for year	Less: Reclassifications of previous other comprehensive income to profit or loss	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive income which will be reclassified subsequently to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	36,054	5,112	41,166	5,112	-	-	5,112	-
Gains or losses arising from changes in fair value of available-for-sale financial assets	(524)	(295)	(819)	(435)	213	33	(295)	106
Effective portion of cash flow hedging gains or losses	(53,962)	323,116	269,154	285,733	54,313	(14,556)	323,116	2,374
Exchange differences arising from translating foreign operations	298,162	166,636	464,798	266,052	-	-	166,636	99,416
	279,730	494,569	774,299	556,462	54,526	(14,523)	494,569	101,896

(31) Surplus reserve

		31 December 2014	Increase in current year	31 December 2015
Statutory reserve	surplus	<u>1,189,791</u>	<u>656,732</u>	<u>1,846,523</u>
		31 December 2013	Increase in current year	31 December 2014
Statutory reserve	surplus	<u>569,544</u>	<u>620,247</u>	<u>1,189,791</u>

In accordance with the Company Law of the People's Republic of China and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. According to a resolution at the Board of Directors, the Company appropriated 10% of net profit, amounting to approximately RMB656,732,000 in 2015 (2014: 10% of net profit, amounting to approximately RMB620,247,000) to the statutory surplus reserve.

(32) Undistributed profits

	2015	2014
Undistributed profits at the beginning of the year	21,814,316	15,304,989
Add: Net profit attributable to the parent company for current year	12,706,725	10,502,220
Less: Ordinary share dividends payable (a)	(4,215,808)	(3,372,646)
Appropriation to general reserve (b)	(118,624)	-
Others	(50)	-
Appropriation to statutory surplus reserve (Note 4(31))	<u>(656,732)</u>	<u>(620,247)</u>
Undistributed profits at end of year	<u>29,529,827</u>	<u>21,814,316</u>

(a) Ordinary share dividends distributed in current year

In accordance with the resolution at the Board of Shareholders' meeting, dated on 31 March 2015, the Company distributed a cash dividend to the shareholders at RMB1.00 per share, amounting to RMB4,215,808,000 calculated by 4,215,808,472 issued shares (2014: RMB2.00 per share, amounting to RMB3,372,646,000).

(b) General reserve

According to the Administrative Measures for the Provisioning of Financial Enterprises issued by the Ministry of Finance (MOF), an provision for general risk amounting to RMB118,624,000 was made in 2015 (2014: Nil) at 1.5% of the balance of financial enterprise risk assets net of recognised loan impairment provision.

(33) Operating revenue and cost of sales

	2015	2014
Revenue from main operations	128,564,600	131,062,049
Revenue from other operations	9,876,626	10,606,126
	<u>138,441,226</u>	<u>141,668,175</u>
	2015	2014
Cost of sales from main operations	94,681,799	97,295,261
Cost of sales from other operations	7,981,019	8,374,425
	<u>102,662,818</u>	<u>105,669,686</u>

(a) Revenue and cost of sales from main operations

	2015		2014	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Large household appliances	87,932,142	63,685,678	92,402,440	67,622,503
Air-conditioner motors and related components	64,491,950	46,270,517	72,704,843	53,110,596
Refrigerator motors and related components	11,422,676	8,774,502	9,723,781	7,382,157
Washing machine motors and related components	12,017,516	8,640,659	9,973,816	7,129,750
Small household appliances	35,445,859	26,574,533	32,709,715	24,618,303
Motor	3,533,842	2,966,665	3,983,549	3,336,928
Logistics services	1,652,757	1,454,923	1,966,345	1,717,527
	<u>128,564,600</u>	<u>94,681,799</u>	<u>131,062,049</u>	<u>97,295,261</u>

In 2015, cost of sales is mainly material costs and labour costs, which accounts for over 80% of total cost of sales from main operations (2014: over 80%).

(b) Revenue and cost of sales from other operations

	2015		2014	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Revenue from sales of materials	8,840,147	7,482,344	9,628,874	8,030,070
Others	1,036,479	498,675	977,252	344,355
	<u>9,876,626</u>	<u>7,981,019</u>	<u>10,606,126</u>	<u>8,374,425</u>

In 2015, cost of sales from other operations is mainly material costs, which accounts for over 80% of total cost of sales from other operations (2014: over 80%).

(34) Interest income/(expenses)

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

	2015	2014
Interest income from loans and advances	855,149	611,666
Including: Interest income from loans and advances	220,635	39,936
Interest income from note discounting	634,514	571,730
Interest income from deposits with banks and other financial institutions	45,012	20,859
Interest income	900,161	632,525
Interest expenses	(561,514)	(404,527)
	<u>338,647</u>	<u>227,998</u>

(35) Business taxes and surcharges

	2015	2014
City maintenance and construction tax	489,695	432,578
Educational surcharge	356,115	314,954
Others	65,520	62,064
	<u>911,330</u>	<u>809,596</u>

(36) Selling and distribution expenses

	2015	2014
Selling and distribution expenses	<u>14,799,769</u>	<u>14,733,917</u>

In 2015, selling and distribution expenses are mainly maintenance and installation expenses, advertisement and promotion fee, transportation and storage fee, employee benefits and rental expenses, which account for over 80% of total selling and distribution expenses (2014: over 80%).

(37) General and administrative expenses

	2015	2014
General and administrative expenses	<u>7,441,755</u>	<u>7,498,256</u>

In 2015, general and administrative expenses are mainly employee benefits, R&D expenditures, expenses of depreciation and amortisation, technical maintenance expenses and administrative office expenses, which account for over 80% of total general and administrative expenses (2014: over 80%).

(38) Financial expenses

The Group's financial expenses, other than those arising from financial business (Note 4(34)), are presented as follows:

	2015	2014
Interest expenses	231,938	183,752
Less: Interest income	(556,617)	(348,390)
Exchange gains or losses	335,281	234,205
Others	128,330	181,760
	<u>138,932</u>	<u>251,327</u>
(39) Asset impairment loss		
	2015	2014
(Reversal)/loss of bad debts (Note 4(5))	(45,825)	199,474
Loss on decline in the value of inventories (Note 4(8))	119,542	93,908
Impairment loss on available-for-sale financial assets (Note 4(10))	-	100
Impairment loss on fixed assets (Note 4(12))	1,382	12,867
(Reversal)/loss of impairment of loans (Note 4(7))	(70,333)	43,469
	<u>4,766</u>	<u>349,818</u>
(40) Gains/(losses) on changes in fair value		
	2015	2014
Financial instruments at fair value through profit or loss - derivative financial instruments	<u>81,611</u>	<u>(652,791)</u>
(41) Investment income		
	2015	2014
Investment income from wealth management products purchased from financial institutions	1,309,633	953,661
Investment income from disposal of financial assets at fair value through profit or loss	286,036	384,369
Income from long-term equity investment under equity method	420,744	94,739
Others	(5,144)	78,353
	<u>2,011,269</u>	<u>1,511,122</u>

There is no restriction on recovery of investment income.

(42) Non-operating income

	2015	2014	Amount recognised in non-recurring profit or loss in 2015
Government grants (a)	1,373,128	819,042	1,348,652

Gains on disposal of non-current assets	53,084	53,602	53,084
Including: Gains on disposal of fixed assets	48,160	50,442	48,160
Gains on disposal of intangible assets	4,924	3,160	4,924
Other income	280,827	184,425	280,827
	<u>1,707,039</u>	<u>1,057,069</u>	<u>1,682,563</u>

(a) Details of government grants

	2015	2014	Assets/income related
Special projects	1,368,522	807,509	Related to income
Special projects	4,606	11,533	Related to assets
	<u>1,373,128</u>	<u>819,042</u>	

(43) Non-operating expenses

	2015	2014	Amount recognised in non-recurring profit or loss in 2015
Losses on disposal of non-current assets	287,167	270,391	287,167
Including: Losses on disposal of fixed assets	286,817	236,173	286,817
Losses on disposal of intangible assets	350	34,218	350
Donations	28,811	27,760	28,811
Other expenses	256,580	218,737	248,900
	<u>572,558</u>	<u>516,888</u>	<u>564,878</u>

(44) Income tax expenses

	2015	2014
Current income tax calculated based on tax law and related regulations	923,694	3,665,359
Deferred income tax	1,503,005	(1,321,003)
	<u>2,426,699</u>	<u>2,344,356</u>

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:

2015	2014
------	------

Total profit	16,051,354	13,990,684
Income tax calculated at tax rate of 25%	4,012,839	3,497,671
Effect of different tax rates applicable to subsidiaries	(1,427,105)	(1,006,392)
Effect of income tax annual filing for prior periods	(74,239)	(6,606)
Income not subject to tax	(99,584)	(118,858)
Costs, expenses and losses not deductible for tax purposes	102,016	32,130
Temporary differences for which no deferred income tax asset was recognised in prior years	(116,095)	-
Others	28,867	(53,589)
Income tax expenses	2,426,699	2,344,356

