

Midea Group Co., Ltd.

The 2020 Annual Report



30 April 2021

Section I Important Statements, Contents and Definitions

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

All directors of the Company attended the Board meeting to review this 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 for 2020 have been audited by PricewaterhouseCoopers Zhong Tian LLP and have obtained an unqualified audit report.

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

The Board has considered and approved the following dividend payout plan for the year 2020: based on the 6,916,495,109 shares at the disclosure date of this report (the total share capital of 7,047,686,070 shares minus the repurchased 131,190,961 shares in the repo securities account at that date), it is proposed that the Company should distribute a cash dividend of RMB16 (tax inclusive) per 10 shares to all the shareholders and should not convert capital surplus into share capital. When the profit distribution plan is implemented, if any change occurs to the total shares eligible for profit distribution, the profit distribution plan shall be based on the total shares eligible for profit distribution at the book closure date of the profit distribution, and the dividend per share shall be adjusted under an unchanged total distribution

amount.

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

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

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Definitions

Term	Definition
The “Company”, “Midea”, “Midea Group” or the “Group”	Midea Group Co., Ltd.
Midea Holding	Midea Holding Co., Ltd.
TLSC	Toshiba Lifestyle Products & Services Corporation
KUKA	KUKA Aktiengesellschaft
Reporting Period	1 January 2020 to 31 December 2020

Section II Company Profile and Key Financial Results

1. Corporate Information

Stock abbreviation	Midea Group	Stock code	000333
Stock exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	美的集团股份有限公司		
Abbr. of the Company name in Chinese	美的集团		
Name of the Company in English (if any)	Midea Group Co., Ltd.		
Abbr. of the Company name in English (if any)	Midea Group		
Legal representative	Fang Hongbo		
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

	Board Secretary	Representative for Securities Affairs
Name	Jiang Peng	You Mingyang
Address	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China
Tel.	0757-22607708	0757-23274957
Fax	0757-26605456	
E-mail	IR@midea.com	

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

Newspaper designated by the Company for information disclosure	China Securities Journal, Securities Times and Shanghai Securities News
Website designated by the China Securities Regulatory Commission (CSRC) for the publication of the Annual Report	http://www.cninfo.com.cn
Place where the Annual Report of the Company is kept	Company Investor Relations Department

4. Company Registration and Alteration

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

5. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	PricewaterhouseCoopers Zhong Tian 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 writing signatures	Yao Wenping and Qiu Xiaoying

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

Applicable N/A

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
CITIC Securities Co., Ltd.	CITIC Securities Tower, No.8 Zhongxin 3rd Road, Futian District, Shenzhen, 518048, PRC	Wu Renjun, Chen Jianjian, Li Haoran, Li Chang, Li Wei and Liu Kun	2019.6.21-2020.12.31

6. Key Accounting Data and Financial Indicators

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

Yes No

	2020	2019	2020-over-2019 change (%)	2018
Operating revenue (RMB'000)	284,221,249	278,216,017	2.16%	259,664,820
Net profit attributable to shareholders of the Company (RMB'000)	27,222,969	24,211,222	12.44%	20,230,779
Net profit attributable to shareholders of the Company before non-recurring gains and losses (RMB'000)	24,614,653	22,724,392	8.32%	20,058,155
Net cash flows from operating activities (RMB'000)	29,557,117	38,590,404	-23.41%	27,861,080
Basic earnings per share (RMB/share)	3.93	3.60	9.17%	3.08
Diluted earnings per share (RMB/share)	3.90	3.58	8.94%	3.05
Weighted average ROE (%)	24.95%	26.43%	-1.48%	25.66%
	31 December 2020	31 December 2019	Change of 31 December 2020 over 31 December 2019	31 December 2018
Total assets (RMB'000)	360,382,603	301,955,419	19.35%	263,701,148
Net assets attributable to shareholders of the Company (RMB'000)	117,516,260	101,669,163	15.59%	83,072,116

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

Total share capital of the Company on the last trading session before disclosure (share)	7,047,686,070
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Fully diluted earnings per share based on the latest share capital above:

Dividend paid to preference shareholders	0
Fully diluted earnings per share based on the latest share capital above (RMB/share)	3.86

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

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

Applicable N/A

No such differences for the Reporting Period.

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

Applicable N/A

No such differences for the Reporting Period.

7.3 Reasons for the differences

Applicable N/A

8. Key Financial Results by Quarter

RMB'000

	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Operating revenue	58,013,031	81,053,991	77,693,764	67,460,463
Net profit attributable to shareholders of the Company	4,810,977	9,117,318	8,090,006	5,204,668
Net profit attributable to shareholders of the Company before non-recurring gains and losses	4,816,912	8,640,132	7,158,544	3,999,065
Net cash flows from operating activities	7,668,597	10,736,894	6,609,144	4,542,482

Whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in the Company's quarterly or semi-annual reports

Yes No

9. Non-recurring Gains and Losses

Applicable N/A

RMB'000

Item	2020	2019	2018	Note
Gain or loss from disposal of non-current assets	-52,424	-131,131	222,204	
Except for effectively hedging business related to normal business operations of the Company, gain or loss arising from the change in the fair	2,204,165	676,430	-842,408	

value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, other non-current financial assets and available-for-sale financial assets, as well as investment income or loss produced from the disposal of the aforesaid financial assets and liabilities				
Other non-operating income and expenses except above-mentioned items	1,378,105	1,347,788	1,091,473	
Less: Corporate income tax	765,871	394,095	207,870	
Minority interests (after tax)	155,659	12,162	90,775	
Total	2,608,316	1,486,830	172,624	--

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

Applicable N/A

No such cases for the Reporting Period.

Section III Business Profile

1. Business Scope in the Reporting Period

1.1 Summary of business scope

Midea is a global technology group comprising five major business divisions: the Smart Home Business Group, the Electromechanical Business Group, the HVAC & Building Technologies Division, the Robotics & Automation Division, and the Digital Innovation Business. Midea offers diversified products and services. Specifically, the Smart Home Business Group, as the main operating entity of smart appliances, smart home and related peripheral industries and ecological chains, undertakes the construction of intelligent scenarios for end users, user operations and data value discovery, and is committed to providing the best experience of whole-house smart home appliances and service. The Electromechanical Business Group is capable of carrying out professional R&D, production, and sales of high-precision core components such as compressors, motors, chips, industrial control, and cooling modules. It operates many brands including GMCC, Welling, MR, TOSHIBA, HICONICS, SUNYE, DORNA, SERVOTRONIX, etc., with its products widely used in home appliances, 3C products, new energy vehicles and industrial automation, among others. The HVAC & Building Technologies Division is dedicated to providing energy, HVAC, elevator, control and other products, solution packages and services for buildings and public facilities. Meanwhile, it actively explores new business models and forms, with an aim to become a leading manufacturer with the related key technologies and manufacturing capability. The Robotics & Automation Division primarily focuses on providing solutions of industrial robotics, automatic logistics systems, and transmission systems for future factory-related fields, as well as solutions for health care, entertainment, new consumption, etc. The Digital Innovation Business includes new business arising from the business model transformation of Midea Group such as intelligent supply chains and Industrial Internet, which can provide software services, unmanned retail solutions, and production services, among others, for the digital transformation of enterprises.

With “Bring Great Innovations to Life” as its corporate vision, “Integrate with the World, to Inspire Your Future” as its mission, and “Embrace what’s next - Aspiration、Dedication、Collaboration、Innovation”

as its values, Midea integrates global resources and promotes technological innovation to create a better life for over 400 million users, major customers and strategic partners in different areas worldwide every year with satisfying products and services. In face of higher requirements for products and services in the digital Internet era, Midea has upgraded its strategic focus to “Technology Leadership, Direct to Users, Digitization & Intelligence Driven, and Global Impact” in 2020, so as to rebuild Midea in the new era.

Midea, a global operating company, has now established a global platform with around 200 subsidiaries, 28 R&D centers, 34 major manufacturing bases, and approximately 150,000 employees. Its business covers more than 200 countries and regions. Overseas, Midea has 18 R&D centers and 17 major manufacturing bases in more than ten countries, with around 30,000 employees. 22 currencies are used by Midea in settlement. In addition, Midea is the majority shareholder of KUKA, a Germany-based world-leading company in robotics and automation, with a stake of approximately 95%.

1.2 Position in home appliance industry

Midea ranks No. 229 on the 18th *Forbes Global 2000* list released in May 2020, moving up 24 places compared to last year. In addition, it ranks No. 307 on the *2020 Fortune Global 500* list, moving up 5 places from the year before and marking its fifth year on the list; and ranks No. 35 on the *2020 Fortune China 500* list, the highest-ranking among the home appliance industry in the country for six consecutive years. Meanwhile, Midea takes the lead among domestic home appliance makers by ranking No. 33 on the *2021 Brand Finance Tech 100* list released by Brand Finance, a British brand assessment institution. Also, Midea ranks No. 33 on the *2020 BrandZ™ Top 100 Most Valuable Chinese Brands* list, with its brand value up 26%. Midea has been given excellent credit ratings by the three major international credit rating agencies, Standard & Poor's, Fitch Ratings and Moody's. The ratings are in a leading position among home appliance manufacturers worldwide as well as among Chinese non-state-owned enterprises.

Midea's major home appliances all took up a larger share in the domestic market in 2020. Its core product category, residential air-conditioners, in particular, saw a much bigger share in all channels, with the largest online market share of nearly 36% and an offline market share of over 33%.

The table below shows the offline market shares and rankings of the Company's primary home appliance products (by retail sales) in 2020:

Product category	Market share	Ranking
Residential air conditioners	33.8%	2
Laundry appliances	26.4%	2
Refrigerators	12.5%	2
Rice cookers	44.7%	1
Electric pressure cookers	45.1%	1
Induction cookers	48.8%	1
Electric radiators	47.7%	1
Water dispensers	40.9%	1
Blenders	35.6%	2
Microwave ovens	44.4%	2
Electric ovens	37.4%	2
Electric fans	37.9%	1
Electric kettles	39.6%	1
Electric water heaters	18%	3
Dishwashers	10.2%	3
Range hoods	8.8%	3

Midea's online retail sales during 2020 exceeded RMB86 billion, up by over 25% YoY and accounting for over 45% of its domestic sales. Midea boasts the largest online market share among home appliance makers in China. During the business peak period of "Double 11" in 2020, Midea products recorded total online sales of more than RMB11.3 billion. Midea remains the best-selling home appliance manufacturer on the three major e-commerce channels—Tmall, JD, and Suning—for eight consecutive years.

The table below shows the online market shares and rankings of the Company's primary home appliance products (by retail sales) in 2020:

Product category	Market share	Ranking
Residential air conditioners	35.9%	1
Laundry appliances	33.6%	2
Refrigerators	17.2%	2
Rice cookers	30.6%	1
Electric pressure cookers	42.4%	1
Induction cookers	51.5%	1
Electric radiators	21.8%	1
Water dispensers	22.4%	1
Water purifiers	14%	1
Microwave ovens	49%	1
Electric ovens	24.1%	1
Electric fans	22.1%	1
Electric kettles	30.6%	1
Electric water heaters	31.9%	1
Gas water heaters	18.3%	2
Dishwashers	26.7%	2
Gas stoves	13.2%	2
Range hoods	17%	3
Blenders	11.9%	3

2. Significant Changes in the Main Assets

2.1 Significant changes in the main assets

Main assets	Reasons for any significant change
Long-term equity investments	Up 3.96% YoY
Fixed assets	Up 2.65% YoY
Intangible assets	Down 0.40% YoY
Construction in progress	Up 23.66% YoY

Financial assets held for trading	Up 2493.10% YoY, primarily driven by the reclassification of investments in structured deposits
Derivative financial assets	Up 113% YoY, primarily driven by changes in the fair value of derivative financial instruments
Receivables financing	Up 83.75% YoY, primarily driven by an increase in accounts receivable and notes receivable measured at fair value
Loans and advances	Up 51.52% YoY, primarily driven by changes in the financial business
Other current assets	Down 49.12% YoY, primarily driven by the reclassification of investments in structural deposits
Other non-current financial assets	Up 92.04% YoY, primarily driven by an increase in investments

2.2 Main assets overseas

□Applicable √N/A

3. Core Competitiveness Analysis

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

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

3.2 Global R&D resource integration capabilities, adherence to the strategy of “Technology

Leadership”, as well as continuing lead in R&D and technical innovation

The Group is focused on building a competitive, multi-layered global R&D system centering on user experience and product functions, which represents world-class R&D input and strength. With nearly RMB45 billion invested in R&D over the past five years, the Group has set up a total of 28 research centers in 11 countries to gradually build up a “2+4+N” global R&D network and gain the advantage of scale in this respect. Domestically, Midea Global Innovation Center in Shunde District, Foshan City and Midea Global Innovation Center in Shanghai are the cores of Midea’s R&D arm. Overseas, with Midea America Research Center, Midea Germany Research Center, Midea Japan Research Center and Midea Milan Design Center as the cores, Midea makes use of the regional technological advantages, integrates global R&D resources, and builds these facilities into complementary regional R&D centers. Following the strategy of “Technology Leadership”, it attracts more professional talent and builds an organic global R&D network. It has over 15,000 R&D employees and over 500 foreign senior experts. While establishing its own research centers around the world, Midea also works on constructing an open platform of innovative ecosystems. The Group cooperates with domestic and foreign scientific research institutions, such as Massachusetts Institute of Technology, University of California, Berkeley, University of Illinois at Urbana-Champaign, Stanford University, Purdue University, University of Maryland, The University of Sheffield, Polytechnic University of Milan, Tsinghua University, Shanghai Jiao Tong University, Zhejiang University, the Chinese Academy of Sciences, Harbin Institute of Technology, Xi’an Jiaotong University, Huazhong University of Science and Technology and South China University of Technology, in order to establish joint labs for deepening technological cooperation. The Group also carries out strategic cooperation with tech giants such as BASF and Honeywell to build a global innovation ecosystem. The Group’s long-term focus on building technology, marketing, design, product and open innovation systems, building a cutting-edge research system and building reserves in technology for mid/long term, has provided a solid foundation for the Group to maintain technical superiority across the globe.

3.3 Stronger Global Impact fueled by Midea’s continual global resource allocation and investments, globally-advanced manufacturing capabilities and advantage of scale

The success of a series of global acquisitions and new business expansion moves has further solidified Midea’s global operations and leading advantages in robotics and automation. With the world’s leading

production capacity and experience, and a wide variety of products as well as its production bases all over the world, the Group has been able to expand rapidly into the emerging overseas markets and is becoming a stronger competitor in those mature overseas markets. The Group is one of the biggest manufacturers in the world for many product categories, which gives it competitive edges in efficiency improving and cost reducing that its overseas competitors are unable to replicate. Overseas sales of the Group accounts for more than 40% of the total sales revenue. Its products have been exported to over 200 countries and regions, and it owns 17 overseas manufacturing bases and 24 overseas operating agencies. Midea's global operations system has been further improved through the reform of international business organizations towards diverse business models. It also increases investments in overseas business operations, focuses on the needs of local customers and enhances product competitiveness in a bid to promote significant growth in its Own Branding & Manufacturing (OBM) business. In addition, with a deep knowledge and understanding on product characteristics and product demands in overseas market, Midea is promoting worldwide branding and expansion through global collaboration and cooperation. In this way, the global competitiveness of Midea is increasing steadily.

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

By virtue of years of development and investments, Midea Group has formed an all-dimensional market coverage. In the mature first and second-tier markets, the Company has developed and maintained good partnerships with large home appliance retail chains. While in the broad third and fourth-tier markets, the Company uses flagship stores, specialty shops, traditional channels and new channels as effective supplements. Currently, the Company has already covered the markets at all tiers. Additionally, the Company's dominance in branding, products, offline channels and logistics distribution have also created powerful guarantees for the Company's rapid expansion of its e-commerce business and channels. Midea's online retail sales during 2020 exceeded RMB86 billion, up by over 25% YoY. It remains the best-selling home appliance manufacturer on major e-commerce channels such as Tmall, JD, and Suning for years consecutively.