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

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

	Unit	2015	2014
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	12,706,725	10,502,220
Weighted average number of outstanding ordinary shares	Thousand shares	4,244,047	4,215,808
Basic earnings per share	RMB per share	2.99	2.49

(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:

	Currency unit	2015	2014
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	12,706,725	10,502,220
Weighted average number of outstanding ordinary shares	Thousand shares	4,244,047	4,215,808
Weighted average number of ordinary shares increased due to stock options	Thousand shares	10,708	3,920
Weighted average number of diluted outstanding ordinary shares	Thousand shares	4,254,755	4,219,728
Diluted earnings per share	RMB per share	2.99	2.49

(46) Notes to the consolidated cash flow statement

(a) Cash received relating to other operating activities

	2015	2014
Non-operating income	1,432,614	1,193,400
Other operating income - others	777,894	958,972
Financial expenses - interest income	132,622	326,389
Others	867,857	15,424
	<u>3,210,987</u>	<u>2,494,185</u>

(b) Cash paid relating to other operating activities

	2015	2014
Selling and distribution expenses (excluding employee benefits and taxes and surcharges)	12,878,438	11,697,676
General and administrative expenses (excluding employee benefits and taxes and surcharges)	3,091,282	3,129,732
Others	366,246	778,764
	<u>16,335,966</u>	<u>15,606,172</u>

(c) Supplementary information to the consolidated cash flow statement

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

	2015	2014
Net profit	13,624,655	11,646,328
Add: Provision for assets impairment	4,766	349,818
Depreciation and amortisation	2,852,017	3,320,413
Net loss on disposal of non-current assets	234,083	216,789
(Gains)/losses on changes in fair value	(81,611)	652,791
Financial (income)/expenses	(317,043)	100,069
Investment income	(2,011,269)	(1,511,122)
Stock options expenses	377,660	176,349
Decrease/(increase) in deferred income tax assets	1,497,537	(1,198,425)
Increase/(decrease) in deferred income tax liabilities	5,468	(97,715)
Decrease in inventories	4,656,838	118,729
Decrease/(increase) in operating receivables	3,769,036	(9,098,389)
Increase in operating payables	2,152,117	20,112,877
Net cash flows from operating activities	<u>26,764,254</u>	<u>24,788,512</u>
Movement in cash and cash equivalents		
Cash and cash equivalents at end of year	5,187,317	5,272,240
Less: Cash and cash equivalents at beginning of year	<u>(5,272,240)</u>	<u>(16,763,874)</u>
Net decrease in cash and cash equivalents	<u>(84,923)</u>	<u>(11,491,634)</u>

(d) Acquisition of subsidiaries

2015

Cash and cash equivalents paid in current year for business combinations occurred in current year	514,403
Including: Main Power Electrical Factory Limited	119,955
Midea Petty Loan Co., Ltd.	231,132
Foshan Shunde Midea Petty Loan Co., Ltd.	157,814
PT Midea Planet Indonesia	5,502
Less: Cash and cash equivalents held by the subsidiaries at the acquisition dates	(230,672)
Including: Main Power Electrical Factory Limited	(201,429)
Midea Petty Loan Co., Ltd.	(5,897)
Foshan Shunde Midea Petty Loan Co., Ltd.	(14,948)
PT Midea Planet Indonesia	(8,398)
Net cash paid for acquisition of the subsidiaries	283,731

Consideration for acquisition of subsidiaries in 2015

Main Power Electrical Factory Limited	228,068
Midea Petty Loan Co., Ltd.	231,132
Foshan Shunde Midea Petty Loan Co., Ltd.	157,814
PT Midea Planet Indonesia	5,502
	622,516

Net assets of the subsidiaries acquired

	As at the acquisition dates in 2015	As at the acquisition dates in 2014
Current assets	1,833,699	13,021
Non-current assets	227,348	407
Current liabilities	(1,070,311)	(7,799)
Non-current liabilities	(122,894)	-
	867,842	5,629

(e) Composition of cash and cash equivalents

	31 December 2015	31 December 2014
Cash on hand	2,915	1,038
Cash at bank that can be readily drawn on demand	2,435,483	3,010,485

Other cash balances that can be readily drawn on demand	1,993	132,242
Deposits with central bank that can be drawn on demand	84,119	2,030
Deposits with banks and other financial institutions	2,662,807	2,126,445
Cash and cash equivalents at end of year	5,187,317	5,272,240

(47) Monetary items denominated in foreign currencies

31 December 2015			
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand			
USD	364,436	6.4936	2,366,502
HKD	276,475	0.8378	231,631
EUR	25,956	7.0952	184,163
BRL	37,354	1.6401	61,264
Other currencies	N/A	N/A	140,436
Subtotal			2,983,996
Deposits with central bank			
USD	18,212	6.4936	118,261
Deposits with banks and other financial institutions			
USD	48,674	6.4936	316,069
EUR	6,352	7.0952	45,068
Subtotal			361,137
Accounts receivable			
USD	743,404	6.4936	4,827,368
HKD	103,884	0.8378	87,032
EUR	58,027	7.0952	411,713
BRL	621,229	1.6401	1,018,870
Other currencies	N/A	N/A	474,455
Subtotal			6,819,438
Other receivables			
USD	2,095	6.4936	13,606
HKD	151,578	0.8378	126,989
EUR	9,030	7.0952	64,070
BRL	47,863	1.6401	78,500
Other currencies	N/A	N/A	61,786
Subtotal			344,951
Total			10,627,795

31 December 2015

	Foreign currency balance	Exchange rate	RMB balance
Short-term borrowings			
USD	398,212	6.4936	2,585,828
EUR	98,534	7.0952	699,118
Others	N/A	N/A	88,661
Subtotal			3,373,607
Accounts payable			
USD	227,104	6.4936	1,474,723
HKD	52,667	0.8378	44,123
EUR	2,167	7.0952	15,375
BRL	54,165	1.6401	88,835
Other currencies	N/A	N/A	133,750
Subtotal			1,756,806
Other payables			
USD	16,244	6.4936	105,482
HKD	13,172	0.8378	11,035
EUR	1,135	7.0952	8,053
BRL	16,251	1.6401	26,653
Other currencies	N/A	N/A	16,390
Subtotal			167,613
Long-term borrowings			
HKD	100,000	0.8378	83,778
BRL	3,577	1.6401	5,867
Other currencies	N/A	N/A	416
Subtotal			90,061
Other non-current liabilities			
USD	54,740	6.4936	355,460
Total			5,743,547

31 December 2014

	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand			
USD	174,181	6.1190	1,065,810
HKD	270,435	0.7889	213,346
EUR	28,650	7.4556	213,606
BRL	214,876	2.3030	494,859
Other currencies	N/A	N/A	28,988
Subtotal			2,016,609
Deposits with central			

bank			
USD	16,134	6.1190	98,724
Deposits with banks and other financial institutions			
USD	41,255	6.1190	252,437
EUR	1,226	7.4556	9,140
Subtotal			261,577
Accounts receivable			
USD	795,721	6.1190	4,869,016
HKD	300,247	0.7889	236,865
EUR	25,110	7.4556	187,208
BRL	625,186	2.3030	1,439,804
Other currencies	N/A	N/A	181,038
Subtotal			6,913,931
Total			9,290,841

31 December 2014

	Foreign currency balance	Exchange rate	RMB balance
Short-term borrowings			
USD	932,190	6.1190	5,704,070
Other currencies	N/A	N/A	22,056
Subtotal			5,726,126
Accounts payable			
USD	320,162	6.1190	1,959,069
HKD	65,894	0.7889	51,984
EUR	3,113	7.4556	23,210
BRL	142,565	2.3030	328,327
Other currencies	N/A	N/A	133,648
Subtotal			2,496,238
Long-term borrowings			
BRL	8,022	2.3030	18,475
Other currencies	N/A	N/A	730
Subtotal			19,205
Other current liabilities			
USD	347,696	6.1190	2,127,551
Total			10,369,120

5 Changes in consolidation scope

(1) Business combinations involving enterprises not under common control

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

Acquirees	Nature of business	Time of acquisition	Acquisition cost	% interest acquired	Acquisition method	Acquisition dates	Recognition basis of acquisition dates	Revenues of acquirees from the acquisition dates to the year-end	Net profit/(loss) of acquirees from the acquisition dates to the year-end	Cash flows from operating activities of acquirees from the acquisition dates to the year-end	Net cash flows of acquirees from the acquisition dates to the year-end
Main Electrical Factory Limited	Power Production and sale of small household appliances	17 October 2015	RMB228,068,000	70%	Cash consideration	17 October 2015	Effective acquisition of control right	103,975	(38,904)	110,054	(30,031)
Midea Loan Co., Ltd.	Petty loans	September 2011	30% of interests were acquired in September 2011 with RMB135,000,000	70% of interests were acquired in July 2015 with RMB231,132,000	Cash consideration	31 July 2015	Effective acquisition of control right	39,385	13,652	(310,467)	42,832
Foshan District Petty Loan Co., Ltd.	Petty loans	May 2010	30% of interests were acquired in May 2010 with RMB60,000,000	70% of interests were acquired in July 2015 with RMB157,814,000	Cash consideration	31 July 2015	Effective acquisition of control right	20,997	10,438	66,420	(9,895)
PT Midea Planet Indonesia	Import and distribution of household appliances	6 April 2010	51% of interests were acquired on 6 April 2010 with RMB6,755,150	49% of interests were acquired on 7 May 2010 with RMB5,501,790	Cash consideration	7 May 2015	Effective acquisition of control right	111,171	(6,718)	5,378	(459)

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

	Main Power Electrical Factory Limited	Midea Petty Loan Co., Ltd.	Foshan Shunde District Midea Petty Loan Co., Ltd.	PT Midea Planet Indonesia
Costs of combination -				
Cash consideration	228,068	231,132	157,814	5,502
Fair value of previously held equity at acquisition dates	N/A	99,057	67,635	(21,156)
Total costs of combination	228,068	330,189	225,449	(15,654)
Less: Share of fair value of the identifiable net assets obtained	247,581	330,189	225,449	(41,482)
(Differences)/goodwill (i)	(19,513)	-	-	25,828

The Group mainly uses valuation techniques such as market approach and income approach to determine the fair value of non-cash assets transferred and liabilities incurred.

(i) The Group recognises the differences between costs of combination and the share of fair value of the identifiable net assets of Main Power Electrical Factory Limited obtained in the combination as non-operating income for the period in which the combination incurs.

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

(i) Main Power Electrical Factory Limited

	Fair value at acquisition dates	Carrying amount at acquisition dates	Carrying amount at 31 December 2015
Current assets	588,263	631,128	493,405
Non-current assets	202,505	202,974	172,851
Current liabilities	(314,187)	(314,187)	(265,179)
Non-current liabilities	(122,894)	(122,894)	(83,778)
Net assets obtained	<u>353,687</u>	<u>397,021</u>	<u>317,299</u>

(ii) Midea Petty Loan Co., Ltd.

	Fair value at acquisition dates	Carrying amount at acquisition dates	Carrying amount at 31 December 2015
Current assets	762,166	762,166	1,354,858
Non-current assets	10,929	10,929	11,500
Current liabilities	(442,906)	(442,906)	(322,517)
Net assets obtained	<u>330,189</u>	<u>330,189</u>	<u>1,043,841</u>

(iii) Foshan Shunde District Midea Petty Loan Co., Ltd.

	Fair value at acquisition dates	Carrying amount at acquisition dates	Carrying amount at 31 December 2015
Current assets	411,948	411,948	352,070
Non-current assets	2,020	2,020	1,596
Current liabilities	(188,519)	(188,519)	(117,779)
Net assets obtained	<u>225,449</u>	<u>225,449</u>	<u>235,887</u>

(iv) PT Midea Planet Indonesia

	Fair value at acquisition dates	Carrying amount at acquisition dates	Carrying amount at 31 December 2015
Current assets	71,322	71,322	95,919
Non-current assets	11,894	11,894	16,681

Current liabilities	(124,699)	(124,699)	(160,922)
Net assets obtained	(41,483)	(41,483)	(48,322)

- (d) Cash flows for the period from the acquisition date to 31 December 2015 are as follows:

	For the period from the acquisition dates to 31 December 2015			
	Main Power Electrical Factory Limited	Midea Petty Loan Co., Ltd.	Foshan Shunde District Midea Petty Loan Co., Ltd.	PT Midea Planet Indonesia
Net cash flows from operating activities	110,054	(310,467)	66,420	5,378
Net cash flows from investing activities	(53,143)	-	(6)	(208)
Net cash flows from financing activities	(86,942)	353,299	(76,309)	(5,629)
	(30,031)	42,832	(9,895)	(459)

(2) Changes in consolidation scope due to other reasons

(a) Increase of consolidation scope

In January 2015, the Company invested RMB273,077,000 by property ownership in the establishment of Foshan Shunde Meihui Management Service Co., Ltd., a fully-owned subsidiary.

In March 2015, the Company invested RMB100,000,000 by cash in the establishment of Midea Group Payment Technology Co., Ltd., a fully-owned subsidiary.

In April 2015, the Company and its subsidiary Foshan City Midea Air-conditioners Industrial Investment Co., Ltd. invested RMB35,000,000 and RMB15,000,000, respectively, in the establishment of Media Innovation Investment Co., Ltd., obtaining a shareholding of 70% and 30% respectively.

In May 2015, the Company's subsidiary Guangdong Midea Heating & Ventilation Equipment Co., Ltd. and Hicks Hong Kong Limited invested RMB37,500,000 and RMB12,500,000, respectively, in the establishment of Guangdong Midea Hicks Electronics Limited, obtaining a shareholding of 75% and 25% respectively.

In July 2015, the Company and its subsidiary Foshan City Midea Air-conditioners Industrial Investment Co., Ltd. subscribed contributions of RMB800,000,000 and RMB200,000,000, respectively, in the establishment of Midea Robotics Industry Development Co., Ltd., obtaining a shareholding of 80% and 20% respectively. As at 31 December 2015, the Company has contributed RMB7,000,000, obtaining a shareholding of 80%.

In August 2015, the Company, together with Yaskama Motors (China) Co., Ltd., established a

joint venture Guangdong Midea-Yaskawa Service Robotics Ltd., registered capital of which is RMB100,000,000. The Company contributed RMB60,100,000 by cash, obtaining a shareholding of 60.1%. As at 31 December 2015, the Company has contributed RMB12,020,000, obtaining a shareholding of 60.1%.

In October 2015, the Company's subsidiary Hefei Midea Heating & Ventilation Equipment Co., Ltd. and Bosch (China) Investments Co., Ltd. invested RMB48,000,000 and RMB32,000,000, respectively, in the establishment of Hefei M&B Air-Conditioning Equipment Co., Ltd., obtaining a shareholding of 60% and 40% respectively.

In November 2015, the Company's subsidiary Annto Logistics Company Limited subscribed contributions of RMB10,000,000 in the establishment of a fully-owned subsidiary Shenzhen Meian Internet Technology Co., Ltd. As at 31 December 2015, the Company has not paid the subscription amount.

In December 2015, the Company's subsidiary Wuhu Annto Investment Co., Ltd. invested RMB20,000,000 by cash in the establishment of a fully-owned subsidiary Ningbo Meian Logistics Co., Ltd.

(b) Decrease of consolidation scope

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

Name of entity	Disposal method of the equity	Disposal time-point of the equity
Zhongshan Midea Environmental Appliance Installation Service Co., Ltd.	Deregistration	May 2015
Welling Macao Commercial Offshore Ltd.	Deregistration	December 2015
Zhuzhou Annto Logistics Co., Ltd.	Deregistration	April 2015
Maytag International Investment I B.V.	Deregistration	June 2015
Maytag International Investment IV B.V.	Deregistration	June 2015
Solar Energy Technology Co., Ltd. Wuhu Midea	Deregistration	May 2015
Hefei Royalstar Midea Electric Marketing Co., Ltd.	Deregistration	December 2015
Carrier Transicold Argentina S.A.	Deregistration	January 2015
Jiangxi Midea Guiya Green Lighting Co., Ltd.	Deregistration	July 2015
Guangdong Midea Overall Home Furniture Co., Ltd.	Merger by the Company's subsidiary	March 2015
Ningbo Midea United Material Supply Co., Ltd.	Merger by the Company's subsidiary	January 2015
Foshan Midea Household Appliances Co., Ltd.	Merger by the Company	July 2015
Foshan Shunde Hongbang Investments CO., Ltd.	Merger by the Company's subsidiary	July 2015