Making full use of the digital technology, Annto Logistics Technology Co., Ltd. (Annto), a subsidiary of Midea, refines its nationwide logistics network through the big data technology to build a smart and digital

distribution platform. Annto concentrates its resources on urban distribution and is able to provide fully visualized direct distribution services covering every town and village of the country. Relying on nearly 140 urban distribution centers nationwide, it covers more than 97% of towns and villages across the country. It can finish the delivery to 21,418 (or 51% of) towns and villages within 24 hours and to 38,744 (or 87% of) towns and villages within 48 hours in the country. Additionally, Annto focuses on connecting its whole ToC service process, as well as refines its network of delivery and installation services in pursuit of integrated delivery and installation services and better user experience.

3.5 A user experience-oriented reform of “Comprehensive Digitalization and Comprehensive Intellectualization” that focuses on “Digitization & Intelligence Driven” to make Midea a leader in the IoT era

Midea has put in place and will prioritize the development of the Midea Cloud Sales commercial platform supported by unified data and technology platforms, the IoT ecosystem platform, and the Industrial Internet platform of “M.IoT”, with an aim to become a world-leading technology group driven by digitization & intelligence. On one hand, it promotes deep integration of the digital technology and business in the whole value chain, with the view to becoming an icon in digitalization. On the other hand, with foresight, it plans for whole new products, services and business models centering on smart technologies, products and scenes, so as to outcompete Internet companies. With continual investment and research in artificial intelligence (AI), silicon chip, sensor, big data, cloud computing and other new technologies, Midea has built the biggest AI team in the household appliance industry, which is committed to enabling products, machines, production processes and systems to sense, perceive, understand and judge, driven by the combination of big data and AI, in order to create smart appliances without any assistance in interaction. Focusing on “people and their family”, Midea builds a whole value chain of IoT. Breakthroughs have been made in user data protection, content operation for smart scenes, smart connection technology, the smart home ecosystem, cloud platforms, the smart voice function, the big data-based cloud housekeeper services, etc. By doing so, Midea is able to offer complete smart home solutions for users, as well as to empower its business partners.

Upon years of digital transformation, Midea has successfully materialized operations driven by software and data through its value chain, connecting end to end and covering planning and R&D, Product

Ordering, intelligent scheduling, flexible manufacturing, coordinative supply, product quality tracking, logistics, installation & post-sale services, etc. The Group's digital platform has made come true C2M flexible manufacturing, platform-based and modularized R&D, digitalized production techniques and simulation, intelligent logistics, digital marketing, digital customer service, etc. By way of integrating the IoT capabilities of its AI Innovation Center, Software Engineering Institute, IT Department, IoT Division, Smart Home Business Group, Robotics & Automation Division, HVAC & Building Technologies Division, Digital Innovation Business and other organs, Midea has established a unified IoT technology platform. Its Industrial Internet platform has been upgraded to "M.IoT 2.0", including two "Lighthouse Network" factories, which are swiftly applied to other Midea manufacturing bases across the world and provide products and services for around 300 customers in more than 40 market segments. Therefore, it is safe to say that Midea has built a solid foundation regarding Industrial Internet systems.

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

Paying close attention to the construction of a governance framework, regarding its corporate control, centralization and decentralization systems, the Group formed a mature management system for professional managers. The divisional system has been in operation for many years, and its performance-oriented evaluation and incentive mechanism featuring full decentralization has become a training and growth platform for the Group's professional managers. The Group's primary senior management team consists of professional managers who have been trained and forged in the operational practices of Midea Group. They have been working for Midea on average for more than 15 years, all with rich professional and industrial experience, deep understanding and insights of the global home appliance industry and related industries, and accurate understanding of the industry environment and corporate operations management. The Company's advantages in such systems and mechanisms have laid a solid foundation for the efficient and effective business operations, as well as the promising, stable and sustainable future development of the Company. At present, the Company has launched seven Stock Option Incentive Schemes, four Restricted Share Incentive Schemes, six Global Partner Stock Ownership Schemes and three Business Partner Stock Ownership Schemes for key managerial and technical personnel, marking the establishment of a governance structure aligning the interests of senior management and core

business backbones with that of all shareholders, as well as the formulation of an incentive scheme comprising long and short-term incentives and restrains.

Section IV Performance Discussion and Analysis

1. Overview

1.1 Industry Overview

A. Home Appliance Industry

As China's consumer market took a heavy hit in the COVID-19 pandemic in 2020, people's life styles and consumption custom have changed, giving birth to new spending trends and forms. According to the statistics published by the China Household Electric Appliance Research Institute (CHEARI) and the National Household Electrical Appliance Industry Information Center, in 2020, the domestic retail sales of home appliances was RMB729.7 billion, down 9.2% year-on-year; and the exports of home appliances (exclusive of color TVs) reached RMB458.2 billion, up 24.2% year-on-year. Currently, the world is still in a grave and complex situation due to the pandemic, with unprecedented challenges for economic development. Nevertheless, in the medium and long run, upgrading of the industrial structure, stable increase of household income, diversified consumption, the national policy support for the green and smart industries, as well as upgrading of the standards for home appliances will create new opportunities and growth points. According to the 2020 Annual Report of China's Household Electrical Appliance Industry published by CHEARI and the National Household Electrical Appliance Industry Information Center together, under the pressure of the pandemic, three trends occurred in the development of the domestic home appliance industry in 2020: The "major" development trend, segmented demand market and novel marketing model. The "major" development trend primarily includes the development direction of healthy, smart and high-end products, which will become the main market that home appliance manufacturers would compete for. The segmented demand market has a booming growth and displays a trend of diversity, especially in the small domestic appliances market where the diversified demand of consumers is more extensive, which requires the manufacturers to explore further. Novel marketing models emerge in an endless stream. These new tools such as live streaming can effectively reduce intermediate processes and can help to form competitive selling prices and more effective access to customers, especially for small domestic appliances that require no installation.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of air conditioners was RMB147.5 billion in 2020, down 22.8% year-on-year. In terms of product performance, the functions of air conditioners have been expanded from cooling and heating to humidity, air cleanness and freshness, etc. Fresh-air air conditioners saw a year-on-year upswing of over 150% in offline retail sales, in addition to a year-on-year surge of nearly 180% in online retail sales. Meanwhile, the market share of air conditioners which are capable of self-cleaning by retail sales also registered a significant expansion (over 4% online and close to 13% offline). In addition, the pandemic, the implementation of the new energy efficiency standards, as well as a rise in raw material prices in the second half of 2020 further boosted the market prices of air conditioners. High-end products embraced a larger market share and a further structure upgrade. Data show that variable frequency floor-standing and wall-mounted air conditioners combined took up an over-92% offline market share by unit sales in 2020, up 7% year-on-year.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of laundry appliances was RMB65.74 billion in 2020, down 6.8% year-on-year. Due to the pandemic, the online sales of laundry appliances reached RMB32.38 billion in the year, a year-on-year increase of 8.9%. The amount represented 49.3% of the total sales, almost a tie with the offline market. In the upgrade of the laundry appliance market, in terms of the product types, the market share of front-loading products keeps growing stably. In 2020, the market share (by retail sales) increased to 79.8%, with the market share by unit sales reaching 58.8%, making such products the mainstream of the market. Specifically, the market share by retail sales of front-loading washer-dryers also increased to 45.4%. Compared with top-loading washing machines, front-loading products are of a higher price but consume less energy, deliver greater cleanness, and cause less tear and wear, which represent an inevitable trend of consumption upgrading. Product specifications continue to upgrade. The products of 8kg have been completely replaced by that of 10kg. The offline unit sales of 10kg washers occupied approximately a 50% market share, which contributed 61.5% of sales, with an increase of over 10% from the previous year. In addition, the products with an over-10kg capacity and separate washing and drying sections are highly favored by the high-end market. The design of such products focuses more on thinner machines and space saving. The sterilization technology of laundry appliances has matured. Due to the pandemic, the offline market shares by retail sales and unit sales of the products with the sterilization

function reached 36.4% and 48.2%, respectively. The progress of function expansion from “wash” to “wash and care” still keeps going. For example, air washing, steam washing, and steam and iron washing are strong supplements for the traditional function of washing on eliminating odor, removing wrinkles, sterilizing and eradicating mites, preventing allergy, avoiding laundry detergent residue, and preserving the texture of clothes. The offline market share of products with the function of air washing increased significantly to 36.7% in 2020. Because the drying function brings the advantages of saving time, being convenient, non-ironing, and saving indoor space, the retail sales of clothes dryers in the domestic market were RMB2.26 billion in 2020, an increase of 46.2% year-on-year. Meanwhile, the growth momentum of domestic brands was strong, and the offline retail sales of domestic brands in 2020 increased nearly 200% year on year. Specifically, the heat pump condenser dryer is rapidly occupying the offline market. In 2020, its offline market shares by retail sales and unit sales reached 94.6% and 96.2%, respectively.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of refrigerators were RMB93 billion in 2020, down 2.8% year-on-year. In the domestic market, online and offline sales differed in performance, with a rise of 13.6% and a decline of 12.4% respectively compared to last year. Nevertheless, product upgrading was prominent. The unit sales of multi-door refrigerators continued to grow with their offline market share up by nearly 7% from last year to 42% in the year under review. Due to consumers' increased willingness to pursue quality life, the trend of high-end products becomes obvious, and the offline market share by unit sales of refrigerators with a unit price of over RMB10,000 increased significantly. In particular, the market share (by retail sales) of products with a unit price of over RMB14,000 increased 2%. Intelligent technologies of high-end products bring consumers novel experience. For instance, COLMO, a refrigerator brand of Midea, can select the most accurate storage pattern in the background to provide nutritious food for users through the “AI Intelligent Solutions Whole Food Ingredient” technology. The pandemic increased the demand for refrigerator's functions on product sterilization, health and other aspects. New refrigerators launched all focused on these functions. For example, Midea Refrigerator manages to remove odor in 19 minutes based on the “PST + super magnetic electrolysis odor-free technology”. Consumers' requirements for refrigerators have upgraded from “being able to freeze food” to “being able to freeze food well” and “being able to freeze food healthily”. Aside from that, products meeting the needs of different scenes like cosmetics, baby food, and breast milk through providing independent and separate storage space also

present a trend of scale expansion.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of kitchen appliances was RMB167.44 billion in 2020, down 4.8% year-on-year. Industrial landscape shows a further concentration of market shares to top brands in the industry. Offline market shares of top five range hood brands reached 74.8%; and the market shares of top five gas water heater brands reached 72.6%. The kitchen appliance market continues to move towards high-end products, as high-quality and high-end products become preferable to consumers. To state with numbers, in 2020, the offline sales of high-end range hoods above RMB6,000 and high-end gas stoves above RMB3,500 saw an increase of 2.3% and 4.5%, respectively. The market continues to see product upgrading. The offline market share of range hoods with a fan that rotates 20m³/min of air has drastically increased to 22.6%, up 8.2% year-on-year. The market share of gas stoves offering up to 5kw fire has increased to 11.4%, up 2.6% year-on-year. The market share of large-sized built-in ovens of above 70L capacity has soared up to 38.7%, up 10.1% year-on-year. For other products, the sales growth of emerging products, as represented by dishwashers and integrated stoves, has continued to led the industry all year round, as a result of following the market trends of “healthy products” and “product suites”. The sales of dishwashers were RMB8.45 billion, up 24.6% year-on-year, of which online sales took up a percentage of 49.2%. In terms of products, large capacity and effective sterilization have been the two major functions focused for developing dishwashers. Online and offline market shares of dishwashers with large capacity of up to 13 sets of bowls reached 36.2% and 42.1%, respectively, up around 10%. As pandemic control continues to be stressed in daily life, sterilization has been required more than ever. High-temperature sterilization, UV sterilization, ion sterilization and other technologies have been widely applied. The sales of integrated stoves reached RMB17.68 billion, up 13.7% year-on-year. Specifically, the growth of online sales and offline sales were 35% and 5.6%, respectively. Due to the pandemic situation, the offline channel flow of integrated stoves switched to online channels. Live streaming marketing has contributed to the growth of sales despite the encumbrance met in offline channels. However, this kind of online marketing requires more efficient full-link service capacity from manufacturers and vendors. At the current stage, competition of online markets is stressing more on products than cheap prices. As a result of lockdown and social distancing, the need for high-end kitchen appliances including steamers and ovens has been surging, which provided a good opportunity for the development of

integrated stoves. In 2020, the online market share of integrated stove with steamer-oven reached 25.6%, representing the biggest growth in all categories.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic sales of small domestic appliances was RMB128.4 billion in 2020, down 0.5% year-on-year, of which the online sales took up a percentage of 68.8%. In all categories, the sales of traditional products in 2020 have not seen a promising growth. The annual sales of rice cookers were RMB13.61 billion, and the retail sales have been down 13.2% year-on-year. However, the market of emerging and health-friendly small domestic appliances told a different story. The diversified and individualized consumer needs have resulted in rapid growth for these products, driving the emergence of more niche products including juicers, toasters, muddlers, breakfast machines, etc. While this kind of creative small domestic appliances is not faced to mass consumers, they are designed into diverse categories and with more specified functions. The exterior design for these products jumps outside the traditional visual pattern for domestic appliances and they cover all-scene application for all ages from infants, teenagers to seniors. In addition, the small smart domestic appliances for pets are also one of the most fast-growing categories. The annual sales of blenders reached RMB13.62 billion, up 7.7% year-on-year, of which the online sales took up a percentage of 60.7%. Functions that can solve pain points of consumers including silent mode, auto-cleaning and detachability of products have been designed upon needs. For example, the online sales of products equipped with silent settings have seen an increase of over 150% year-on-year. The sales of health-friendly vacuum cleaners during the COVID-19 pandemic were also promising. In 2020, the domestic sales of vacuum cleaners were RMB23.18 billion, up 15.3% year-on-year, of which the online sales took up a percentage of over 80%. By categories, as consumption upgrading has made vacuum cleaners an integral part of domestic appliances, the online unit sales of handheld vacuum cleaners has seen a year-on-year increase of 48.8%; and the unit sales of robot cleaners and dust mite vacuum cleaners has both seen a year-on-year increase of 13.9%. As the needs for house cleaning continue to grow, multiple new cleaning appliances such as steam mops and scrubbers have emerged. By industrial landscape, the distance on product competitiveness between domestic brands and foreign brands is gradually narrowing, as Chinese enterprises have been making various breakthroughs on digital motors and other core technologies. As the data show, four out of the Top 5 brands on the online retail sales list are Chinese brands, with a combined percentage of 41.3%, achieving a steady year-on-year growth. By

development of product technologies, the competition in the vacuum cleaner market has switched its focus from price and capacity to user experience. Accordingly, new technologies including integration of mopping and vacuuming, automatic dust collector, self-cleaning mops and bendable fronts have been developed. These new technologies have solved pain points of consumers from multiple dimensions and improved user experience.

According to the data from the National Household Electrical Appliance Industry Information Center, the online retail sales of home appliances in China amounted to RMB336.8 billion in 2020, up 8.4% year-on-year, accounting for a market share of 46.2%; while the offline retail sales amounted to RMB392.9 billion, down 20.2% year-on-year, accounting for 53.8%. In light of channel retail sales, most product categories including refrigerators, laundry appliances, kitchen appliances and small domestic appliances achieved growth in the online market. The offline market, on the other hand, saw a year-on-year decline in most product categories, especially the traditional major appliances. That said, due to the gradual recovery of consumer confidence and the fast growth in the high-end market, more consumers spend on quality products in the offline market. According to the data from the National Household Electrical Appliance Industry Information Center, 2020 witnessed a substantial increase in the offline unit sales of Grade 1 variable frequency air conditioners, 400L-plus refrigerators, heat pump dryers, water purifiers with a unit price of over RMB5,000, vacuum cleaners with a unit price of over RMB4,000, etc. In terms of channel evolution, the booming digital economy accelerated the integration of online and offline channels, with a surge of new models and forms boosting consumption upgrading. Meanwhile, the rising interactive marketing models such as live streaming and e-commerce, the innovative C2M model, the Internet, AI, big data and the like are pushing the retail sector into a new phase featuring “all channels, all scenes and all links”.