6 Interests in other entities

(1) Interests in subsidiaries

(a) Information of significant subsidiaries

Name of Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
Hefei Midea Refrigerator Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of refrigerator	75%	25%	Business combinations involving enterprises not under common control
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of air conditioner	99%	1%	Establishment
Anhui GMCC Precision Manufacturing Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of air conditioner	95%	5%	Establishment
Guangdong GMCC Refrigeration Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of air conditioner	60%	-	Business combinations involving enterprises not under common control
Guangdong Midea Refrigeration Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of air conditioner	73%	7%	Business combinations involving enterprises not under common control
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of air conditioner	73%	7%	Business combinations involving enterprises not under common control
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of air conditioner	90%	10%	Establishment
Ningbo Midea United Material Supply Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Manufacture of air conditioner	100%	-	Business combination involving enterprises under common control
Midea Electric Appliance (Singapore) Trade Co., Ltd.	Singapore	Singapore	Export trading	-	100%	Establishment
Wuhu Midea Electric Appliance Manufacturing Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	-	100%	Establishment
Wuxi Little Swan Company Limited	Wuxi, PRC	Wuxi, PRC	Manufacture of washing machine	38%	15%	Business combinations involving enterprises not under common control
Hefei Midea Washing Machine Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of washing machine	5.53%	94.47%	Business combinations involving enterprises not under common control
Guangdong Welling Motor Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of motors	-	68.64%	Business combinations involving enterprises not under common control
Welling (Wuhu) Motor Manufacturing Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of motors	-	100%	Business combinations involving enterprises not under common control
Foshan Welling Washer Motor Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of motors	-	100%	Business combinations involving enterprises not under common control
Guangdong Midea Kitchen Electric Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	-	100%	Establishment
Foshan Shunde manufacturing co., LTD.,	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	-	100%	Establishment
Annto Logistics Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Cargo storage and transportation	55%	25%	Business combination involving enterprises under common control
Ningbo Annto Logistics Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Cargo storage and transportation	-	100%	Business combination involving enterprises under common control
Anhui GMCC Compressor Sales Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of air conditioner	95%	5%	Establishment
Midea Group Finance Co., Ltd.	Foshan, PRC	Foshan, PRC	Financial industry	95%	5%	Establishment

Name of Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
Midea International Trade Co., Ltd.	Hong Kong	Hong Kong	Export trading	-	100%	Establishment
MideaElectricTrading (Singapore) Co.Pte.Ltd.]	Singapore	Singapore	Export trading	-	100%	Establishment
Calpore Macao Commercial Offshore Limited	Macau	Macau	Export trading	-	100%	Business combinations involving enterprises not under common control
Midea International Holding Co., Ltd.	Hong Kong	Hong Kong	Holding investment	100%	-	Establishment
Wuhu Meizhi Air-Conditioning Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC.	Manufacture of air conditioner	88%	12%	Establishment
Zhejiang Meizhi Compressor Co., Ltd	Ningbo, PRC	Ningbo, PRC.	Manufacture of air conditioner	100%	-	Establishment
Wuhu Midea Kitchen & Bathroom Electric Manufacturing	Wuhu, PRC	Wuhu, PRC.	Manufacture of small household appliances	90%	10%	Business combination involving enterprises under common control
Huaian Welling Motor Manufacturing Co., Ltd.	Huaian, PRC	Huaian, PRC.	Manufacture of motors	-	100%	Business combinations involving enterprises not under common control
Wuhu Welling Motor Sales Co., Ltd.	Wuhu, PRC	Wuhu, PRC.	Manufacture of motors	-	100%	Business combinations involving enterprises not under common control
Hefei Annto Logistics Co., Ltd.	Hefei, PRC	Hefei, PRC.	Cargo storage and transportation	-	100%	Business combination involving enterprises under common control
Wuxi Filin Electronics Co., Ltd.	Wuxi, PRC	Wuxi, PRC.	Manufacture of washing machine	-	100%	Business combinations involving enterprises not under common control
Springer Carrier Ltda.	Brazil	Brazil	Manufacture of air conditioner	-	100%	Business combinations involving enterprises not under common control

(b) Subsidiaries that have significant minority interests

Name of Subsidiaries	Shareholding of minority shareholders	Total profit or loss attributable to minority shareholders for the year ended 31 December 2015	Dividends distributed to minority interests for the year ended 31 December 2015	Minority interests as at 31 December 2015
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	20%	33,120	72,325	229,246
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	20%	58,419	41,863	160,376
Guangdong Midea Refrigeration Equipment Co., Ltd.	20%	154,598	120,063	678,938
Wuxi Little Swan Company Limited	47%	438,387	134,725	2,366,217
Guangdong GMCC Refrigeration Equipment Co., Ltd.	40%	82,053	41,020	704,187
South American Holding Co.II B.V	49%	(88,639)	39,748	196,911
Foshan Midea Carrier Refrigeration Equipment Co., Ltd.	40%	59,180	41,231	191,261
Annto Logistics Company Limited	20%	(11,640)	-	157,047
Welling Holding Limited	31%	136,591	53,108	1,205,080

(2) Information of enterprise group

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

				31 December 2015						31 December 2014					
				Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	11,985,129	642,113	12,627,242	11,548,308	-	11,548,308	10,801,030	1,247,292	12,048,322	10,763,058	-	10,763,058			
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	2,068,234	377,247	2,445,481	1,643,602	-	1,643,602	1,643,639	322,411	1,966,050	1,254,919	-	1,254,919			
Guangdong Midea Refrigeration Equipment Co., Ltd.	26,446,641	2,338,070	28,784,711	25,359,562	30,460	25,390,022	17,563,390	3,368,998	20,932,388	17,967,667	30,670	17,998,337			
Wuxi Little Swan Company Limited	12,752,480	1,575,176	14,327,656	8,298,112	41,816	8,339,928	9,794,839	1,643,784	11,438,623	6,216,177	33,822	6,249,999			
Guangdong GMCC Refrigeration Equipment Co., Ltd.	3,223,492	668,582	3,892,074	2,127,737	3,870	2,131,607	3,556,196	650,589	4,206,785	2,569,820	-	2,569,820			
SouthAmericanHoldingCo.IIB.V.	2,823,102	462,988	3,286,090	2,704,748	6,137	2,710,885	3,427,891	560,500	3,988,391	2,838,263	18,475	2,856,738			
Foshan Midea Carrier Refrigeration Equipment Co., Ltd.	846,723	54,389	901,112	452,206	96	452,302	857,040	53,926	910,966	513,514	-	513,514			
Annto Logistics Company Limited	945,234	2,286,923	3,232,157	2,438,900	8,020	2,446,920	2,734,842	2,406,594	5,141,436	3,989,454	153,026	4,142,480			
Welling Holding Limited	4,683,680	1,655,305	6,338,985	2,543,690	35,004	2,578,694	4,702,104	1,631,599	6,333,703	2,815,635	37,435	2,853,070			
				2015						2014					
				Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities				
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	15,438,076		150,586	150,586		446,258	19,913,332	485,631	485,631		3,474,335				
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	6,430,034		292,093	292,093		282,015	9,989,491	289,043	289,043		(216,703)				
Guangdong Midea Refrigeration Equipment Co., Ltd.	28,038,917		954,644	954,927		1,358,924	33,280,720	835,654	834,652		4,566,967				
Wuxi Little Swan Company Limited	13,131,627		1,053,125	1,101,679		3,598,695	10,804,217	795,340	795,270		1,657,114				
Guangdong GMCC Refrigeration Equipment Co., Ltd.	5,701,596		205,132	209,866		304,826	5,773,337	157,561	155,592		100,333				
South American HoldingCo.IIB.V.	4,952,052		(180,896)	(180,896)		(1,184,662)	7,157,466	162,345	162,345		371,842				
Foshan Midea Carrier Refrigeration Equipment Co., Ltd.	1,771,429		147,755	151,487		166,890	1,493,575	123,641	127,373		150,011				
Annto Logistics Company Limited	4,009,788		59,759	59,759		(454,307)	3,564,559	152,944	152,944		224,969				
Welling Holding Limited	6,787,530		439,743	439,743		478,801	7,696,585	532,779	540,234		667,953				

(3) Interests in associates and a joint venture

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

	2015	2014
Aggregated carrying amount of investments	2,888,274	951,874
Aggregate of the following items calculated in proportion to shareholding		
Net profit (i)	420,744	94,739
Other comprehensive income (i)	39,924	(5,112)
Total comprehensive income	460,668	89,627

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

7 Segment information

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

The Group identified 6 reportable segments as follows:

- Air conditioners and components segment
- Refrigerators and components segment
- Washing machines and components segment
- Small household appliances segment
- Motors segment
- Logistics segment

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

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

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

8 Segment reporting

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

Segment information as at and for the year ended 31 December 2015 is as follows:

	Air conditioners and components segment	Refrigerators and components segment	Washing machines and components segment	Small household appliances segment	Motors segment	Logistics segment	Other segments and unallocated amount	Elimination	Total
Revenue from external customers	71,080,793	12,296,942	13,204,070	36,330,913	3,841,012	1,654,066	939,328	-	139,347,124
Inter-segment revenue	122,969	10,307	15,951	3,043	2,946,519	2,355,722	1,497,030	(6,951,541)	-
Operating expenses	(65,239,608)	(11,455,116)	(12,116,092)	(31,891,565)	(6,361,320)	(4,047,728)	(2,493,403)	7,081,701	(126,523,131)
Segment profit	5,964,154	852,133	1,103,929	4,442,391	426,211	(37,940)	(57,045)	130,160	12,823,993
Other profit or loss									3,227,361
Total profit									16,051,354
Total assets	82,279,374	9,904,735	14,391,477	39,167,999	7,207,315	3,193,752	50,321,733	(77,624,450)	128,841,935
Total liabilities	60,595,819	5,630,201	8,366,181	27,112,921	2,578,694	2,254,926	49,467,906	(83,196,335)	72,810,313
Long-term equity investments in associates and a joint venture	336,592	-	-	-	303,057	-	2,248,625	-	2,888,274
Investment income from investments in associates and a joint venture	19,624	-	-	-	43,218	-	357,902	-	420,744
Increase in non-current assets (excluding available-for-sale financial assets, long-term equity investments and deferred income tax assets)	1,389,959	300,941	80,557	795,560	196,769	105,821	569,953	-	3,439,560
Asset impairment losses/(reversal)	78,456	(9,293)	22,452	(3,012)	(4,642)	8,422	(2,797)	(84,820)	4,766
Depreciation and amortisation expenses	1,316,771	307,836	129,552	509,380	147,637	130,143	310,698	-	2,852,017

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

Segment information as at and for the year ended 31 December 2014 is as follows:

	Air conditioners and components segment	Refrigerators and components segment	Washing machines and components segment	Small household appliances segment	Motors segment	Logistics segment	Other segments and unallocated amount	Elimination	Total
Revenue from external customers	80,929,082	9,906,284	10,855,702	33,551,078	4,468,630	1,966,345	633,846	-	142,310,967
Inter-segment revenue	75,865	46,686	24,035	271,235	3,404,503	1,598,214	851,462	(6,272,000)	-
Operating expenses	(74,272,409)	(9,282,138)	(10,055,396)	(30,369,040)	(7,219,266)	(3,519,965)	(1,345,592)	6,345,011	(129,718,795)
Segment profit	6,732,538	670,832	824,341	3,453,273	653,867	44,594	139,716	73,011	12,592,172
Other profit or loss									1,398,512
Total profit									13,990,684
Total assets	66,395,208	8,039,501	11,438,623	24,061,391	7,109,579	5,147,059	57,775,325	(59,674,600)	120,292,086
Total liabilities	46,164,397	4,620,201	6,249,999	20,286,712	2,853,071	3,994,166	39,539,181	(49,147,095)	74,560,632
Long-term equity investments in associates and a joint venture	352,759	-	2,850	-	248,344	-	347,921	-	951,874
Investment income from investments in associates and a joint venture	15,936	-	(319)	-	32,689	-	46,433	-	94,739
Increase in non-current assets (excluding available-for-sale financial assets, long-term equity investments and deferred income tax assets)	2,452,925	318,629	73,111	495,735	260,654	142,844	565,208	-	4,309,106
Asset impairment losses/(reversal)	205,572	4,408	38,221	18,379	24,402	(256)	45,798	13,294	349,818
Depreciation and amortisation expenses	1,473,420	402,088	166,493	757,918	138,625	49,397	332,472	-	3,320,413

(b) Geographical area information

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

Revenue from external customers	2015	2014
Domestic	89,906,850	92,484,771
Other countries/geographical areas	49,440,274	49,826,196
	<u>139,347,124</u>	<u>142,310,967</u>
Total non-current assets	31 December 2015	31 December 2014
Domestic	28,261,309	26,529,163
Other countries/geographical areas	1,698,967	1,900,367
	<u>29,960,276</u>	<u>28,429,530</u>

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

	31 December 2015 and 31 December 2014
Midea Holding Co., Ltd.	<u>330,000</u>

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

	31 December 2015			31 December 2014		
	Shareholding (%)		Voting rights (%)	Shareholding (%)		Voting rights (%)
	Direct	Indirect		Direct	Indirect	
Midea Holding Co., Ltd.	35.07%	-	35.07%	35.49%	-	35.49%

(2) Information of the Company's subsidiaries

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

(3) Information of other related parties

Name of other related parties	Relationship
Guangzhou Wellkey Electrician Material Co., Ltd.	Under common control of the direct relatives of the Company's ultimate controlling shareholders
Anhui Wellkey Electrician Material Co., Ltd.	Under common control of the direct relatives of the Company's ultimate controlling shareholders
Infore Investment Holding Group Co., Ltd.	Under common control of the direct relatives of the Company's ultimate controlling shareholders
Guangdong Infore Electronics Co., Ltd.	It is no longer a related party of the Company due to the equity transfer in 2015 (It was under common control of the direct relatives of the Company's ultimate controlling shareholders in 2014)
Foshan Shunde Midea Development Co., Ltd.	Under common control of the Company's actual controlling persons
Foshan Midea Real Estate Development Co., Ltd.	Under common control of the Company's actual controlling persons
Shanxi Huaxiang Group Co., Ltd.	Associates of subsidiaries controlled by the Company
Foshan Micro Midea Filter MFG Co., Ltd.	Associates of the Company
Guangdong Midea Property Co., Ltd.	Under common control of the Company's actual controlling persons
Foshan Shunde Rural Commercial Bank Co., Ltd.	Associates of the Company

(4) Information of related party transactions

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

(a) Purchase of goods:

Related party	Content of related party transactions	Pricing policies of related party transactions	2015	2014
Guangzhou Wellkey Electrician Material Co., Ltd.	Purchase of goods	Agreed price	672,426	819,286
Foshan Micro Midea Filter MFG Co., Ltd.	Purchase of goods	Agreed price	109,306	108,981
Shanxi Huaxiang Group Co., Ltd.	Purchase of goods	Agreed price	244,539	214,149
Guangdong Infore Electronics Co., Ltd.	Purchase of goods	Agreed price	-	148,238
Anhui Wellkey Electrician Material Co., Ltd.	Purchase of goods	Agreed price	247,960	347,228
Hefei Orinko Plastics Group.	Purchase of goods	Agreed price	62,091	-
			<u>1,336,322</u>	<u>1,637,882</u>

(b) Guarantee

The Group as the guarantee provider:

Guarantee receiver	Guaranteed amount	Commencement date	Maturity date	Fully performed or not
Shanxi Huaxiang Group Co., Ltd.	<u>150,000</u>	31 August 2015	16 November 2016	No

(c) Investment income

	Content	2015	2014
Foshan Shunde Rural Commercial Bank Co., Ltd.	Wealth management product	114,461	108,393

(d) Remuneration of key management

	31 December 2015	31 December 2014
Remuneration of key management	31,250	41,260

(5) Receivables from and payables to related parties

Receivables from related parties:

Items	Related party	31 December 2015	31 December 2014
Advances to suppliers	Guangzhou Wellkey Electrician Material Co., Ltd.	756	-
	Foshan Micro Midea Filter MFG Co., Ltd.	8,000	-
	Hefei Orinko Plastics Group	28,756	-
		37,512	-

Items	Related party	31 December 2015	31 December 2014
Other current assets	Foshan Shunde Rural Commercial Bank Co., Ltd.	1,100,000	300,000

Items	Related party	31 December 2015	31 December 2014
Cash at bank and on hand	Foshan Shunde Rural Commercial Bank Co., Ltd.	2,030,948	290,584

Payables to related parties:

Items	Related party	31 December 2015	31 December 2014
Accounts payable	Guangzhou Wellkey Electrician Material Co., Ltd.	64,330	103,114
	Foshan Micro Midea Filter MFG Co., Ltd.	32,901	-
	Shanxi Huaxiang Group Co., Ltd.	49,705	60,495
	Guangdong Infore Electronics Co., Ltd.	-	26,696
	Hefei Huitong New Material Co., Ltd.	6,153	-
	Anhui Wellkey Electrician Material Co., Ltd.	51,755	96,658
	Foshan Midea Real Estate Development Co., Ltd.	3,677	-
		208,521	286,963

10 Share-based payment

- (1) Pursuant to the second stock option incentive plan (the "Second Stock Option Incentive Plan") approved at the first extraordinary general meeting dated 25 May 2015, the Company granted 83,790,000 stock options with exercise price of RMB30.54 to 733 employees. Under the circumstance that the Company meets expected performance, 1/3 of the total stock options granted will become effective after 1 year, 2 years and 3 years respectively since 27 May 2015.

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

Exercise price of options	RMB30.54
Effective period of options:	5 years
Current price of underlying shares	RMB39.63
Estimated fluctuation rate of share price:	34.10%
Estimated dividend rate:	5.46%
Risk-free interest rate within effective period of options:	2.17%

The fair value of the Second Stock Option Incentive Plan calculated pursuant to the above parameters is: RMB847,684,000.