B. Robotics and Industrial Automation Industry

According to MIR, the shipment of industrial robotics was 171,490 units in China in 2020, representing an increase of 14.8% year-on-year. In terms of the market changes throughout the year, the pandemic has not changed the prosperous trend in markets. Though the economy dropped sharply in the first quarter due to the shock on markets brought by the pandemic, the domestic economy continuously recovered its operation as the prevention and control of the pandemic gradually stepped into a stable

stage since the second quarter. In addition, a large number of orders in manufacturing flew back under the impact of the severe overseas situation of pandemic, which also sped up the quick recovery of the market, presenting a tendency of opening low and rising in the year. By industry, the electronic industry and the general industrial investment served as the main growth momentum for the market. Substantial investment was made in various industries including smart phones and components, intelligent wearables, laptops, Li-ion batteries, photovoltaic power, metal processing and food and beverage. Besides, owing to the pandemic, the demand for the anti-pandemic and treatment supplies surged, and the application of robotics in new occasions was continuously expedited by the demand for nucleic acid and serology tests and the delivery of medical supplies. By application, the integration between robotics and technology was continued to be deepened. The application of robots was further expanded from “transfer-based” tasks to “processing-based” tasks. As a result, the robotic industry has made a further breakthrough in innovative applications such as soft float in die-casting, chair panel drilling, FPC-FFC connectors, welding-cutting of medium-thick plates, as well as mixed robotic palletizers. In addition, according to analysis from the GGII, it is predicted that the overall market of industrial robotics will present a tendency of growth in the next two years. In detail, it is expected that some segments will achieve a record high growth, and the pattern of product segments will be reshaped. Specifically, multi-joint robotics mainly depended on the small six-axis robotics as driving force which attracted various manufacturers, mainly focusing on the industrial applications such as 3C and new-energy products. The demand in the automobile industry tended to be stable, producing a limited general driving effect. Similarly, the demand for medium-load and large-load products witnessed limited growth. As for robotics, the SCARA robotics benefited from the demand in the 3C industry, reaching a market growth of above 30%. The delta robotics achieved a market growth of about 20% in the first half of 2020 owing to the impact of the food and medicine segments. The collaborative robot market received increasing popularity in the segments of services and attracted a lot number of manufacturers to put in a larger deal of effort on services, as though the overall growth of the market slowed down a bit.

In terms of policy support, the Ministry of Industry and Information unveiled in 2020 the Guiding Opinions on the Development of Industrial Big Data for the purposes of implementing the national big data development strategy, furthering the digital transformation of industries, unlocking the potential of industrial data resource elements, and accelerating the development of the industrial big data industry.

In March 2020, the Central Politburo Standing Committee of the Communist Party of China put forward in a meeting to speed up the construction of new infrastructure including 5G networks and data centers. In April 2020, the National Development and Reform Commission defined clearly the scope of new infrastructure for the first time, which comprises information, integrated and innovative infrastructure. In May 2020, it was mentioned in the Report on the Work of the Government 2020 that support should be focused on new infrastructure, new urbanization initiatives and major projects such as transportation and hydraulic engineering. As China vigorously encourages the construction of new infrastructure, the industrial robotics industry is considered to have enormous potential. From the perspective of local government policies, relevant policies were issued by local governments to promote the development of the robot industry. For example, Jiangsu Province issued the Opinions on Deeply Pushing forward Development of Digital Economy, Guangdong Province issued the Implementation Plan of Guangdong Province for Promoting New Infrastructure Construction in Three Years (2020-2022) and the Work Plan for Building a National Digital Economy Innovation and Development Pilot Zone in Guangdong Province, and Shanghai City issued the Plan for Special Actions of Building 100+ Smart Factories in Shanghai City.

According to the latest statistics of IFR, in terms of industrial robotic density (the average number of industrial robotics per 10,000 workers), Singapore continues to rank No.1 in the world with 918 robotics, while the robotic density of China has surpassed France for the first time and has risen to 187, up 33% compared with that in 2018 and far beyond the global average of 113, indicating great potential and prospects. Supported by diverse factors such as flexible demands of the manufacturing sector, declining demographic dividend, emerging markets and the development of innovative technologies, industrial robotics will be applied to more and more areas.

1.2 Analysis of the Company's Main Business

Domestic consumption and production are expected to be affected to some degree in the short run by the COVID-19 outbreak in 2020. Meanwhile, the COVID-19 has been spreading overseas since late February 2020. And the political and economic environment has become more complicated both at home and abroad. Midea in 2020 can be summarized into five phases: the quick response in the domestic outbreak of the pandemic in the first phase, the resumption of work/production in the second phase, the shift of focus from resumption of production to normal operation in the third phase, the catching up on

progress in the fourth phase, and the reflection, innovation and reform in the fifth phase. In light of its operating results and the performance of its team, Midea has weathered the storm in the year, delivering a better-than-expected operating performance. This is partly attributable to its quick response and effective measures with respect to the pandemic. More importantly, the organizational agility and business resilience that Midea has long been cultivating through a series of reforms and adjustments in the past years have further boosted its “immunity”. All these efforts have resulted in improving trends in key performance indicators such as channel inventories and net cash flows from operating activities, better product quality and reputation, as well as strengthened competitiveness in various product categories and global operation synergies. In the year, Midea has redefined the five business divisions for even greater growth space, and has established the new strategic focus with “Technology Leadership” as the core. Meanwhile, it firmly adhered to “Comprehensive Digitalization and Comprehensive Intellectualization”, and continued to promote recreation of the corporate culture. Efforts were also made to promote high-performance operations in the whole value chain, continuously optimize the Company’s product mix according to the consumption upgrade trends, and construct sustainable competitiveness for the future through internal growth. For 2020, Midea achieved, on a consolidated basis, total revenue of RMB285.710 billion, up 2.27% YoY; and a net profit attributable to shareholders of the Company of RMB27.223 billion, up 12.44% YoY.

In 2020, the Company carried out the following main tasks:

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

In order to carry on with the “customer-oriented” strategic reform, the Company creates more user value in business scenes, products and services which are in direct contact with users, builds a customer-oriented organization and digital experience management system, as well as continuously promotes experience refinement in the whole value chain. In terms of business scenes, offline flagship store, home decoration store, multi-category store and new retail store are reshaped based on the new retail technology and user analysis. This, together with refined shopping paths and improving online consultation on e-commerce platforms, help sufficiently satisfy user demand for user scene-based interactions, shopping convenience and individualized shopping guide, thus further improving shopping

experience. Meanwhile, the customer groups under the membership system in all distribution channels offer an opportunity for users to share, which can trigger fission expansion of the customer base. In terms of product development, an information experience platform is put in place to understand life styles and potential demand of customers in different scenes. Through involving customers in the whole R&D process and profound R&D and technological accumulation, the Company is able to solve experience bottlenecks and pain points in the industry, offer customers better-than-expected product innovation, and boost customer satisfaction and loyalty. In respect of smart products, the Company continues to create surprises based on customers' life styles and diverse user scenes. As for service experience, with the help of Internet tools, Midea goes beyond the traditional model to build a "Service + Internet" platform, in addition to continuous investments in service certainty, value-added services and active service. Meanwhile, by means of digital service, as well as platform-based and modularized R&D and production, Midea takes the lead to explore the C2M model for its home appliance products, offering single product customization and product suite customization for the whole house for consumers with home decoration needs. These measures to improve service experience are part of Midea's efforts to deliver better product experience throughout the product life cycle. In terms of industrial design, Midea leads the way in user experience and interaction upgrading with ongoing innovations. In 2020, Midea won a total of 87 industrial design awards, including 25 Red Dot Design Awards, 29 iF Design Awards, 27 IDEA Awards and 6 G-mark Awards.

For smart living room scenes:

Midea Air Conditioner continued to lead the way in the industry in terms of innovation. Launched initially in the industry, Midea iColor XT Series Air Conditioner applies the unique third generation wind guiding technology to the omnidirectional revolving air duct, and such integrated flow duct is extended by 30% outside. The technology allows the 180° turning of the spherical revolving air duct to precisely lead the wind direction and deliver wind to the entire space in a wide-angle manner, realizing a more complete range of flow coverage so as to cool or warm the space as expected more quickly. Based on such achievements, it has been granted several awards such as the 2020 User Experience Innovation Product Gold Award by IFA, the 2020 G-mark Award and the 2020 China Household Appliances Innovation Award. Midea Freshness Pro Artistic Floor-Standing Air Conditioner, innovatively adopts the dual-duct design in

the aviation sector. Through the axial inner duct and the centrifugal outer duct, strong cold wind can become soft, achieving a breezeless and comfortable feeling. Air flows from the top air outlet, axial air outlet and centrifugal air outlet interact to form an even wind and a constant temperature field across the entire space, upgrading user experience. This product ensures fresh air in the entire space by replacing the stale air with fresh air under micro-positive pressure and delivering the fresh air through multiple outlets. Besides, the industrial design of the product is inspired by “Chinese gardens”, which helps the product win the awards including the Best Product Award at AWE 2020 and the 2020 CMF Design Award. Midea Children's Air Conditioner II has upgraded its smart cold-prevention function to achieve real-time monitoring. It is equipped with a customized breezeless and smart voice functions. Additionally, it is able to quickly distinguish a baby's crying and send notification to the user. The design of Midea Artistic Floor-Standing Air Conditioner was inspired by Beijing's CITIC Tower. Its breezeless function has been upgraded to “customized breezeless” to meet the needs of customers with different physiques. The high-end version of this product is the first in the industry to be equipped with a central voice system that understands multiple dialects. Midea Breezeless II Floor-Standing Air Conditioner is equipped with a fresh air function. Its fresh air volume is 90m³/h, allowing those indoors to enjoy healthy air without opening windows. The fresh air function is able to run independently. With H13 filters, it is able to achieve a one-time filtration efficiency of over 99%. Midea U is a new product lately launched for the overseas market. Developed by using the CDOC approach and equipped with an innovative insulating U-slot and the “Noise Barrier” technology featuring noise absorption from both the inside and outside, it allows users to freely open or close windows whenever running Midea U, with little noise from the outside. It was awarded the Gold Medal with the Congratulations of Jury at the 2021 International Exhibition of Inventions of Geneva. In May 2020, a total of 20 Midea air conditioner models received the “CVC Hygiene and Health Certificate for Consumer Electric Appliance Product”.

Midea has launched Xiaofangwu Dehumidifier, the first dehumidifier of which both the machine body and the water tank can be folded for storage. It boasts a beautiful appearance and futuristic technology. And the awards it has won include the Gold Medal at the 2021 International Exhibition of Inventions of Geneva. In terms of portable air conditioners, Midea continued to focus on the customers' pain points and made some progress. The newly launched Real Cool series reaches a cooling speed twice faster than that of traditional products and an 8-meter distance of wind delivery through the initial hose-in-hose ventilation

system and the 102° coverage of wind delivery. This, together with an over-50% increase in energy efficiency, this product raises the standards of the portable AC industry. Midea's new air circulation fan, with a uniquely designed appearance, realizes indoor circulation for a better indoor environment. Based on Midea's patented Turbo Flow technology, this new product is able to function at a large capacity and for an ultra-long distance, making cross-room air delivery a real possibility and enabling full-house ventilation in just five minutes. Powered by Midea's unique internal rotation technology and universal ball joint technology, it features free 360° rotation to accelerate air flow in a room. With a stepless slider, it can circulate air without direct blowing, and, with a special infinite sliding rod, can also achieve 90° cycling without direct blowing.

Equipped with the Lift-away function and its canister sliding along the rail, Midea Space Travel Vacuum Cleaner, with the suction power of 80W but reduced noise, has the best performance in floor brushing and floor or carpet dust removal among vacuum cleaners with the same suction power. Being the best anti-hair wrap vacuum cleaner, Space Travel applies the anti-hair wrap technology with independent intellectual property rights of Midea, which is based on the eccentric design of drive device of hair removal techniques. In addition to PVA-coated cotton, built-in planetary gear motor, solid-liquid waste separation, antibacterial deodorization and other leading technologies, Midea Handheld Electric Mop features also serves as a reminder of clean water, lack of water and full sewage tank. Midea Z7 Vacuum Cleaner, with the new-generation vibration damping and noise reduction technologies, the anti-vibration technology of an independently mounted motor module and the technology of labyrinth-shaped air ducts, achieves the lowest noise and vibration for the whole machine and the handheld part among products with the same power, showing the excellent performance in vibration damping and noise reduction in the industry. With an optimized duct system from efficient runner technology and minimized resistance of the runner, Midea captures the high-efficiency matching point between the air duct and the electric fan in Z7, achieving 35% efficiency of the whole machine, inserting itself into the first tier in the industry. Midea M7 Robot Cleaner is able to remove dust efficiently. The robot features a high-performance LDS 8M detection radius, an environmental scanning frequency up to 3,000Hz, a floating suction design, and a combination of bilateral and V-shaped roller brushes. With a high-capacity water tank and intelligent mopping technology, the M7 can sweep and mop floors intelligently. Midea V5 Rechargeable Push-Rod Vacuum Cleaner has a high-efficiency digital motor, able to produce 100W of suction power. With an electric soft velvet brush, it

efficiently removes and absorbs dust. Its handheld component, 1.4KG only, is convenient to operate. And it is capable of running for up to 45 minutes, thus meeting the requirements of whole-house cleaning.

For smart balcony scenes:

COLMO Space Capsule Series Dual-Tub Front-Loading Washing Machine features the largest-capacity upper tub of 5kg and lower tub of 10kg in the industry. In a true technological breakthrough, the upper and lower tubs are able to conduct washing and spin-drying at the same time, a first practice in the industry. Therefore, the washing machine can maintain extremely low vibration and noise, even when running at high intensity and a high speed. The two tubs work without interference with each other, showing the industry a new way of sorting laundry and setting a new standard of 6S sorting laundry with separation, capacity, silence, health, luxury care and built-in in one device. Besides, the built-in washing machine adopts the one screen for two tubs control technology and the door caulking technology from the automobile industry. Upon technology upgrades, the capacity of the tubs is increased by one to two kilograms while harmful substances generated in the production process are reduced through a taller machine and the paint-free technology. Midea Steam Non-Iron Series Clothes Dryer, with the steam generator jetting superheated steam to the super capacity tub, can get the clothing wrinkle-free while drying. Besides, the aseptic tub made of stainless steel with the UV sterilization function makes thorough sterilization possible and obtain the COVID-19 inactivation certification. Based on the unique “dual-stroke clutch mechanism”, Midea Top-Loading Dual-Drive Quick-Wash Series uses the counterrotating of the pulsator and the inner tub to produce dual forces, simulating the tumbling and rinsing effects of washing by hand with dual water flows. It can deliver more cleanness and effectively prevent clothes from tangling. According to tests, compared with the single-drive washing machine, this dual-drive product can deliver 15% more cleanness and 8% less tear and wear. Little Swan H36 Heat Pump Dryer is equipped with a unique steam-drying and non-iron technology. This technology guides water molecules into clothing fibers' non-crystalline areas, thereby maintaining swelling and enhancing the flexibility and softness of the fiber molecules. By doing so, it delivers better drying effects. Equipped with a 10KG heat pump and a 125L capacity, the dryer is able to instantly dry a whole family's worth of bedding and clothes. Equipped with a unique UV sterilization technology, it kills over 99% of mites in the clothes, as certified by China's testing authorities. The 4.5-cubic-foot top-loading washing machine targeted at the North America market

is equipped with a butterfly-shaped infusion structure, functioning in three steps of water intake, dispersion and rotation while putting detergent in automatically in two times, where a tornado-like powerful water force collides and impacts with the up-and-down tumbling clothes to effectively remove stains, achieving much more cleanness. Meanwhile, five products won the Red Dot Award, including Little Swan Ultra Fine Bubble Water Cube Drum TG100-14366WMUDT, COLMO Cloud Atlas Series Washer-Dryer CLDQ10, Beverly Tiancheng Series One-Tub Tech BVL3J110IY, Midea Front-Loading Washing Machine MD100V11D, and Toshiba Samurai T07.

For smart kitchen scenes:

I-Family Built-in Kitchen Appliance Suite, winner of the Best Product Award at AWE 2020, features a minimalist design. Based on the fourth generation's nearly-soundless dual air duct design, the range hood of the product suite is capable of a cooking-smoke escape rate as low as 3%. Its filter net is removable and dishwasher-washable. The embedded smoke sensor technology can reduce noise to as low as 42dB. The stove is equipped with two latest-technology latent wick burners, uniform temperature and intelligent cooking algorithms able to reproduce Michelin-grade chef cooking results, and enables automatic ingredient matching and cooking with 50+ smart recipes. With a modularized Chinese-style basket for bowls and dishes, an industry first, the dishwasher saves users from bending over and reduces wash times by 30%. With another industry first—the standing rinsing arm—the dishwasher's cleaning rate is increased by 60%. COLMO-S67 Range Hood brings users a new experience of sight, sound, smell, taste and touch. Users can enjoy cooking without being bothered by smoke since the range hood carries the pioneering third-generation AG air duct system, which features vertical suction to allow no escape of smoke. In addition, this product employs an advanced radar-based smoke capture technology, which is a smart control technology based on smoke conditions to offer a “hands free” experience. Meanwhile, its innovative flat control panel is ergonomic and easy to operate. Midea Charcoal Stove-Q67T Gas Stove is designed to meet the different taste needs of family members, which is equipped with a burner for flash-fry and a charcoal burner for stewing, providing 14 kinds of fire. COLMO-QF3 Gas Stove, a design combining simplicity with the special 360° edge-polished glass panel, enables accurate temperature control through a 225°-wide screen to achieve infinitely variable and accurate control for various cooking needs. And the modular design of the major component makes it easy to clean.

Midea D3/D5 Jimu Microwave Oven is surprisingly easy to operate with a large display screen and a single knob. It also boasts a food-grade cavity and a dual-power baking system. Powered by twin turbochargers, Midea Turbo Fresh Steamer features adjustable superheated steam. With combined charcoal jet roasting technology and high-temperature steam degreasing algorithm, it achieves uniform-temperature cooking. Its M-type copper tubing can condense up to 10 liters of saturated steam per minute for zero steam overflow. Employing an infrared detector, Midea Constant Temperature Cooking Microwave Oven allows accurate temperature control from 30°C to 100°C since microwave algorithms are adopted. An intelligent defrosting function is available with the efficiency increased by 25%, providing fast cooking experience. “Fresh” Steamer-Oven features the micro-pressure steam and charcoal grill functions, through which nutrition can be effectively retained with flavor released. High-temperature steaming and baking allows the cooking for health food of fat and salt reduction while the zero steam emission technology enables the steamer-oven to have a dew point of less than 50 degrees Celsius and a condensate recovery of up to 150g, effectively enhancing the cooking experience. It was granted the “Product Innovation Award” at the 16th China Household Appliances Innovation Award. Midea Master Micro Combi Steamer Cooking Oven, integrates the functions of microwave, steamer and oven with seven main functions of cooking, and provides the steaming of 1850W, grill of 230 degrees like that of charcoal grill in kiln and fat and salt reduction. Moreover, recipes for over 200 dishes are available at the APP for better user experience. It won the “Good Product” award from China Household Electric Appliance Research Institute. Midea Chujian Oven, with seven baking modes and accurate temperature control function, can connect with WiFi intelligently and access the massive AI cloud recipes. The product won the Technology Innovation Pioneer Award from China Household Electric Appliance Research Institute. Adopting the steamer calorie burning technology, Kamen vortex street fatty solution at high temperature, full-frequency-domain and loosely-coupled microwave fat burning and instant charcoal grill with graphite and carbon for fat removal as well as MIX fat burning curve, the oven achieves 89% increase in fat removal year-on-year, and the “steamer + fat and salt reduction” cooking technology is VDE-certified.

Focused on the new consumer trend of holistic health, Midea has launched a series of products including “Low-Sugar Rice Cooker”, “Low-Fat Electric Pressure Cooker”, “Constant Temperature Induction Cooker”, and “Smart, Variable Frequency and Washable Blender”. “Low-Sugar Rice Cooker” is a product of five years’ R&D and innovative sugar-leaching technology. This consists of the three-step cooking technology

of “high power boiling, powerful sugar leaching, and constant-temperature steaming”, by which the rice cooker is able to reduce the reducing sugar and resistant starch content by 50% and 23% respectively, effectively reducing sugar intake and suppressing increases in blood glucose increase after meals. This is the first low-sugar rice cooker certified by China Household Electric Appliances Research Institute (CHEAR). It sets a new trend that “a rice cooker without a low-sugar function is not a good rice cooker”. “Low-Fat Electric Pressure Cooker” is equipped with “mellow but fat-cutting” technology. Through pressure-variable boiling, the cooker is able to enhance aroma and remove as much as over 92% of fat. “Constant Temperature Induction Cooker” is equipped with the industry-leading technology of “protruding temperature measurement and frequency conversion temperature constancy”, transforming the cooker from a conventional heating device to a professional cooking device with precise temperature control. The cooker is able to make a variety of constant-temperature foods without producing cooking smoke throughout the entire process. The cooker supports different cooking methods, such as shallow frying, frying, boiling, stewing, and deep-frying. Smart, Variable Frequency and Washable Blender adopts a smart, variable-frequency and constant-speed blending technology to achieve more delicate cuts and more easily absorbed nutrition. Also, it is equipped with removable blades, an electroless body and underneath heating—all technological firsts in the industry, is easy to clean in a thorough manner for the entire body is washable in water.

COLMO B3 Dishwasher is equipped with a VF dual-drive system and disrotatory arms for thorough tableware cleaning. COLMO B3 can clean valuable tableware to the third level of disinfection. With the application of intelligent storage technology, COLMO B3 can store tableware for up to 168 hours, making it an “all-in-one” appliance for tableware washing, disinfection, drying, and storage. Utilizing the ultra fine bubble technology, COLMO EVO Series Active Water Purifier V7 Pro can effectively oxidize and decompose organic pollutants and kill almost all bacteria found in drinking water. It is also equipped with a warm washing function. It is NSF-certified and a winner of the Best Product Award at AWE 2020 and the National Level Leader Honor. Midea Chinese-style Sterilization Dishwasher GX1000 is a dishwashing solution perfect for health, cleanness, and intelligence. In terms of technologies, its quint-rotatory arms super cleaning patented technology can remove stubborn stains. The main body is kept fresh and clean due to the original photocatalyst odor-free system. The layered washing function satisfies personalized demands. Top-control and front-display design, the top knife and fork basket, and no-bending-over

operation are ergonomically convenient.

Midea Zero Staleness Water Purifier is the world's only large-capacity water purifier certified by NSF, establishing a benchmark of zero staleness, thanks to its original zero staleness technology. The salt removing rate of the first cup of water exceeds 70%. Each cup of filtered water is directly drinkable. Moreover, the original 10-year RO filter technology of Midea addresses the issue of frequent replacements of the filter. With whole new technologies plus the patented slow stripping & rotary deep-cleaning system, the RO filter and the entire water system of the machine can be fully self-cleaning. Therefore, the product was granted the 2020 Red Star Design Award. Midea YR1908 I-Family Water Dispenser embraces a pioneering whole-process sterilization system. Its sterilization rate is over 99%, attributable to the bacteriological filtration membrane, high-temperature dynamic sterilization, and self-reflow. Water safety is guaranteed during the whole process from inflow to outflow. Furthermore, the original dual-core heating technology enables the thermostatic precision at the outlet to reach $\pm 1^{\circ}\text{C}$.

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

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

For smart bathroom scenes:

Midea Morning Dew Electric Water Heater CQ6, a newly launched product, was recognized as a “Certified Intelligent Product” at the China Smart Home International Summit Forum. In line with the concept of “clean water life”, Midea adopted a creative all-time magnetic cleaning system, including pre-filtration, purification, post-cleaning and whole-process monitoring. The sterilization rate is up to 99%. The four-in-one process guarantees clean water. Pain points of general electric water heaters, such as dirt, bacteria, and insufficient water for showering, are solved, so customers can enjoy a comfortable shower. Midea Artificial Sunlight UV8 Gas Water Heater is the first zero cold water product with UV sterilization function in the industry. The UV sterilization function has two models, cold and hot. The real-time sterilization rate at the flow rate of 13L/min surpasses 99%. Highlights in the appearance include a quite big round membrane and the arc smile-like light effect at the bottom. During the Double 11 shopping festival in 2020, this product was ranked first in prices among high-end products in the industry. Besides, it was granted the Enterprise Standard Innovation Award at the 16th China Household Appliances Innovation Award and certified by authoritative agencies. Midea Heaven Spring Series HTL8 Gas Water Heater is the first dual-nuclear-magnetic-cleaning zero cold water product in the industry. It effectively addresses the issues of cold water at the beginning of a shower and the fluctuation in water temperature during a shower due to the start and stop of the machine. It also features Midea's pressurized circulating water pump and patented constant temperature chamber. Midea's zero-fluctuation electric control algorithm and four-segment precise combustion technology keep shower water temperatures constant. Meanwhile, the external magnetic cleaning device actively inhibits scale formation in water heaters and pipes. COLMO EVO Series Refrigeration Pipeline Machine is equipped with an ultra-real touch screen, a first practice in the industry. It can accurately carry out user-input instructions. With just one touch on its screen, users can immediately access iced or heated water, thus satisfying their diversified water needs.

The intelligent bath heater launched by Midea Intelligent Lighting & Controls Technology Co., Ltd. won the first China Mark granted by TÜV SÜD for household heaters. Product experience and safety are guaranteed by an overheat protection thermostat, thermal fusing, overcurrent protection, an electric control box of inflaming retarding class 5VA, and four-layer fireproofing and inflaming retarding of the whole machine. Meanwhile, the small-mesh high-density silver ion filter screen blocks mosquitoes or dust that breeds bacteria. Additionally, fresh air is conveyed to render a healthy shower. What's more, a 120° wide-angle swing and high-power heating can quickly raise the temperature in one minute and evenly heat the shower room. The heating mode is compound and cyclical. For intelligent applications, it can be controlled via an App. Intelligent constant temperature and drying can be started by pressing one key.

B. Adhered to the strategy of “Technology Leadership”, increased R&D investments and efficiency, built a global R&D platform, and put in place a R&D system featuring digitalization and responsive innovation

Midea continued to invest in R&D, made innovations with respect to mechanism, and developed more leading products through both excellent user experience and differentiated technologies, reform of the whole value chain of R&D using digital technology, and deep integration of big data technology and R&D. It kept reforming its product development model according to the strategic focus of “Leading Products”. An innovative R&D model featuring a “Four-Tier R&D System” from the organizational dimension and “Three Generations” from the technology dimension has been put in place to support the fulfillment of the goal of “Being the Number One or the Only One” in respect of various product categories. Centering on customer needs and based on different organizations and technologies, the Company carries out innovative product development, research on cutting-edge platforms, research on core components, creation of differentiated selling points and improvement of the basic product performance. Through group development of products across the world and building of a global product platform, Midea is building “Technology Leadership”. As of the end of 2020, Midea boasts eight corporate technology or industrial design centers at the state level, in addition to nearly 40 enterprise technology, engineering or design centers at the ministerial or provincial levels.

Midea Group never stops its core technology research. In 2020, a number of technological achievements made under the leadership of Midea were all certified as “Internationally Advanced” upon authoritative

review, including “the Research and Industrialization of Source Transformation Technology for Adaptable Variable-Frequency Air Conditioners”, “the Research and Application of Intelligent Regulation Technology for Residential VRF Air-Conditioning System Under Multi-Temperature And -Humidity Scenes”, “the R&D and Industrialization of Key Technology for Comfortable and Efficient Window Air Conditioners”, “the Research and Application of Key Green Manufacturing Technology of Efficient Room Air Conditioners”, “the Research of Key Technology for the Design and Application of Disrotatory Fans”, “the Research and Application of the Pesticide-Residue-Free Technology of Deep UV Light + Photocatalyst in the Home Appliance Industry”, “the Development and Application of the Temperature-and-Humidity-Control Fast-and-Strong-Heating VRF System Technology (Enhanced Vapor Injection)”, “the Research and Application of Key Technology for Oil and Salt Control for Microwaves, Steamers and Ovens”, “the Research and Industrialization of Key Technology for the Compact Efficient Low-Noise Magnetron”, “the Research and Application of Key Technology for RF Roasting and Compound Cooking Based on Dual Solid-State Source Closed-Loop Control”, “the Research and Industrialization of Odor and Fume Purification Technology for Steamer-Ovens”, “the Research and Application of High-Temperature Steam Generation Technology for Residential Steaming, Baking, and Cooking Appliances”, and “the Research and Application of Key Technology for Smart Energy Saving of Wide-Temperature-Range Heat Recovery VRF”. In 2020, a total of nine Midea products won a “Best Product Award” at AWE 2020. Additionally, Midea Residential Air Conditioner was granted the “Outstanding Contribution Award for Energy Efficiency and Environmental Protection” by the United Nations Industrial Development Organization for its continuous research and breakthroughs in regard of the environment-friendly refrigerant of R290 and the related environmental protection technology. Meanwhile, “the Key Technology of Wide-Ambient-Temperature Energy-Efficient Air-Source Heat Pump for Heating and Its Industrialization” with Midea and Shanghai Jiao Tong University as the applicants won China Energy Conservation Association Sci-Tech Progress Award in Energy Conservation and Emission Reduction (First Prize).

While carrying out the core technology research, Midea has attached great importance to the transformation of R&D achievements. In 2020, Midea was granted 2,890 invention patents in China, and 570 patents abroad, representing the most patents industrywide for five straight years. By the end of 2020, the total number of patent applications of Midea (inclusive of TLSC) exceeded 160,000 and more than 62,000 patents were granted. Midea continues to improve patent quality. A visualized tool for

reviewing the quality of patent applications has been developed and fully utilized for better patent quality. Upon three years of focusing on the quality instead of quantity in terms of patents, the patent quality of Midea has improved remarkably. Midea's "High-Frequency Fast Cooling and Heating AC Technology" won a Gold Award at the 2020 21st China Patent Awards. In addition, the "Intelligent Power Module" and other technologies of Midea won 2 Silver Awards and 15 Excellence Awards at the 2020 21st China Patent Awards, as well as 1 Invention Gold Award at the 7th Guangdong Patent Awards. Meanwhile, closely following the strategy of "Technology Leadership", Midea are applying for thousands of patents regarding breezeless, disrotatory, brushless motor, smart home and other cutting-edge technologies.