- (2) Movements of stock options during the year

	2015 (stock options in thousands)	2014 (stock options in thousands)
Stock options issued at beginning of year	90,863	-
Stock options granted during the current year	83,790	99,863
Stock options exercised during the current year	(25,623)	-
Stock options lapsed during the current year	(13,300)	(9,000)
Stock options issued at end of year	<u>135,730</u>	<u>90,863</u>

As at 31 December 2015, the maturity date of the First Option Incentive Plan is on 17 February 2019. The residual contractual maturity date of the Second Stock option Incentive Plan is on 25 May 2021.

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

The total stock option expenses recognised in 2015 were RMB377,660,000 (2014: RMB176,349,000). As at 31 December 2015, the balance relating to the option incentive plan and provided for in capital surplus was RMB388,604,000 (31 December 2014: RMB150,991,000).

11 Contingencies

The amount in tax disputes involving Brazilian subsidiary with 51% interests held by the Company is about BRL584 million (equivalent to RMB1,045 million) (Some cases have lasted for more than 10 years. The above amount includes the principal and interest). As at 31 December 2015, 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 BRL220 million (equivalent to RMB394 million). With reference to judgements of third-party attorneys, management believes that the probability of losing lawsuits and making compensation is small, and expects no significant risk of debt default, therefore, no provisions are made.

12 Commitments**(1) Capital commitments**

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	31 December 2015	31 December 2014
Buildings, machinery and equipment	<u>1,372,126</u>	<u>473,894</u>

(2) Operating lease commitments

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

13 Subsequent events**(1) Significant non-adjusting events**

On 17 March 2016, the Group and Toshiba Corporation ("Toshiba") signed a memorandum of understanding regarding acquisition of the white household appliance business of Toshiba. The Group will obtain control of the white household appliance business of Toshiba through the acquisition. As at the issuance date of the financial statements, the acquisition was still under negotiation and no formal agreement was signed.

(2) Profit distribution

On 24 March 2016, on the basis of the 4,267,391,228 shares of the Company, the Board of Directors proposed a distribution of cash dividends of approximately RMB5,120,869,000 at RMB1.20 per share (including tax) and grant of shares to all shareholders at 5 per 10 shares by capital surplus. The distribution of cash dividends proposed subsequent to the balance sheet date is not recognised as liabilities at the balance sheet date.

14 Financial risk

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

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

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

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

(1) Market risk**(a) Foreign exchange risk**

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. Therefore, the Group enters into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

As at 31 December 2015 and 31 December 2014, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarised below:

	31 December 2015				
	USD	EURO	HKD	Others	Total
Financial assets denominated in foreign currency-					
Cash at bank and on hand	2,035,065	134,089	168,023	140,436	2,477,613
Receivables	2,258,964	411,713	81,828	474,455	3,226,960
	4,294,029	545,802	249,851	614,891	5,704,573
Financial liabilities denominated in foreign currency-					
Short-term borrowings	830,323	699,118	-	88,661	1,618,102
Payables	1,473,826	15,375	44,124	133,748	1,667,073
Other non-current liabilities	355,460	-	-	-	355,460
	2,659,609	714,493	44,124	222,409	3,640,635
	31 December 2014				
	USD	EURO	HKD	Others	Total
Financial assets denominated in foreign currency-					
Cash at bank and on hand	757,049	107,112	185,542	28,988	1,078,691
Receivables	1,848,695	187,208	-	181,038	2,216,941
	2,605,744	294,320	185,542	210,026	3,295,632
Financial liabilities denominated in foreign currency-					
Short-term borrowings	3,144,179	-	-	22,056	3,166,235
Payables	1,959,069	23,210	33,929	133,648	2,149,856
Other non-current liabilities	2,127,551	-	-	-	2,127,551
Long-term borrowings	-	-	-	730	730
	7,230,799	23,210	33,929	156,434	7,444,372

As at 31 December 2015, if the currency had strengthened/weakened by 10% against the USD, EURO, HKD and other foreign currencies while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB175,190,000 lower/higher (31 December 2014: RMB345,355,000 higher/lower) for financial assets and liabilities of the Group

denominated in USD, EURO, HKD and other foreign currencies.

(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 31 December 2015, the long-term interest bearing borrowings at floating rates of the Group are RMB83,778,000 (31 December 2014: Nil) (Note 4(27))

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

As at 31 December 2015, if interest rates on the floating rate borrowings had risen/fallen by 50 basis points while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB356,000 (31 December 2014: Nil).

(2) Credit risk

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

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

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

(3) Liquidity risk

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

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

31 December 2015				
Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total

Short-term borrowings (including interest)	3,996,592	-	-	-	3,996,592
Notes payable	17,078,520	-	-	-	17,078,520
Accounts payable	17,448,684	-	-	-	17,448,684
Interest payable	9,343	-	-	-	9,343
Dividends payable	118,851	-	-	-	118,851
Other payables	1,139,306	-	-	-	1,139,306
Customer deposits and deposits from banks and other financial institutions	52,000	-	-	-	52,000
Derivative financial liabilities	33,377	-	-	-	33,377
Financial assets sold under repurchase agreements	651,784	-	-	-	651,784
Other non-current liabilities	22,098,177	-	-	-	22,098,177
External guarantee	150,000	-	-	-	150,000
Long-term borrowings (including interest)	23,290	38,908	33,060	120	95,378
	<u>62,799,924</u>	<u>38,908</u>	<u>33,060</u>	<u>120</u>	<u>62,872,012</u>

31 December 2014

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings (including interest)	6,098,106	-	-	-	6,098,106
Notes payable	12,648,497	-	-	-	12,648,497
Accounts payable	20,137,454	-	-	-	20,137,454
Interest payable	22,912	-	-	-	22,912
Dividends payable	93,799	-	-	-	93,799
Derivative financial liabilities	74,961	-	-	-	74,961
Customer deposits and deposits from banks and other financial institutions	7,494	-	-	-	7,494
Other payables	1,223,549	-	-	-	1,223,549
Current portion of non-current liabilities (including interest)	621,996	-	-	-	621,996
Long-term borrowings (including interest)	96	96	19,253	-	19,445
Other non-current liabilities	22,778,936	-	-	-	22,778,936
External guarantee	330,000	-	-	-	330,000
Debentures payable	3,026	-	150,000	-	153,026
	<u>64,040,826</u>	<u>96</u>	<u>169,253</u>	<u>-</u>	<u>64,210,175</u>

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 31 December 2015, the assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss -				
Derivative financial assets	-	158,822	-	158,822
Available-for-sale financial assets -				
Other current assets - wealth management products purchased from financial institutions	-	-	18,136,831	18,136,831
Available-for-sale financial assets	1,862,444	-	-	1,862,444
Total assets	<u>1,862,444</u>	<u>158,822</u>	<u>18,136,831</u>	<u>20,158,097</u>
Financial liabilities at fair value through profit or loss -				
Derivative financial liabilities	-	33,377	-	33,377
Total liabilities	<u>-</u>	<u>33,377</u>	<u>-</u>	<u>33,377</u>

As at 31 December 2014, the assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss -				
Derivative financial assets	-	162,514	-	162,514
Available-for-sale financial assets -				
Other current assets - Wealth management products purchased from financial institutions	-	-	24,788,080	24,788,080
Available-for-sale financial assets	1,191	-	-	1,191
Total assets	<u>1,191</u>	<u>162,514</u>	<u>24,788,080</u>	<u>24,951,785</u>
Financial liabilities at fair value through profit or loss -				
Derivative financial liabilities	-	74,961	-	74,961
Total liabilities	<u>-</u>	<u>74,961</u>	<u>-</u>	<u>74,961</u>

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

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.

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

There 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:

	Available-for-sale financial assets
	- Av
	ailable-for-sale
	equity instruments
1 January 2015	24,788,080
Purchases	24,041,361
Sales	(32,055,176)
Total gains of current period	
Investment income recognised in the income statement	1,306,890
Gains recognised in other comprehensive income	55,676
31 December 2015	<u>18,136,831</u>

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

Information about the Level 3 fair value measurement is as follows:

	Fair value at 31 December 2015	Valuation technique	Inputs			
			Name	Range	Relationship with fair value	Observable/ unobservable
Available-for-sale financial assets -						
Other current assets	<u>18,136,831</u>	Discounted cash flows	Estimated annual yield	3.5% ~ 6.8%	Positive	Unobservable

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

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

The Group's financial assets and financial liabilities measured at amortised cost mainly include: cash at bank and on hand, deposits with central bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, loans and advances, other receivables, other current assets (excluding those mentioned in Note 16(1)), accounts payable, notes payable, short-term borrowings, long-term borrowings, customer deposits and deposits from banks and other financial institutions,

financial assets sold under repurchase agreements, interest payable and other current liabilities, etc.

Carrying amounts of the Group's financial assets and financial liabilities as at 31 December 2015 and 31 December 2014 approximated their fair value.