Midea Group has been sticking to the double drivers of "production innovation + standard innovation", implementing the standardization strategy of "innovation patent, patent standardization, standard internationalization, Midea standards going global", and making active steps towards contributing to the standardization of industrial technologies. In 2020, Midea Group took part in the formulation/revision of 633 standards, including 27 international standards, 234 national standards, 145 industry standards, and 227 group standards. These standards include the *CHCT-JSGF-080-2020 Technical Specifications for Split-type Air Conditioners with Breezeless Model* for the breezeless technology, the *Standard for Requirements of Evaluating Intelligent Performance of Refrigeration Appliances*, the *Automatic Electrical Controls for Household and Similar Use—Particular Requirements for Humidity Sensing Controls*, the *Heat Pump Water Heater for Household and Similar Application*, the *Cold and Hot Water Supply Units Integrating Air Source and Heat Pump*, the *Sound Quality Ergonomics Evaluation of the Household Appliances Noise—Part I: Refrigerator*, the *Household and Similar Adjustable Frequency Converters Safety—Part 4: Particular Requirements for Adjustable Frequency Converters for Washing Machines*, the *Technical Specification of Intelligent Power Module for Household Appliances*, the *Automatic Electrical Controls—Humidity Sensor*, the *Household and Similar Electrical Appliances—Test Code for the Determination of Airborne Acoustical Noise: Particular Requirements for Fans*, the *Measurement Methods for Electromagnetic Fields of Household Appliances and Similar Apparatus with regard to Human Exposure*, the *Standard Tableware for Energy and Water Efficiency Tests of Dishwashers*, the *Minimum Allowable Values of the Energy Efficiency and Energy Efficiency Grades for Electric Ovens for Household and Similar Use*, and the *Technical Specification for Green-Design Product Assessment—Electric Rice Cookers*. In addition, Midea serves as the leader of the Intelligent Home Appliance Working

Group of TC212/WG9 National Standard Committee of Automatic Controls for Household Use. Midea's air conditioners, refrigerators, and laundry appliances were included in the Demonstration Projects of Application of 100 Group Standards for 2020 of the Ministry of Industry and Information Technology of the People's Republic of China (MIIT). Midea Refrigerator won the "Outstanding Contribution Award" granted by the National Standard Committee of Automatic Controls for Household Use. Additionally, a project with Midea Air Conditioner as a participant was granted the "First Prize of the Standard Innovation Contribution Award of China", and has been recognized as an "Enterprise Standard Leader" for three consecutive years, with five enterprise standards and 169 products selected in 2020.

C. Deepened the channel transformation, further improved the channel efficiency and rebuilt the retail service ability so as to achieve direct connection with customers

With the rising of different consumer circles and fragmented communication, online sales as a percentage of Midea's total sales surpassed 45% during the pandemic in 2020, and online and offline markets integrate at a faster speed. Integrating different levels and characteristics of different channels, as well as centering on changes to customers' needs and ways of spending, Midea drives the retail transformation based on user demands and experience, and keeps refining the retail operations system, so as to achieve direct connection with customers in terms of retail sales. This mainly involves the following aspects. Firstly, being customer experience-oriented, it provides just the shopping experience wanted by customers through more than 460 Midea Smart Life Experience Centers for users with house decoration demands in cities and prefectures across the country, over 2,350 Midea flagship stores in districts and counties, as well as 6,370 Midea multi-category stores in towns and villages. Secondly, Midea proposed new marketing methods covering all links based on user demands. The Company built touchpoints in all links through data driving, user stratification, content + livestreaming + interaction, user asset precipitation + activity, and performed lean management. Besides, it satisfied the differentiated demands of consumer groups, such as home decoration customers, mothers and infants, the elderly, and followers and members by jointly building data, marketing, and systematic tools with e-commerce platforms. The third is the launch of smart scenes in stores. It fully upgraded intelligent terminals by centering on smart scenes. The number of retail outlets providing samples of intelligent models and demonstrating intelligent scenes has exceeded 35,000. More than 550 EDIS smart home service outlets

provide home decoration, space transformation, and intelligent product suites and services to output and perfect home appliance packages of Midea. Fourthly, Midea constantly promoted collaborative supply chain projects with e-commerce platforms by taking advantage of its professional abilities in the whole supply chain from design, delivery, installation to operations and maintenance. In the meantime, the Company can materialize rational restocking, automatic order reviewing, intelligent distribution of inventory, quantitative and attribution analysis of profit and loss through the connection of end-to-end systems, data-driven approaches, and intelligent tools. It continuously narrowed the gap between supply and demand and effectively turn operations more intelligent and lean. Fifthly, in regard to the channel reform, Midea perfected the middle platform of Midea Cloud Sales, deepened unified warehousing and distribution, and constantly optimized delivery and installation integration to achieve a shared inventory system, maximize inventory sharing, and improve user experience. In addition, the Company realized intelligent decision-making regarding the optimal warehouse network, inventory strategies, dynamic replenishment, and intelligent transfer by introducing digital decision-making models and algorithms in order to strongly support the business reform. As for the marketing approach of live streaming, multiple models such as all-star recommendation, boss live streaming and top geek recommendation are adopted to promote Midea's e-commerce marketing. By attracting more traffic to live streaming rooms through more entrances, sales through the live streaming channel quickly rise as a percentage of total sales. Further, live streaming is also moving from offering preferences and benefits and introducing products to more professional and abundant content. As external live streaming platforms can deliver "what you see is what you get" for consumers and formulate a trading closed loop, these platforms have become new channels contributing to growth in Midea's sales.

Being customer-oriented, and based on consumer needs and service scenes, Midea promotes digital transformation and reform across the service system in pursuit of direct connection with customers in terms of services. Firstly, Midea's service charges are available online and transparent. Customers can get access to all of Midea's service charge standards. In 2020, more than 41 million customers paid their rates in a transparent manner, and inquiry calls about service charges went down over 90%. Secondly, the Company accelerated to enable intelligent customer services and took the lead in launching functions like intelligent voice and text robots, intelligent knowledge searching, and intelligent quality check. Meanwhile, convenient, efficient, and high-quality services were offered through the IoT-based one-key

service work order. Thirdly, the service operation system was changed. The direct-pay engineer model was adopted with a coverage ratio of over 85%. Direct order distribution fully went live with a coverage ratio exceeding 75%. In the meantime, the service assessment system was further reconstructed to visualize service quality. Fourthly, interaction between after-sales and pre-sales links in the value chain is further enhanced in bid to drive sales through service and increase user loyalty to Midea's products and brands. To encourage repeat purchases, a "backpacker" model is promoted in after-sales service, which generated sales of over RMB1.3 billion. Finally, Midea continues to improve its delivery-installation integrated service capability for all of its home appliances. By 2020, it has completed the delivery-installation integrated service network which covers over 2,700 districts and counties across the country, with more than 28,000 installation technicians, as part of its efforts to offer users one-stop after-sales service solutions in respect of all household appliances. In 2020, Midea continued to lead the way in the industry regarding service quality, and topped the rating charts of e-commerce platforms with respect to air conditioners, refrigerators, laundry appliances and so on.

Midea strove to expand engineering sales and promote new breakthroughs, with a purpose of enhancing its ToB competitiveness. Midea recorded a year-on-year growth of over 35% in ToB sales in 2020, with an addition of more than 300 trade customers and over 500 product categories. In the industry dimension, the trade customer base in the real estate sector kept expanding from the existing top 20 in the sector, with a preliminary four-level customer receiving system and an enhanced collaboration system in place. In terms of the business with chain operators, Midea adapted itself to changes in the market environment. In addition to deepening the cooperation with top chain operators, it explored new opportunities by implementing new business forms in respect of apartments to be fully furnished, co-marketing, etc., as well as achieved sales in key pilot programs in the real estate sector. Also, it reshaped the business of special channels and its pricing system towards professional operations, explored new business forms in respect of shopping platforms that allow installment buying, and carried out in-depth marketing cooperation with strategic customers in the finance sector. As a result, this business saw a year-on-year growth of more than three times in sales.

Under the background of Midea Group promoting the T+3 business model deep reform, Annto further promoted the logistics reform. Upon completing the implementation of the unified warehousing and

distribution strategy, Annto focuses on two new approaches--intercity shuttles and urban long-term-cooperation vehicles to boost delivery efficiency, thus providing a strong support for the improvement of circulation efficiency of the sales channels. Meanwhile, it comprehensively improves ToC logistics. Based on user needs, Annto refines and integrates its warehouse network across the country, and strengthens the cultivation and expansion of end outlets, which enables it to provide accurate delivery-installation integrated service for users. In this way, products can be delivered directly to users in the offline retail link, thus significantly improving user experience. In terms of business expansion outside Midea Group, Annto closely focused on its core business of integrated warehousing and distribution services. Annto can distribute from one warehouse and multiple warehouses to anywhere in the country. A logistics service platform covering various industries, product categories and scenes has been put in place. Meanwhile, client satisfaction has been further boosted through enhancing key capabilities of less-than-truck-load transportation, urban distribution, and integrated delivery and installation services. In 2020, the urban distribution and home distribution business scale of Annto saw a steadily increasing market share.

D. Promoted “Global Impact”, enhanced localized operations overseas and accelerated the cooperative integration of TLSC

Midea further promoted its global business layout to solidify its global competency. It formulated a global supply cooperative mechanism, strengthened localized operations overseas, and promoted product globalization and regionalization. Its overseas business spans more than 200 countries and regions in North America, South America, Europe, Asia, Africa and Oceania. Meanwhile, guided by the market and focusing on users, Midea builds a global user research network with foresight. Midea Germany Research Center is newly established to strengthen research on the needs of European users. And more resources have been provided for user research centers in the U.S., Italy, Brazil, India and Singapore. In order to improve the operating efficiency of core overseas business, Midea exerted great efforts to build the intelligent overseas commercial system, constantly deepened its data-based business decision-making capability, and created an overseas digital operation platform. Three major business regions and 23 overseas branches were covered. A total of 45 key indicators were included, such as sales, finance, supply chain, products, retail, and e-commerce. Furthermore, real-time online business, data transparency and sharing, and early risk warning became available.

In 2020, Midea continued to promote breakthroughs with regard to overseas channels. Over 17,000 new retail outlets selling own-branded products were launched overseas to improve distribution channels. Meanwhile, digital tools were used to empower channels, improving efficiency and capability. Also, Midea continued to refine the global customer base, dig down on core customers across the globe, and capture customer value. Currently, it has over 60,000 active trade customers in its overseas operations, providing strong support for continual growth. Meanwhile, Midea accelerated the development of its overseas e-commerce business and refined its global e-commerce system, which has covered core markets including the US, Canada, Mexico, Brazil, Italy, the UK, Germany, Saudi Arabia, India, Russia, Japan, Malaysia, Vietnam, Thailand, and Singapore. Moreover, e-commerce platform coverage has been further improved to include major global platforms such as Amazon, Ali-express, Flipkart, Shopee, and Lazada. And Midea is also trying to get its products on regional e-commerce platforms like Otto in Germany, Submarino and Shoptime in Brazil, as well as Wayfair in the US. In terms of product breakthroughs, e-commerce products are growing more competitive. Midea's microwave ovens have taken up a market share as high as 50% in the US. U Shape, a window air conditioner of Midea, is the first crowdfunding project with over US\$1 million on Indiegogo. New product development progressed steadily. And the percentage of smart home products kept expanding and they were gradually introduced to mainstream e-commerce platforms. As for marketing breakthroughs, in response to the shutdown of physical stores during the pandemic in 2020, all overseas sales units swiftly embraced new marketing models. A series of diverse online marketing activities were launched across the world, including online conferences of sales agents, online business promotion conferences, KOL live streaming, new media promotion, online theme marketing, etc., as means for boosting online ToB and ToC sales. And these new marketing models have become a new normal for Midea and continue to contribute to its growth. Meanwhile, Midea has deepened its global manufacturing network. Based on the existing overseas manufacturing bases, it built the local capacity of manufacturing bases in Thailand, Egypt, Brazil, etc. for products like residential air conditioners, refrigerators, laundry appliances, kitchen appliances, and water heaters. Additionally, the successful domestic practices of lean manufacturing were applied to overseas manufacturing bases to increase efficiency. Also, Midea promoted local manufacturing of core components in overseas plants, and further upgraded the overseas manufacturing bases for better product quality and faster delivery. In the meantime, it refined the "Local Supply" cycle, and improved the global manufacturing and delivery capability so as to ensure the overseas operating capability amid the anti-globalization trend. Another

move was to improve the global logistics and service system. On one hand, the international logistics functions were integrated to establish a professional global logistics platform. And strategic partnership has been established with world-leading logistics companies for better global logistics efficiency. On the other hand, a global service management system covering the whole service cycle has been put in place to promote responsive and active global service. The overseas iSERVICE system and the cloud call platform have covered close to 50 countries and regions. Additionally, regional spare parts emergency response centers have been set up to further boost customer satisfaction. In regard to overseas branding, overall planning is implemented for branding expenditures. While maintaining sufficient offline exposure for its brands, Midea also invested greatly in online branding. Meanwhile, the international presence of its brands was enhanced by way of sponsoring global and regional football teams and sports events.

In face of a heavy hit to Japan's consumer market from the COVID-19 pandemic in 2020, TLSC made full use of the online channel to promote its products and sales while ensuring the safety of its employees. Its ability to deal with market changes and maintain operating resilience has been proved. TLSC continued to deepen the reform of its organizational structure and business model, and a dedicated team has been set up to work on the online channel, which resulted in a year-on-year rise of 30% in online sales during 2020. Furthermore, the pre-sales and after-sales teams have been refined, the staff streamlining has been furthered, and a job rotation system has been implemented to boost organizational vitality. TLSC continued to boost synergies with the Group and the relevant divisions on branding, R&D and innovation, supply chain integration, quality improvement, etc., so as to build a strong product portfolio for the global market together. While ensuring its supply during the pandemic, TLSC managed to launch Toshiba-branded products to more than 60 countries or regions. Also, it optimized the product structure to increase gross profits and strictly controlled expenses and costs, which helped improve profitability significantly. In 2020, the retail sales of home appliances in Japan were flat year-on-year, while TLSC recorded a growth of 4% against the prevailing trend, with its market share for six major product categories up to over 11%, as well as a larger market share in respect of air conditioners, refrigerators, laundry appliances, microwave ovens, etc. Through a series of reform and adjustments, TLSC recorded its best earnings in the last decade or so, with a considerable improvement in both the gross profit margin and the expense ratio.

E. Stepped up the comprehensive digitalization and industrial internet programs to materialize data- and platform-based operations in the whole value chain, and thus to become more competitive in the digital era

Focusing on “Digitization & Intelligence Driven”, Midea achieves changes in the format of products, drives hardware sales through software sales and intensifies contents and services; and achieves changes in business methodology, promotes reforms in research, production and sales, and fosters disruptive changes in existing business models through an Internet mindset and Internet tools. The comprehensive digitalization program has produced preliminary results. With respect to R&D, Midea focuses on “Direct to Users”, as well as builds digital capabilities such as user access, mid- and long-term trend analysis, and evaluation by users, so as to build an R&D capability that is customer-oriented. Meanwhile, a global product platform has been put in place, which features the shift from single product development to platform development to support C2M customization. Midea has established its own digital platforms for R&D, including GPM, MPLM and other industrial software platforms. The development efficiency is improved by 27%, while the test period, shortened by 32%. In addition, the Company further standardized its parts and accessories to cut costs and raise efficiency. Materials were downsized by over 50%. More than RMB300 million of costs were accumulatively saved. Meanwhile, the manufacturing link saw the introduction of smart algorithms. Procurement efficiency and the ability to respond fast were improved. Also, Midea promoted the self-developed MRP system and smart scheduling, as well as refined the multi-factory coordinative production plan and the value flow procurement plan. Additionally, digital quality management was continuously propelled to extend to the suppliers and the market end. The quality cloud allows for more standardized and transparent control of the supply chain process and of finished products. Relying on M.IoT, Midea continued to promote digitalization in respect of safety, environment and energy. It has materialized EHS visualized management and smart early warning systems in factories by such smart means as mobile solutions and Internet access solutions for equipment. Also through the Industrial Internet platform, Midea assists upstream suppliers in digital transformation, promotes transparency and efficiency of data information in the value chain, and optimizes suppliers' inventory management. In the marketing link, Midea adhered to the customer-oriented principle and focused on building the Midea Cloud Sales platform. Smart order execution, unified warehousing and distribution, shared inventory, one-stop delivery, integrated delivery and installation services, big data-based intelligent analysis, etc. are

now available. As such, Midea has further boosted the order execution efficiency in channels, the retail end and the supply chain, as well as improved online and digital operations in all channels. Through the “online streaming + cloud-based order placing” model of Midea Cloud Sales, distributors can learn about Midea’s marketing policies and the selling points of its products in a timely manner before placing an order online. Meanwhile, the membership system jointly established with retail stores can attract more users, encourage retail stores to take part in member activities, improve buying experience, and boost user royalty. In regard with after-sales services, business reform was carried out to improve service experience. Close attention was paid to charge transparency, after-sales returns and exchanges, and the integrated services of delivery and installation. As a result, the rate of unreasonable charges was cut by 68%. The online payment rate reached 76%. The service processing period was shortened dramatically by greatly raising the service uptime. The customer satisfaction rate has been improved to over 98%. The proportion of the integrated service of delivery and installation constantly increased and surpassed 60%, basically achieving full coverage. The direct-management and direct-payment transformation has been carried out for more than 9,000 service centers and 13,000 engineers to strengthen the control of after-sales services and enhance the dispatching efficiency. During the operation process, in-depth exploration is made in the best digital practice of talent development, and the establishment of talent analysis models, talent label systems and the talent portrait system is accelerated to lay a solid foundation for the intelligent application of human resources. Besides, aimed at standardizing the management procedure and improving operating efficiency and service quality, we have made continuous efforts to improve the employee management system, optimize the user experience of mobile office applications, and enhance office efficiency and the capability of comprehensive digitalization. With the “International 632 Project” as the core, Midea continues with the digital transformation of its overseas business so as to boost global competitiveness under the new circumstances. The global order processing mechanism was launched to connect overseas marketing and manufacturing in an effective and automatic manner. The digital marketing capability of overseas e-commerce was strengthened, and the e-commerce ToC business operation model was fully turned online. It is expected that the efficiency will increase by over 50%.

Midea accelerates in respect of 5G+Industrial Internet. Midea Microwave & Cleaning Appliance 5G+Industrial Internet Application Demonstration Park has achieved full 5G coverage and built a basic information network integrating the traditional network + 5G to realize efficient communication between

the corporate intranet and the extranet. It has been recognized by the Department of Industry and Information Technology of Guangdong Province as one of the first demonstration industrial parks for “5G+Industrial Internet”. It was also selected as a “Lighthouse Network” factory by the World Economic Forum, making Midea the company with the most “Lighthouse Network” factories in China. In 2020, Midea Group launched “5G+Industrial Internet” pilot programs across 11 parks of 7 business divisions through strategic cooperation with the three major telecom carriers in China and such manufacturers as Huawei.

Midea further promotes the business application of AI by fully covering the business scenes of intelligent R&D, intelligent manufacturing, intelligent offices, intelligent operations and PaaS capability open-up based on AI quality testing platforms and AI open platforms. In terms of intelligent R&D, the use of AI can identify differences between drawings and scanned copies, assist in precision comparison to reduce the workload of manual comparison by 30%, and realize the traceability of all test contents. Scan the code to output the comparison results. In terms of intelligent manufacturing, the application of AI is promoted in inspection of PCB, the appearance of laundry appliances, cartons, ink-jet of cartons, components, the anti-creeping system in the footing, etc., which can help improve the yield substantially. The integration of 5G + AI can substantially increase testing efficiency.

Midea fully promotes the application of cloud computing to support its strategy of comprehensive digitalization. Positioned as a leading cloud platform in the manufacturing sector, Midea Cloud Platform is established based on the cloud native technology with independent intellectual property rights. It is easy to extend and takes into account needs in respect of Midea Cloud Sales, Industrial Internet, the IoT ecosystem, and third-party developers. So far, 21 PaaS service products and 8 SaaS products have been launched. Targeting corporate customers and based on IaaS and PaaS, the SaaS platform provides complete management of applications through their entire life cycles and full customer service. It lowers the threshold for small- and medium-sized enterprises to gain cloud access. It also provides a one-touch function to active business applications. With purchasing cloud as a trial program, Midea has provided SRM cloud, sourcing cloud, risk control cloud and other SaaS services for over 3,000 corporate customers.

F. Promoted the strategy of “Digitization & Intelligence Driven” and accelerated the implementation of “Comprehensive Intellectualization” to “Customize a Smarter Midea Life for

You”

In 2020, with the goal of “Providing the Best Overall User Experience”, M.IoT carried out a series of changes to user research, smart scene planning, the IoT products and technology, ecosystem cooperation, IoT operation and more, focusing on connection technology and intelligent security system upgrades, while accelerating the launch of 5G products and platform-based IoT ecosystem scenes and service robots. At the same time, focusing on the five themes of safety, health, food, convenience and personality, smart scenes and the IoT technology are fully opened to ecosystem partners. And a business value chain of Midea Smart Home, which is based on the life cycle of user experience and is customer-oriented, has been put in place in this way, providing users with all-scene experience services and more quality ecosystem value-added services to create a pan MSmart Life APP ecosystem that focuses on “Customize a Smarter Midea Life for You”. Over 4,000 smart product models are connected to the Midea IoT Developers’ Platform, and the number of connected smart devices went up 103% compared to last year, including around 38,000,000 active devices. The MSmartLife APP has been providing services for approximately 32,000,000 families.

Products were upgraded to meet the demands of subdivided user groups. The MSmartLife APP has launched over 225 smart scenes so far. Amid the pandemic, the APP upgraded its smart kitchen scenes and released smart and healthy cloud recipes. Healthy recipes were carefully customized to improve the immunity of users. Health conditions were improved through a reasonable diet. Additionally, “Children's Recipes” were introduced to satisfy the nutrition recipe demand of children. Owing to the feature of “recording blood sugar” launched on the basis of the Low-Sugar Rice Cooker, the daily blood sugar data of users can be managed by connecting to glucometer data and low-sugar rice cooking data. Moreover, the recommendation of sugar control recipes can help build healthy eating habits. The fully upgraded Midea Voice-Enabled Air Conditioner allows users to experience the convenience of voice-enabled domestic appliances with its new speech recognition function for mixed dialects. In the meantime, with the five-dimensional air regulation algorithm developed by Midea, the temperature, wind, humidity, cleanness, and fresh air of air conditioners can be automatically adjusted in accordance with the environment where the user is and his/her air preferences. By pressing one key, the user can enjoy comfortable experience. Midea Cloud Housekeeper has been providing services for over 2,700,000 users.

With two national patent applications filed for this technology, it can analyze water use habits, identify seasonal and temperature changes, and accurately predict water demand curves. In this way, user experience and energy conservation are improved. Meanwhile, with the new function of home appliance turn-off reminder, intelligent detection of the status of home appliances and remote control over home appliances are enabled to solve the pain point of forgetting to turn off home appliances when leaving home. By doing so, it can both save energy and ensure safety.

By the end of December 2020, Midea has provided users with more value-added services and cross-scene experience through ecosystem cooperation. It launched 12 HarmonyOS-based products falling into seven categories. Users can use a HarmonyOS-based mobile to control Midea's home appliances within three seconds. Midea realized the interconnectivity of smart life scenes and offered new experience of man-machine interaction. In November 2020, Midea participated in the Google Developer Days (GDD) China. As a key smart home partner, it launched the App Flip function in the overseas market. Users can connect to and control Midea's smart home appliances through the Google smart speaker. All Google users enjoy one-key login to the MSmartLife APP. In December 2020, M.IoT and BYD DiLink joined hands to develop the "Car-Home Interconnectivity APP" which fully demonstrates a "Men-Car-Life Interconnectivity" full-time and whole-range smart lifestyle. The cooperation aimed to provide smart life experience through the seamless connection between the vehicle and the home. No matter at home or in the car, users can connect and interact with Midea's smart home appliances. In addition, Midea conducted strategic cooperation with China Telecom to expand its products and content service ecosystem and with China Electric Power Research Institute, State Grid, in multiple dimensions, such as the user-side green energy consumption ecosystem, the Energy Internet intelligent power service ecosystem, and AI in the power sector.

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

management, and the ISO 27701 certificate for privacy information management. In addition, Midea is also ETSI 303645-, NIST 8259- and ioXt-certified for privacy protection associated with smart home appliances. Therefore, Midea Smart Home has reached an internationally advanced level in user data protection.

G. In view of consumer stratification, launched multiple brands and enhanced the promotion of the core values of these brands to empower retail sales and user operation

Since 2018, Midea Group has launched a number of new brands, including COLMO targeting high-end consumers, BUGU targeting online consumers, WAHIN targeting young consumers. Always upholding the brand philosophy of “Technology Serve the Nature of Life and Design Maximize the Value of Rationalism”, COLMO is committed to providing AI-powered home appliances with premium quality and the self-learning capability for high-end consumers. In 2020, for the brand end, COLMO centered on “Life Evolution”, stressed brand cultural value, and cooperated with the cultural platforms, Vistopia.com.cn and Owspace.com. Meanwhile, it probed into independent IPs, sponsored the interview program, Life Evolution, and joined hands with Fashion Group to present the annual rational aesthetics-based life ceremony. Furthermore, it kept expressing its opinions on rational aesthetics, deepening the spiritual resonance with global super individuals, and leading advanced life evolution. In terms of products, COLMO launched the whole new 145N Solution, which focuses on family life (four major scenes—living room, kitchen, bathroom, wash and care) and creates the whole scene of AI-powered high-end smart life for high-end consumers through intelligent integrated appliances, IoT interconnection systems and AI learning brain. A slew of other new products were also launched, including TURING Residential Central Air Conditioner Floor Heating Hydraulic Module, TURING Steam Oven, and products for the aforesaid four major scenes, such as Mantle Lava 513 Refrigerator, Separate Space Capsules Washing Machine, EVO Series S67 Range Hood, V7 Active Water Purifier, etc. COLMO won a total of 12 design awards in 2020, including an iF Design Award and a Red Dot Design Award for BLANC Range Hood-Stove-Dishwasher Suite, as well as an iF Design Award for TURING Small Multi-Split Residential Central Air Conditioner. In respect of marketing, COLMO has provided service for over 100,000 families across the world since the launch of its products, with certain products enjoying a prominent high-end market share as an icon for high-end home appliances. For instance, COLMO enjoys a market share of nearly 24% in

respect of wall-mounted residential air conditioners with a unit price of over RMB7,000; and a market share of over 20% in respect of floor-standing residential air conditioners with a unit price of over RMB20,000. As for user experience and channels, COLMO, being customer-oriented, builds diverse terminal experience space, including Product Category Zone, AI Smart Experience Space, and AI Smart Experience Hall. So far, nearly 5,000 stores and outlets have been put in place nationwide, which will provide more scene-based experience and smart experience.

In 2020, BUGU recorded operating revenue of over RMB200 million, surging 260% year-on-year. This new brand aggressively grew against the trend. For the branding end, BUGU, as a brand targeting online consumers, endeavored to make breakthroughs and innovation in marketing and business models and perfected the hot-selling product marketing model featuring “Hot-selling Products and Constant Efforts for Product Category”. In the meantime, it gave full play to the multi-category synergistic advantages and achieved steady structural growth, while meeting the personalized demands of new-generation Internet users. For instance, the portable juicer designed for young users was ranked first among similar products in sales in July, as more than 200,000 such juicers were sold. The small saucepan targeting students was the best-selling saucepans at T-mall during the Double 11 shopping festival. The countertop dishwasher was promoted to young people in small towns and tenants through channels outside the official website like TikTok and ranked among top regarding sales at T-mall and JD for several consecutive months. In terms of the product end, BUGU, based on the market analysis of the Z-generation, deeply expanded advantageous product categories, earnestly developed new categories, created a smart and interesting life scene system, covering diversified demands of young people, such as a healthy diet, healthcare, sports, and pets. In response to the facial attractiveness economy, BUGU launched a personal care product line, producing electric toothbrushes, hair dryers and massage devices. Furthermore, in consideration of the demand of young and fashionable parents who were born after the 1990s, it offered products for mothers and infants covering the whole cycle. BUGU Smart Milk Modulator is the first smart constant temperature milk modulator in the industry. Meanwhile, BUGU seized opportunities arising from the single economy by creating personalized products for young people who often eat alone, such as electric lunch boxes, individualized blenders, egg boilers, and portable kettles. For the pet consumption economy, it launched a smart voice feeder for pets for the first time in 2020. Besides, its products covered all pet scenes from pet feeding, interaction, to care. On the ecosystem side, BUGU has adhered to the

concept of inclusiveness and openness and actively performed cooperation in multiple dimensions, such as portals, platforms, channels, and scenes. It has planned, developed, and introduced five categories of ecosystem products, namely, smart home, healthcare, intelligent sports, gadgets, and consumables, by centering on “Men-Home-Life” and observing the principle of “supplementing scenes, raising stickiness, and intelligence and high frequency”. It has cooperated with quite a few partners in varied ways, including China Telecom, Mendale, Orvibo, YPOO, and Ximalaya.com. So far, they have jointly developed 119 products. It took the lead in creating the “ecosystem column” at Midea Shopping Mall and put ecosystem products on the shelves of more than 3,000 physical stores. On the user side, BUGU persists in taking the joint creation with users as its core strategy. Through the joint creation platform—the “BUGU Research Institute”, users can take part in the whole product process from conceptual design to public testing. So far, “BUGU Research Institute” has launched three programs and received about 1,000 pieces of advice from nearly 300 users. By December 2020, BUGU has attracted up to 2,600,000 fans, selling over 3,100,000 units of products in the year. On the sales side, BUGU's sales over the first five months of 2020 exceeded last year's total sales. Particularly, BUGU recorded a 1,750% year-on-year increase in Tmall sales on the first day of the “618” shopping festival, while its online sales during the “Double 11” shopping festival exceeded RMB26 million, surging 170% compared to last year. With respect to other channels, in addition to strategic cooperation with China Telecom and Honor, BUGU has partnered up with special channels including banks and air lines, for more opportunities to get access to customers.

WAHIN continues to establish connections with the young circles characterized by AGC and pop cultures by offering products featuring “Trendy Designs, Practical Functions and Fun Interactions”. Based on the characteristics of every product category, active efforts are made to expand sales channels. As a result, WAHIN recorded operating revenue of nearly RMB2.9 billion during 2020, representing a surge of more than 200% compared to last year. In 2020, a number of Midea's business divisions launched their product pipelines for the WAHIN brand, which carried out active marketing on the Z-generation. On the eve of the “618” Shopping Festival in 2020, WAHIN launched its first celebrity live streaming for all product categories. The total number of viewers reached 6.1 million, while total interactions exceeded 4.6 million UV, facilitating sales to exceed RMB15 million on that day. At the eve of the Double 11 shopping festival, all product categories of WAHIN cooperated with the 2020 Chongqing Women's Half Marathon. Through online and offline integration, the brand was exposed to over 26 million audiences on the Internet, which

effectively attracted customers for sales. In 2020, WAHIN continued to devote enormous resources in mainstream e-commerce platforms for its air conditioners. Its overall sales exceeded RMB1 billion, up 130% year-on-year. The sales during the Double 11 shopping festival reached RMB360 million with a year-on-year increase of over 250%. More than 190,000 WAHIN laundry appliances were sold in 2020. Clothes dryers were also included in its product categories. In addition to the launch of the trendy drinks refrigerator series catering to young consumers, “Xiaofendan” Mini-Fridge focusing on the cosmetics scene has emerged at just the right moment. The unit sales of this product reached 30,000 units within the month following its launch, and the online sales of WAHIN refrigerators approximated RMB470 million throughout the year. WAHIN Kitchen Appliance generated sales of more than RMB1.2 billion in 2020, a 200% growth from last year, with the “618” and “Double 11” retail sales up 220% and 210% respectively compared to 2019. In terms of branding, WAHIN deploys a 2D virtual spokesperson - WAHIN Girl - to carry its brand image. Through continuous cooperation with external platforms, WAHIN broadens its boundary while persists in appealing to the young consumers.

H. Seized market opportunities amid domestic and international circulations, made technological breakthroughs and innovations, and kept improving the ToB business landscape

The management model adopts the operation of product company that integrates production, research and marketing, subdivides operating entities, delegates operating rights, and stimulates operating vitality; mature businesses actively improve operating quality and contribute operating value; new businesses must actively seize market opportunities, expand business boundaries, and form Key technology and product capabilities.