16 Capital management

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

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

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

As at 31 December 2015 and 31 December 2014, the Group's gearing ratio is as follows:

	31 December 2015	31 December 2014
Total liabilities	72,810,313	74,560,632
Total assets	128,841,935	120,292,086
Gearing ratio	<u>56.51%</u>	<u>61.98%</u>

17 Notes to the parent company's financial statements

(1) Other receivables

	31 December 2015	31 December 2014
Current accounts	7,460,438	2,418,832
Deposits	864	488
	<u>7,461,302</u>	<u>2,419,320</u>
Less: Provision for bad debts	(263)	(1,014)
	<u>7,461,039</u>	<u>2,418,306</u>

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

	31 December 2015	31 December 2014
Within 1 year (inclusive)	7,461,224	2,414,017
1 to 2 years (inclusive)	60	5,282
2 to 3 years (inclusive)	18	21
	<u>7,461,302</u>	<u>2,419,320</u>
Less: Provision for bad debts	(263)	(1,014)
	<u>7,461,039</u>	<u>2,418,306</u>

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

31 December 2015		31 December 2014	
Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts

	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Provision for bad debts provided on the individual basis	7,456,182	99.93%	-	-	2,404,421	99.38%	-	-
Provision for bad debts provided on the grouping basis	5,120	0.07%	263	5.14%	14,899	0.62%	1,014	6.81%
	<u>7,461,302</u>	<u>100.00%</u>	<u>263</u>	<u>0.004%</u>	<u>2,419,320</u>	<u>100.00%</u>	<u>1,014</u>	<u>0.04%</u>

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

	31 December 2015			31 December 2014		
	Carrying amount	Provision for bad debts		Carrying amount	Provision for bad debts	
	Amount	Amount	Ratio	Amount	Amount	Ratio
Within 1 year	5,042	252	5.00%	9,596	480	5.00%
1 to 2 years	60	6	10.00%	5,282	528	10.00%
2 to 3 years	18	5	30.00%	21	6	30.00%
	<u>5,120</u>	<u>263</u>	<u>5.14%</u>	<u>14,899</u>	<u>1,014</u>	<u>6.81%</u>

- (d) As at 31 December 2015, other receivables from the top five debtors are analysed as below:

	Nature	Balance	Ageing	% of total other receivables	Provision for bad debts
Midea International Corporation Company Limited	Current accounts	6,055,777	Within 1 year	81.16%	-
Midea Electric Appliance (Singapore) Trade Co., Ltd.	Current accounts	700,000	Within 1 year	9.38%	-
Guangdong Midea Household Appliances Import and Export Trade Co., Ltd	Current accounts	67,489	Within 1 year	0.90%	-
Foshan City Midea Air-conditioners Industrial Investment Co., Ltd.	Current accounts	162,600	Within 1 year	2.18%	-
Guangdong Midea Refrigeration Equipment Co., Ltd.	Current accounts	19,737	Within 1 year	0.26%	-
		<u>7,005,603</u>		<u>93.89%</u>	<u>-</u>

(2) Long-term equity investments

Long-term equity investments are classified as below:

	31 December 2015	31 December 2014
Subsidiaries (a)	21,466,087	16,288,332
Associates (b)	1,282,323	260,551
Joint venture(b)	378,136	-
	<u>23,126,546</u>	<u>16,548,883</u>
Less: Provision for impairment	-	-
	<u>23,126,546</u>	<u>16,548,883</u>

(a) Subsidiaries

	31 December 2014	Movements for the current year					31 December 2015	Provision for impairment	Cash dividends declared in current year
		Additional investment	Movements due to share-based payments	Reduced investment	Merger	Others			
Wuxi Little Swan Company Limited	2,639,969	-	28,192	-	-	-	2,668,161	-	107,527
Foshan Midea Household Appliances Co., Ltd (i)	1,954,936	-	-	-	(1,954,936)	-	-	-	-
Midea Group Finance Co., Ltd.	1,425,000	-	2,988	-	-	-	1,427,988	-	199,305
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	1,045,000	-	3,377	-	-	-	1,048,377	-	487,697
Hubei Midea Refrigerator Co., Ltd.	830,239	-	2,965	-	-	-	833,204	-	164,152
Anhui GMCC Precision Manufacturing Co., Ltd.	800,000	-	3,508	-	-	-	803,508	-	449,939
Foshan Shunde Midea Home Appliance Industry Co., Ltd.	749,000	1,700,000	-	-	-	-	2,449,000	-	-
Wuhu Meizhi Air-Conditioning Equipment Co., Ltd.	726,000	-	4,244	-	-	-	730,244	-	196,225
Guangdong Midea Refrigeration Equipment Co., Ltd.	641,920	-	155,163	-	-	-	797,083	-	438,230
Annto Logistics Company Limited	626,739	-	8,896	(168,993)	-	-	466,642	-	211,950
Guangdong Midea Commercial Air Conditioning Equipment Co., Ltd.	569,430	-	-	-	-	-	569,430	-	15,390
Ningbo Midea United Material Supply Co., Ltd.	480,000	-	1,635	-	-	-	481,635	-	440,723
Guangzhou Hualing Refrigeration Equipment Co., Ltd.	479,409	-	8,269	-	-	-	487,678	-	101,945
Guangzhou Midea Hualing Refrigerator Co., Ltd.	420,000	-	2,082	-	-	-	422,082	-	28,421
Hefei Midea Refrigerator Co., Ltd.	414,686	-	21,876	-	-	-	436,562	-	22,851
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	339,074	-	6,496	-	-	-	345,570	-	263,985
Anhui GMCC Refrigeration Equipment Co., Ltd.	308,750	-	3,918	-	-	-	312,668	-	-
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	270,000	-	39,682	-	-	-	309,682	-	409,337
Midea Electric Investment (BVI) Limited	236,543	-	-	-	-	-	236,543	-	-
Midea International Corporation Company Limited	176,974	-	-	-	-	-	176,974	-	-

			Movements for the current year								
			31 December 2014	Additional investment	Movements due to share-based payments	Reduced investment	Merger	Others	31 December 2015	Provision for impairment	Cash dividends declared in current year
Guangzhou Hualing Refrigeration Equipment Co., Ltd.			136,745	-	-	-	-	-	136,745	-	-
Foshan Midea Carrier Refrigeration Equipment Co., Ltd.			120,000	-	4,030	-	-	-	124,030	-	61,846
Hefei Midea Material Supplies Co., Ltd.			117,000	-	-	-	-	-	117,000	-	7,383
Midea Group E-commerce Co., Ltd.			100,000	-	5,722	-	-	-	105,722	-	-
Anhui GMCC Compressor Sales Co., Ltd.			95,000	-	-	-	-	-	95,000	-	136,767
Guangdong GMCC Refrigeration Equipment Co., Ltd.			89,788	-	26,158	-	-	-	115,946	-	61,529
Hefei Hualing Co., Ltd.			88,646	-	8,066	-	-	-	96,712	-	94,351
Midea Group Wuhan Refrigeration Equipment Co., Ltd.			60,508	-	9,362	-	-	-	69,870	-	152,801
Foshan City Midea Material Supplies Co., Ltd.			54,000	-	-	-	-	-	54,000	-	5,972
Zhejiang GMCC Compressor Co., Ltd			50,000	-	817	-	-	-	50,817	-	175,605
Chongqing Midea Refrigeration Equipment Co., Ltd.			47,500	-	5,776	-	-	-	53,276	-	47,709
Wuhu Little Swan Refrigeration Equipment Co., Ltd.			47,500	-	-	-	-	-	47,500	-	-
Guangdong GMCC Precision Manufacturing Co., Ltd.			38,438	-	-	-	-	-	38,438	-	35,550
Foshan City Midea Air-conditioners Industrial Investment Co., Ltd.			36,062	-	-	-	-	-	36,062	-	-
Chongqing Midea General Refrigeration Equipment Co., Ltd.			31,421	-	3,783	-	-	-	35,204	-	3,521
Ningbo Meimei Jiayuan Electric Service Co., Ltd.			18,305	19,900	-	-	-	-	38,205	-	-
Hefei Royalstar Midea Electric Marketing Co., Ltd.			14,668	-	-	(14,668)	-	-	-	-	-
Foshan City Shunde District Midea Electron Technology Co., Ltd.			9,000	-	4,736	-	-	-	13,736	-	24,943
Midea Holdings (BVI) Ltd.			82	-	-	-	-	-	82	-	-
Handan Midea Refrigeration Equipment Co., Ltd.			-	120,810	3,732	-	-	-	124,542	-	-
Midea Group Payment Technology Co., Ltd.			-	100,000	-	-	-	-	100,000	-	-