In 2020, the two ToB business divisions, that is, the Electromechanical Business Group and the HVAC & Building Technologies Division, were included in the five major business divisions of Midea. The Electromechanical Business Group is engaged in the production of core components and accessories and precision manufacturing-related industries. And it is committed to becoming a world-leading and innovation-driven enterprise of core components and accessories. Currently, it has established a business layout consisting of four major business segments, namely, home appliances, new energy vehicals, industrial control, and 3C products, and eight major product companies. Besides, it keeps expanding its business boundaries and improving its capacities. In 2020, the Electro-Mechanical

Research Institute was established, aiming to achieve technological breakthroughs in various sectors. In the year, the Company entered the industrial control and new energy fields by acquiring Hiconics Eco-energy Technology Co., Ltd. (Hiconics). Meanwhile, it further scaled up its presence in industrial automation and power and electronics software. The Foshan Xingtan Base was newly established to make a forward-looking layout in intelligent manufacturing of mechanical and electrical products and serve as an Industry 4.0 intelligent manufacturing demonstration base in China and a world-class “Lighthouse Network” factory. Hitachi Compressor (Thailand) Ltd. (HCTL) was acquired to greatly raise the annual capacity of refrigerator compressors and further improve the global supply of core components. With respect to market expansion, the Electromechanical Business Group made constant efforts for home appliances. According to ChinaloL.com, the sales of residential air conditioner compressors grew 6% year-on-year against the trend and accounted for over 40% of the global sales in 2020, thus stably maintaining first place in the world. More than 36 million refrigerator and freezer compressors were sold, representing 17% of the global sales. Midea entered the first echelon of the industry. Over 200 million motors for home appliances were sold. In particular, the sales of motors for residential air conditioners and laundry appliances accounted for 37% and 18% of the global figures, respectively, and took the first places in the industry. Moreover, the Electromechanical Business Group conscientiously developed chips for home appliances. Its products were related to MCU, power, power supply, and the IoT. In regard to new business, resources were input in the master motor, the thermal management system, and EPS motors of new energy vehicles (NEVs). In addition, Midea has established strategic cooperation with several leading enterprises. It also focused on core technologies of the industrial control field, such as high- and low-voltage frequency converters, servo motors, servo drives, and servo systems. Furthermore, it strengthened the connection among basic technologies in 3C products. The Electromechanical Business Group regarded the heat dissipation module as an entry point and achieved rapid and steady progress. In terms of technological innovation, as a leader in the manufacturing of core components for home appliances, the Electromechanical Business Group won multiple honors in 2020. For example, it was granted the titles “Leader Brand of 2020-2021 Air Conditioner Compressor Industry” at the China Air Conditioner Industry Symposium and “Research Center of Refrigeration Compressor Engineering Technology in Light Industry of China”. Besides, it won the “China Cooling & Heating Intelligent Manufacturing Awards—Intelligent Chip Award” for four consecutive years. What's more, breakthroughs were made in respect to multiple core technologies. In this respect, two provincial patent gold awards,

one provincial patent silver award, and three provincial patent excellence awards were granted. Midea Variable Frequency Compressor for Residential Air Conditioners under the New Energy Efficiency Standard was granted the “Award for Core Component of 2020-2021 Air Conditioner Industry” at the China Air Conditioner Industry Symposium. Midea won the “China Machinery Industry Science and Technology Award (Special Prize)” for its key breakthrough technology of diffusion welding, the “China National Light Industry Council Science and Technology Award (First Prize)” for its new sliding-vane high-efficiency compressor technology, and the “Award for Core Component of 2020 Air Conditioner Industry” for its lubrication and antifriction technology for the pump body of a compressor. In addition, Servotronix's products and technologies have occupied a dominant position in the domestic direct drive market. In 2020, the company was recognized as a “CDDIA 2020 Influential Direct Drive Brand” by the China Direct Drive Industrial Alliance. It won the “CDDIA 2020 Innovative Direct Drive Technology Award” for its CDHD2 drive. In August 2020, it launched the rotary servo drive, BDHDE, in China to meet the localization demand in the industrial automation field.

The HVAC & Building Technologies Division developed a strategic cooperative partnership with Winone Elevator Co., Ltd. (Winone) in 2020. Thus, it has entered the elevator industry and upgraded to be a provider of building equipment. It strives to become a new force in the building equipment industry and create intelligent and future-oriented solutions for buildings. With respect to market performance, the largest domestic market share remained with Midea Commercial Air Conditioners in 2020 according to the *Mechanical and Electrical Information-Central Airconditioning Market* magazine. Midea has constantly focused on projects and business patterns, and kept expanding its business to commercial real estate, rail transit, agriculture, forestry, animal husbandry, and fishery, and industrial enterprises. For instance, its super-efficient intelligent environmental control system and smart operation and maintenance cloud platform for the Guangzhou Metro project were certified as “Internationally Advanced”. For the real estate sector, Midea has won the Golden Brick Award for China Real Estate and the titles of Preferred Central Air Conditioner Brand for Real Estate and Best Supplier of Chinese Real Estate for several consecutive years. It has developed a long-term strategic partnership with over 50 top 100 real estate companies. Moreover, the Company has constantly made breakthroughs in new fields. For example, it developed a production environment solution for the manufacturer of Lianhua Qingwen Jiaonang (literally Lotus Scourge-clearing Capsules) to boost the efficient production of drugs during the outbreak. It assisted in

the construction of Tesla Giga Shanghai and offered an intelligent heating and ventilation solution. It customized an exclusive solution for the integrated refrigeration station for the Pengcheng CloudBrain-2 Project. In addition, Midea joined hands with China Aviation Cloud (CAC) to jointly launch the Bingqian series array-type air conditioners for machine rooms and with Ningsuan Technology Group to jointly create an innovative solution of evaporative cooling with heat recovery. In regard to product innovation, Midea has applied the PCI sterilization technology to the existing product portfolio to protect the health of users. Based on the combination of “floor heating + commercial air conditioner”, Midea All-Season Multi-Functional Series Floor-Heating Air Conditioner adopts the all DC variable frequency air-source heat pump technology and is equipped with a unique “multi-dimensional temperature control system”. Its precise temperature control can help reduce temperature fluctuations and improve user experience, while floor heating provides the comfort of “warm feet and a cool head” and meet diversified home demands. Midea HVAC & Building Technologies Division, as a leading brand in the air source heat pump industry in China, was awarded several major honors in the industry in 2020. For example, Midea Commercial Air Conditioner Sterilization Box was granted the world’s first Tick-Mark for air-conditioning sterilization product, and Midea Commercial Air Conditioners was honored as the “Leading Brand in China’s Heat Pump Industry” for eight consecutive years. Midea VRF LCD Segment Display Screen Wander Lead Controller is a winner of the iF Award. The “Enhanced Vapor Injection (EVI) Air-Conditioning System” and the “Heat-Pump Water Heater and Its Control Methods” were granted the First and Third Prizes of the 4th Energy Conservation and Environmental Protection Patent Award, respectively. “The Key Technology of Wide-Ambient-Temperature Energy-Efficient Air-Source Heat Pump for Heating and Its Industrialization” jointly developed by Midea and Shanghai Jiao Tong University as the applicants won the 2020 China Energy Conservation Association Sci-Tech Progress Award in Energy Conservation and Emission Reduction (First Prize). “The Key Energy-saving Technology and Industrialization of Wide-range Efficient VRF” with Midea and Shanghai Jiao Tong University as the applicants won the 2020 China Association of Inventions Invention and Entrepreneurship Award.

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

KUKA, a subsidiary of Midea, is the first robotic manufacturer in the world to introduce sensitive

lightweight robots into the production plant, as well as the first manufacturer with a product range covering collaborative robots, mobile robots and industrial heavy-duty robots. In the automotive sector, KUKA continues to maintain its advantages and unveiled the world's first industrial robot with digital motion model - the new-generation high-load versatile robot KR QUANTEC-2 in 2019. The robot can effectively reduce costs for customers and offers substantially enhanced performances, precision and speed. In the general industrial sector, KUKA launched in 2020 the Second-Generation New KR QUANTEC Casting Robot, which is equipped with a new digital motion mode and is able to deliver excellent production quality even in a high-temperature environment. In the second half of the year, KUKA successively launched new KR CYBERTECH nano and KR SCARA robots. For the load level below 6kg, the working range of KR SCARA is 500mm or 700mm. Its cycle time is as short as only 0.36s or 0.38s. Due to its high efficiency and low costs, it benefits automation in the cost-sensitive market. For the low load level between 6-10kg, the new KR CYBERTECH nano robot can transfer, weld, stack, and bond. It is faster and highly precise, while its investment and maintenance costs are low. Therefore, it is suitable for the production chain requiring high economic efficiency. In the motion control sector, KUKA launched Robot Control System KR C5. With powerful compatible hardware, more intelligent software and better technical performance, robots equipped with this system consume less power under the same conditions. In the logistics sector, targeting the industrial status where an increasing number of orders are placed online, the new-generation robot-based order sorting solution ItemPiQ, as a perfect example of the integration of know-hows by KUKA and Swisslog, combines new robotic technology and intelligent visual system and features efficient sorting performances and machine-learning functions. In the electronic industry, new KR 4 AGILUS released in 2020 has a load level below 4kg. Its compact design makes it perfect for robot-based automatic production. This robot can be installed in any location and at any angle. Its working range can be extended to 600mm. As its working range has been expanded by nearly 40%, it is highly precise even in the narrowest space. In view of the pandemic in 2020, KUKA continued to extend the application of its robots in the medical sector. Based on KUKA's LBR Med, Life Science Robotics, a Denmark-based company, developed automatic medical equipment ROBERT, which can help move a patient's body when he is receiving treatment. This can reduce physical contact between the therapist and the patient and stop the COVID-19 virus from spreading through social distancing. KUKA's KR AGILUS Series Robot is used by the Aalborg University Hospital in Denmark for blood testing and classification. It can process 3,000 blood samples per day, which is much more efficient than the manual method. In the Bulovka Hospital in

Prague, KUKA's LBR iiwa Robot helps medical workers carry out throat swab sampling on potential COVID-19 patients.

Affected by the COVID-19 pandemic spreading across the globe, economies worldwide have shut down one after another, and some of KUKA's customers have also temporarily closed their factories and reduced their investment activities, resulting in a significant decline in KUKA's main business. Under the impact of the pandemic, demand for industrial robotics is expected to decline in 2020 compared to the prior year. Fortunately, in the mid-to-long term after the pandemic, demand for industrial robotics and automation solutions will further increase and related investment activities postponed due to the pandemic will also resume swiftly. In 2020, regarding the automotive sector, KUKA received, at the beginning of the year, orders from a European customer for three automobile engine assembly lines worth millions of euros per line. In April 2020, KUKA also signed a framework agreement with BMW Group to provide about 5,000 robots for BMW's new production lines of automobile across the world. KUKA also won a contract for Audi's automatic automobile production line to provide 42 industrial robotics for seam sealing and installation. KUKA obtained an order from Mercedes-Benz at the end of 2020, involving the engineering construction, assembly, and debugging of several body-in-white production lines. Through its technical expertise and hundreds of KUKA industrial robots, it will provide the customer with a flexible production scheme. Thanks to the previous good cooperation, SEOJIN, a South Korean company, as a major auto part supplier of automobile enterprises like Hyundai and Kia, ordered 185 robots from KUKA for manufacturing processes like welding and processing. Most of the robots were KR QUANTEC series products. In the NEV field, the Volkswagen Zwickau-Mosel Plant was transformed to produce electric vehicles (EVs), after inputting approximately EUR1.2 billion at the end of 2020. It is estimated that it will produce approximately 300,000 EVs in 2021. KUKA and Volkswagen will constantly deepen their cooperation at the plant to build a production line of EVs. This task involves more than 1,700 KUKA robots for body manufacturing and assembly, including KR QUANTEC, KR FORTEC, and LBR iiwa series. Besides, KUKA's robots have also participated in the manufacturing of the expandable battery system for Volkswagen with a mileage of over 500km. KUKA, as a participant of Germany's first battery electric vehicle (BEV) plant, will endeavor to drive the electrification and technological change of the automobile industry. KUKA obtained, in the first half of the year, a battery assembly line contract worth as much as tens of millions of euros, which would be used for producing battery systems for high-end electric vehicles.

In May 2020, KUKA provided 50 robotics to the German SAR Group for its electric vehicle automatic production line. In November 2020, KUKA obtained the fully electric vehicle ID of the commercial vehicle company of Volkswagen. For the BUZZ body-in-white production line, KUKA will handle the design, delivery, assembly, and debugging of the automatic body manufacturing system. All manufacturing processes like spot welding, splicing, and stud welding will be adopted for 15 modularized production lines. In the sector of logistics automation, the European cosmeceuticals chain retailer dm-drogerie markt GmbH built an innovative logistics center costing approximately 100 million euros in Germany this July, which would be equipped with a logistics automation system provided by KUKA's subsidiary Swisslog. In terms of education and training, KUKA provided Czech Technical University in Prague with 23 robots worth over EUR1 million, including LBR iiwa, KMR iiwa, and ready2_educate cell. These robots will be utilized by the new international research center of the university. In the sector of 3D printing, in response to the pandemic, the Italy-based Caracol-AM used KUKA's robotics to help manufacture protective masks by means of 3D printing, with a daily output of over 1,000 pieces. Moi Composites, an Italian startup, cooperates with leading experts in automation and shipbuilding. They applied KUKAKR QUANTEC robots to build the first fiberglass yacht by 3D printing, thus establishing a new benchmark in the shipbuilding industry. KUKA won the "Global Medical Robotics Company of the Year Award 2020" from Frost & Sullivan (a consultancy) and the title of "2019 Supplier of the Year" by GM for the fifth time.

The integration of KUKA's robotics business in China has been accelerated. On one hand, under KUKA's new organizational structure, KUKA China was established in 2019, covering robotics, flexible systems, general industrial automation, intelligent logistics automation and intelligent medical automation. On the other hand, the collaborative advantages of Midea and KUKA have started to show in various aspects, including development of business opportunities, technology sharing, customer service, purchase collaboration and management improvement, laying a foundation for the fast growth of the industrial automation business on all fronts. In 2020, KUKA China made breakthroughs in many aspects in spite of the impact of the COVID-19 pandemic. In terms of product R&D, it introduced experienced professionals, smoothly furthered the cooperation program in Germany, significantly improved local R&D and testing capabilities as well as the product matrix. 17 software products, six applications, KR 4 AGILUS, KR SCARA and KR DELTA robotics, as well as Mobile Robot KMP 600-S were launched in the year. As for marketing, a value chain-driven business model has been put in place, significantly boosting the efficiency

of sales and channel management of robot ontology, which was well-received by customers, indicating the gradual introduction of digital products into the market. Upon the application of KUKA Robot LBS, KMS, Martec, and WeChat 24-hour Online Customer Service further improved business operation efficiency through digital control measures in R&D, sales and post-sales. The increasing efficiency of the whole value chain is demonstrated by shortened product delivery, a guaranteed speed of response to customer demand, constantly improving supply systems and testing means, and significantly better material quality. As such, the customer-oriented principle has taken shape.