	31 December 2014	Movements for the current year					31 December 2015	Provision for impairment	Cash dividends declared in current year
		Additional investment	Movements due to share-based payments	Reduced investment	Merger	Others			
Media Innovation Investment Co., Ltd.	-	35,000	-	-	-	-	35,000	-	-
Foshan Shunde Meihui Management Service Co., Ltd.	-	273,077	-	(273,077)	-	-	-	-	-
Guangdong Midea Microwave Electric Manufacturing Co., Ltd. (ii)	-	-	-	-	1,880,041	-	1,880,041	-	547,099
Wuhu Midea Kitchen Appliances Manufacturing Co., Ltd. (ii)	-	-	-	-	20,000	-	20,000	-	-
Jiangsu Midea Chunhua Electric Co., Ltd. (ii)	-	-	1,408	-	92,119	-	93,527	-	-
Guangdong Witt Vacuum Electronics Manufacturing Co., Ltd. (i)	-	-	224	-	195,972	-	196,196	-	79,909
Guangdong Midea Life Electric Appliance Manufacturing Co., Ltd (ii)	-	-	8,955	-	976,509	-	985,464	-	379,211
Wuhu Midea Electric Appliance Manufacturing Co., Ltd. (ii)	-	-	-	-	56,223	-	56,223	-	-
Foshan Shunde Water machine manufacturing co., LTD., (ii)	-	-	815	-	33,653	-	34,468	-	87,587
Foshan Midea Qinghu purification equipment co., LTD(ii)	-	-	1,116	-	55,720	-	56,836	-	-
Guangdong midea boutique electrical appliance manufacturing co., LTD (ii)	-	-	-	-	60,015	-	60,015	-	-
Wuhan Midea electric appliance manufacturing co., LTD (ii)	-	-	-	-	80,000	-	80,000	-	-
Guangdong Midea Environmental Electric Appliance Manufacturing Co., Ltd. (ii)	-	-	6,855	-	285,462	-	292,317	-	163,423
Foshan Shunde Midea Washing Appliance Manufacturing Co., Ltd. (ii)	-	-	5,851	-	398,865	-	404,716	-	132,798
Guangdong Midea Kitchen & Bathroom Electric Manufacturing (ii)	-	-	1,079	-	78,472	-	79,551	-	19,542
Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd. (ii)	-	-	7,337	-	54,000	-	61,337	-	-
Guangdong Midea lighting electric manufacturing co., LTD (ii)	-	-	-	-	100,000	-	100,000	-	-
Jiangxi Midea Guiya lighting co., LTD(ii)	-	-	1,270	-	160,000	-	161,270	-	-

	31 December 2014	Movements for the current year					31 December 2015	Provision for impairment	Cash dividends declared in current year
		Additional investment	Movements due to share-based payments	Reduced investment	Merger	Others			
Guangdong Midea Household Appliances Import and Export Trade Co., Ltd. (ii)	-	-	-	-	53,207	-	53,207	-	-
JV MIDEA-HORIZONT Co., Ltd. (ii)	-	-	-	-	41,357	-	41,357	-	-
Guangdong MIDEA-YASKAWA Service Robotics Ltd.	-	12,020	-	-	-	-	12,020	-	-
Foshan Shunde District Midea Petty Loan Co., Ltd.	-	-	-	-	-	67,635	67,635	-	-
Midea Petty Loan Co., Ltd.	-	-	-	-	-	55,031	55,031	-	-
Midea Robotics Industry Development Co., Ltd.	-	7,000	-	-	-	-	7,000	-	-
Wuhu Midea Household Consultation Service Co., Ltd. (ii)	-	-	759	-	100,000	-	100,759	-	-
Hefei Midea Washing Machine Co., Ltd.	-	-	5,314	-	-	68,455	73,769	-	-
Chinese Refrigerator Industry Co., Ltd.	-	-	-	-	-	2,430	2,430	-	-
Total	16,288,332	2,267,807	406,456	(456,738)	2,766,679	193,551	21,466,087	-	5,755,223

- (i) The Company's subsidiary Foshan Midea Household Appliances Co., Ltd. ("Midea Household") was merged by the Company in 2015. Its assets, liabilities and undistributed profits were transferred to the Company at carrying amounts at the date of merger.
- (ii) These companies are subsidiaries prior to the merger of Midea Household by the Company and are directly held by the Company after the merger.

(b) Associates and joint venture

	31 December 2014	Movements for the current year					31 December 2015		Provision for impairment	
		Additional or reduced investments	Net profit or loss adjusted under equity method	Adjustments of other comprehensive income	Cash dividends or profits declared	Others				
Associates -										
Foshan Shunde Rural Commercial Bank Co., Ltd.	-	-	206,691	20,910	(88,201)	787,392	926,792	(i)	-	
Hefei Royalstar Motor Co., Ltd.	99,958	-	373	-	-	-	100,331		-	
Foshan Shunde District Midea Petty Loan Co., Ltd.	72,298	-	4,938	-	(9,601)	(67,635)	-		-	
Midea Petty Loan Co., Ltd.	60,347	-	2,709	-	(8,025)	(55,031)	-		-	
GE Fund Management Co., Ltd.	27,948	-	6,324	-	-	95	34,367		-	
Foshan Micro Midea Filter MFG Co., Ltd.	-	26,496	5,176	-	-	-	31,672		-	
Anhui Efort Intelligent Equipment Co., Ltd.	-	178,534	857	-	-	-	179,391		-	
Guangdong YASKAWA-MIDEA Industrial Robotics System Ltd.	-	9,800	(30)	-	-	-	9,770		-	
Joint venture -				-						
Wanjiang Financial Leasing Co., Ltd.,	-	-	46,936	-	(28,800)	360,000	378,136	(ii)	-	
	260,551	214,830	273,974	20,910	(134,627)	1,024,821	1,660,459			

- (i) In 2015, the Company believed that it had significant influence on Foshan Shunde Rural Commercial Bank Co., Ltd. after taking into account all factors and accordingly accounted for the Company under equity method.
- (ii) In 2015, the Company believed that it had common control over Wanjiang Financial Leasing Co., Ltd., after taking into account all factors and accordingly accounted for the Company under equity method.

(3) Revenue

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

(4) Investment income

	2015	2014
Income from long-term equity investment under cost method	5,755,223	5,639,070
Investment income from wealth management products purchased from financial institutions	1,091,191	790,954
Income from long-term equity investment under equity method	273,974	31,114
Losses on disposal of long-term equity investment	(12,936)	(28,062)
Income earned during the holding period of available-for-sale financial assets	-	84,655
	<u>7,107,452</u>	<u>6,517,731</u>

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

1 Details of non-recurring profit or loss.

	2015	2014
Profit or loss on disposal of non-current assets	(242,814)	(223,943)
Government grants recognised in profit or loss for the current period	1,348,652	790,501
Profit or loss on entrusted investments or assets under entrusted management	1,008,770	953,661
Enterprise restructuring expenses including staff resettlement expenses and integration expenses	-	(17,259)
Income arising from investment cost of enterprises' acquisition of subsidiaries, associates and joint venture which is less than the share of the fair value of the investee's identifiable net assets at the time of acquisition of investment (negative goodwill)	19,513	-
Gains or losses on changes in fair value of financial assets and liabilities held for trading and investment income arising from disposal of financial assets and liabilities held for trading and available-for-sale financial assets other than effective hedging businesses relevant to normal	369,806	(268,422)

course of business of the company.

Reversal of impairment provision for receivables individually assessed for impairment	45,752	-
Other operating income and expenses other than the above mentioned	(16,398)	(62,072)
	2,533,281	1,172,466
Less: Income tax effect	(505,642)	(204,646)
Minority interests effect (after tax)	(232,255)	57,551
	1,795,384	1,025,371

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

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

2 Return on net asset and earnings per share

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

	Weighted average return on net asset (%)		Earnings per share (RMB Yuan)			
			Basic earnings per share		Diluted earnings per share	
	2015	2014	2015	2014	2015	2014
Net profit attributable to shareholders of the parent company	29.06%	29.49%	2.99	2.49	2.99	2.49
Net profit attributable to shareholders of the parent company net of non-recurring profit or loss	24.96%	26.61%	2.57	2.25	2.56	2.25

Section XI Documents Available for Reference

1. The original of *the 2015 Annual Report of Midea Group Co., Ltd.* signed by the legal representative;
2. Financial statements signed and stamped by the legal representative, the financial head and the accounting supervisor;
3. The original of the auditor's report with the seal of the accounting firm, and signed and stamped by CPAs;
4. The originals of all company documents and announcements that are disclosed to the public via newspaper designated for information disclosure during the Reporting Period; and
5. The electronic version of the 2015 Annual Report that is released on <http://www.cninfo.com.cn>.

Midea Group Co., Ltd.

Legal Representative: Fang Hongbo

26 March 2016