In the automotive sector, against the backdrop of COVID-19 and the trade war-induced economic downturn, QUANTEC Series II was launched and found favor among automobile manufacturers in terms of product iteration. The competitive edge with respect to Sino-foreign joint ventures has been solidified. KUKA China signed a new framework agreement with SAIC Volkswagen and received orders from BMW and Mercedes-Benz factories in China. KUKA China also expanded its cooperation with Chinese auto manufacturers - for example, Geely. KUKA China is now a robot supplier for Geely's Changxing Production Base. In the new energy vehicle industry, KUKA China obtained orders respectively amounting to tens of millions euros from Weltmeister and Human Horizons. Capitalizing on the continuous growth in the commercial vehicle market, KUKA China also won commercial vehicle project orders from FAW FAC, FAW-GM, FAW Jiefang, Changan Kuayue, Chery Kaiyi, etc. Meanwhile, KUKA China has vigorously developed applications for the assembly shop. It launched a following tire installation project at the FAW-Volkswagen Foshan Plant. It also jointly developed an AI-based anti-collision system with Midea Cloud for the project. KUKA China has made significant progress in the NEV electric driver test technology and developed overall technical competence in hardware systems, software development, and system integration. It delivered the first test station to the Volvo Zhangjiakou Plant in January 2021 and the automatic assembly and test line of NEV batteries to the FAW-Volkswagen Foshan Plant in 2020, providing effective support for the commissioning of the customers. KUKA China has been highly recognized for its technical competence and quick response. Additionally, it will develop business and technologies in lithium batteries and fuel cells. In regard to consumer products, KUKA Robotics bring about technical superiority to food, beverage, medicine, and tobacco industries, amid the huge challenges posed by the pandemic. A higher automation rate is required in the industry due to the pandemic. KUKA's automation solutions can flexibly satisfy the personalized demands of customers in food, beverage,

medicine, production, distribution, and logistics industries. KUKA has continuously made breakthroughs in new fields of consumer products. The 3D vision robot gumming application technology developed for the shoemaking industry and the food-grade Delta robot for food and pharmaceutical industries are typical examples. Moreover, breakthroughs have been achieved in other newly developed industries, such as key recreational projects like universal studios and the first application of KUKA robots in the tire industry. KUKA has established a partnership with relevant new customers. As for the medical logistics sector, at the beginning of the pandemic in China, Swisslog Healthcare under KUKA joined hands with Midea Group to donate 20 automated guided vehicles (AGVs) to makeshift hospitals in Wuhan for fighting COVID-19. The Shanghai Public Health Clinical Center, which also received and treated COVID-19 patients during the pandemic, was equipped with a steel pipe pneumatic logistics system from Swisslog Healthcare, greatly enhancing the efficiency of treatment. In 2020, this business showed significant year-on-year growth and developed dozens of new customers nationwide. Meanwhile, it simultaneously completed its R&D of related products in China and a strategic layout for hospitals' overall systems. For instance, Swisslog won the bid for the West China Hospital project in Tianfu to provide the pneumatic tube system, the box transmission system, the waste blanket and gown recovery system, and the operating room-storage and supply room transmission system for the hospital. Additionally, it has developed the domestic intelligent rail trolley, and the PIVAS ivONE system is in the pipeline. In the sector of warehousing and logistics, Swisslog successfully won orders from a famous daily necessities direct selling enterprise in North America to provide a complete logistics automation system for its brand-new distribution center in Shanghai. The order was worth over RMB100 million. In addition, KUKA China successfully signed a contract with a world-leading semiconductor company in Shanghai to supply the AutoStore system and make it the most robot-equipped in the Asia-Pacific region. In the second half of 2020, it took part in the Shenzhen Distribution Center project of the semiconductor company, which will be equipped with the AutoStore Black Line, the first high-speed robotic trolley system in China. The aforesaid project involves a total amount of over RMB100 million. In addition, KUKA has been playing an active part in raising Midea Group's intelligent manufacturing level. By the end of 2020, the robot density of Midea is close to 240 units per 10,000 persons. In the near future, this number is expected to reach 360 units per 10,000 persons.

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

In 2020, Midea continued to encourage the core management to take responsibility for the Company's long-term development and growth by further enhancing its long-term incentive schemes. Midea has launched seven stock option incentive schemes, four restricted share incentive schemes, six global partner stock ownership schemes and three business partner stock ownership schemes, which have helped, in a more effective manner, to align the long-term interests of senior management and core business backbones with that of all shareholders.

Midea Group protects its shareholders' interests by ensuring a consistent dividend policy. It shares its growth with shareholders by putting forward cash dividend plans (including that of 2020) with a total amount of nearly RMB58 billion since Group listing in 2013. In addition to the consistent dividend payouts, the Company has carried out a string of share repurchase plans. Subsequent to a share repurchase of RMB4 billion in 2018, to further stabilize the market capitalization and protect the shareholders' interests, the Company has launched share repurchase plans for three consecutive years since 2019. And the repurchased shares would be used for equity incentive schemes and/or employee stock ownership schemes. During the period from 2019 to 31 December 2020, Midea has used nearly RMB6 billion for the share repurchases.

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 revenue

Unit: RMB'000

	2020		2019		YoY Change (%)
	Amount	As a percentage of total operating revenue (%)	Amount	As a percentage of total operating revenue (%)	

Total	284,221,249		278,216,017		2.16%
By business segment					
Manufacturing	256,694,589	90.32%	254,286,134	91.40%	0.95%
By product category					
HVAC	121,215,043	42.65%	119,607,379	42.99%	1.34%
Consumer appliances	113,890,764	40.07%	109,486,791	39.35%	4.02%
Robotics and automation systems	21,588,782	7.60%	25,191,964	9.05%	-14.30%
By geographical segment					
PRC	163,139,841	57.40%	161,432,313	58.02%	-0.63%
Outside PRC	121,081,408	42.60%	116,783,704	41.98%	0.63%

Note: Consumer appliances in the table above primarily include refrigerators, laundry appliances, kitchen appliances and small domestic appliances.

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

√Applicable □N/A

Unit: RMB'000

	Operating Revenue	Cost of sales	Gross profit margin	YoY change of operating revenue (%)	YoY change of cost of sales (%)	YoY change of gross profit margin (%)
By business segment						
Manufacturing	256,694,589	188,335,826	26.63%	0.95%	6.65%	-3.92%
By product category						
HVAC	121,215,043	91,925,363	24.16%	1.34%	12.62%	-7.59%
Consumer appliances	113,890,764	79,112,626	30.54%	4.02%	5.46%	-0.95%
Robotics and automation systems	21,588,782	17,297,837	19.88%	-14.30%	-13.31%	-0.92%
By geographical segment						
PRC	163,139,841	122,571,889	24.87%	1.06%	10.56%	-6.46%
Outside PRC	121,081,408	90,267,703	25.45%	3.68%	3.70%	-0.01%

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	2020	2019	YoY Change (%)
Home appliances	Sales	In thousand units/sets	507,591.4	456,680.2	11.15%
	Output	Ditto	510,986.9	465,063.3	9.87%
	Inventory	Ditto	62,511.8	59,169.3	5.65%

2.2.4 Execution of significant sales contracts in the Reporting Period

Applicable N/A

2.2.5 Breakdown of cost of sales

By business segment

Unit: RMB'000

Business segment	Item	2020		2019		YoY Change (%)
		Amount	As a percentage of total cost of sales (%)	Amount	As a percentage of total cost of sales (%)	
Home appliances	Raw materials	144,479,295	84.47%	134,231,337	85.69%	7.63%
	Labor costs	11,066,122	6.47%	9,711,741	6.20%	13.95%
	Depreciation	3,009,985	1.76%	2,673,507	1.71%	12.59%
	Energy	2,567,340	1.50%	2,255,630	1.44%	13.82%

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

Yes No

The detailed information of major subsidiaries included in the consolidation scope in current year is set out in Notes 5 and 6. Entities newly included in the consolidation scope in current year include Media Group (Shanghai) Co., Ltd., Chongqing Midea Commercial Factoring Co., Ltd., Tianjin Annto Network Technology Co., Ltd., Western-style Electric Products Company, Hiconics Eco-Energy Technology Co., Ltd. and its subsidiaries (hereinafter "Hiconics"), and WINONE Elevator Company Limited and its subsidiaries (hereinafter "WINONE Elevator"). Please refer to Note 5(1) and Note 5(2)(a) for details. The

detailed information of subsidiaries no longer included in the consolidation scope in current year is set out in Note 5(2)(b).

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

Major customers of the Company

Total sales to top five customers (RMB'000)	39,476,942.09
Total sales to top five customers as a percentage of the total sales for the year (%)	13.89%
Total sales to related parties among top five customers as a percentage of the total sales for the year (%)	0

Information on top five customers

No.	Customer	Sales revenue (RMB'000)	As a percentage of the total sales revenue (%)
1	Customer A	23,199,371.94	8.16%
2	Customer B	8,907,826.58	3.13%
3	Customer C	2,626,776.31	0.92%
4	Customer D	2,599,044.53	0.91%
5	Customer E	2,143,922.73	0.75%
Total	--	39,476,942.09	13.89%

Major suppliers of the Company

Total purchases from top five suppliers (RMB'000)	10,191,371.51
Total purchases from top five suppliers as a percentage of the total purchases for the year (%)	5.14%
Total purchases from related parties among top five suppliers as a percentage of the total purchases for the year (%)	0

Information on top five suppliers of the Company

No.	Supplier	Purchase (RMB'000)	As a percentage of the total purchases (%)
1	Supplier A	2,776,345.52	1.40%
2	Supplier B	2,035,200.92	1.03%
3	Supplier C	1,930,072.00	0.97%

4	Supplier D	1,749,648.68	0.88%
5	Supplier E	1,700,104.39	0.86%
Total	--	10,191,371.51	5.14%

2.3 Expense

Unit: RMB'000

	2020	2019	YoY Change (%)	Reason for any significant change
Selling and distribution expenses	27,522,276	34,611,231	-20.48%	
General and administrative expenses	9,264,148	9,531,361	-2.80%	
Finance costs	2,638,032	2,231,636	18.21%	
Research and development expenses	10,118,667	9,638,137	4.99%	

2.4 R&D investment

√Applicable □N/A

The Group is focused on building a competitive, multi-layered global R&D system centering on user experience and product functions, which represents world-class R&D input and strength. With nearly RMB45 billion invested in R&D over the past five years (more than RMB10 billion in 2020 alone), the Group has set up a total of 28 research centers in 11 countries to gradually build up a “2+4+N” global R&D network and gain the advantage of scale in this respect. Domestically, Midea Global Innovation Center in Shunde District, Foshan City and Midea Global Innovation Center in Shanghai are the cores of Midea’s R&D arm. Overseas, with Midea America Research Center, Midea Germany Research Center, Midea Japan Research Center and Midea Milan Design Center as the cores, Midea makes use of the regional technological advantages, integrates global R&D resources, and builds these facilities into complementary regional R&D centers. Following the strategy of “Technology Leadership”, it attracts more professional talent and builds an organic global R&D network. It has over 15,000 R&D employees and over 500 senior foreign senior experts. While establishing its own research centers around the world, Midea also works on constructing an open platform of innovative ecosystems. The Group cooperates

with domestic and foreign scientific research institutions, such as Massachusetts Institute of Technology, University of California, Berkeley, University of Illinois at Urbana-Champaign, Stanford University, Purdue University, University of Maryland, The University of Sheffield, Polytechnic University of Milan, Tsinghua University, Shanghai Jiao Tong University, Zhejiang University, the Chinese Academy of Sciences, Harbin Institute of Technology, Xi'an Jiaotong University, Huazhong University of Science and Technology and South China University of Technology, in order to establish joint labs for deepening technological cooperation. The Group also carries out strategic cooperation with tech giants such as BASF and Honeywell to build a global innovation ecosystem. The Group's long-term focus on building technology, marketing, design, product and open innovation systems, building a cutting-edge research system and building reserves in technology for mid/long term, has provided a solid foundation for the Group to maintain technical superiority across the globe.

Information about R&D investment

	2020	2019	YoY Change (%)
Number of R&D personnel	16,071	13,727	17.08%
R&D personnel as a percentage of total employees	10.77%	10.18%	0.59%
R&D expense (RMB'000)	10,118,667	9,638,137	4.99%
R&D investment as a percentage of operating revenue	3.56%	3.46%	0.10%

Note: The R&D personnel in the table above exclude those of KUKA.

2.5 Cash flow

Unit: RMB'000

Item	2020	2019	YoY Change (%)
Subtotal of cash inflows from operating activities	252,985,046	252,123,178	0.34%
Subtotal of cash outflows due to operating activities	223,427,929	213,532,774	4.63%
Net cash flows from operating activities	29,557,117	38,590,404	-23.41%
Subtotal of cash inflows from	147,012,656	89,004,610	65.17%

investing activities			
Subtotal of cash outflows due to investing activities	182,323,319	112,112,311	62.63%
Net cash flows from investing activities	-35,310,663	-23,107,701	-52.81%
Subtotal of cash inflows from financing activities	54,749,413	20,015,594	173.53%
Subtotal of cash outflows due to financing activities	55,505,708	23,289,195	138.33%
Net cash flows from financing activities	-756,295	-3,273,601	76.90%
Net increase in cash and cash equivalents	-6,893,252	12,489,478	-155.19%

Explanation of why the data above varied significantly

Applicable N/A

a. Primarily driven by an increase in cash paid to acquire investments, net cash flows from investing activities decreased 52.81% from last year.

b. Primarily driven by an increase in cash received from issuance of short-term financing bonds, net cash flows from financing activities increased 76.90% from last year.

c. Primarily driven by a decrease in net cash flows from investing activities, net increase in cash and cash equivalents decreased 155.19% from last year.

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

3. Analysis of Non-Core Business

Applicable N/A

4. Assets and Liabilities

4.1 Material changes of asset items

The Company first adopted the new accounting standards governing revenue in 2020 and adjusted the relevant financial statement items at the beginning of the year accordingly.

Unit: RMB'000

	31 December 2020		1 January 2020		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	81,210,482	22.53%	70,916,841	23.49%	-0.96%	
Accounts receivable	22,978,363	6.38%	18,663,819	6.18%	0.20%	
Inventories	3,236,848	0.90%	4,009,176	1.33%	-0.43%	
Investment properties	31,076,529	8.62%	28,434,223	9.42%	-0.80%	
Long-term equity investments	405,559	0.11%	399,335	0.13%	-0.02%	
Fixed assets	2,901,337	0.81%	2,790,806	0.92%	-0.11%	
Construction in progress	22,239,214	6.17%	21,664,682	7.17%	-1.00%	
Short-term borrowings	1,477,302	0.41%	1,194,650	0.40%	0.01%	
Long-term borrowings	9,943,929	2.76%	5,701,838	1.89%	0.87%	
Contract assets	42,827,287	11.88%	41,298,377	13.68%	-1.80%	
Contract liabilities	18,400,922	5.11%	18,436,559	6.11%	-1.00%	
Other current liabilities	49,803,172	13.82%	36,870,072	12.21%	1.61%	

4.2 Assets and liabilities measured at fair value

√Applicable □N/A

Unit: RMB'000

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Amount provided for impairment in the period	Purchased in the period	Sold in the period	Other changes	Closing balance
------	-----------------	--	--	--	-------------------------	--------------------	---------------	-----------------

Financial assets								
1. Financial asset held for trading (excluding derivative financial assets)	53,394,976	1,676,000	0		78,798,119	102,130,917	-137,728	31,600,450
2. Derivative financial assets	295,984	524,880	354,741		0	0	12,823	1,188,428
3. Receivables financing	7,565,776	0	0		27,778,080	814,505	828,660	35,358,011
4. Other investments in equity instruments	0	0	0		55,298	0	-8,647	46,651
Sub-total of financial assets	61,256,736	2,200,880	354,741		106,631,497	102,945,422	695,108	68,193,540
Investment properties								
Productive living assets								
Others								
Sub-total of the above	61,256,736	2,200,880	354,741		106,631,497	102,945,422	695,108	68,193,540
Financial liabilities	27,132	137,336	19,479				-3,211	180,736

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

Yes No

Explanation of reasons leading to the material changes on the measurement attributes of major assets of the Company during the Reporting Period, as well as their effects on the operating results and financial condition

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

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

5. Investment made

5.1 Total investment amount

Applicable N/A

Total investment amount of Reporting Period (RMB'000)	Total investment amount of last year (RMB'000)	YoY Change (%)
182,323,319	112,112,311	62.63%

5.2 Significant equity investment made in the Reporting Period

Applicable N/A

5.3 Significant non-equity investments ongoing in the Reporting Period

Applicable N/A

5.4 Financial investments

5.4.1 Securities investments

Applicable N/A

Unit: RMB'000

Type of securities	Code of securities	Abbreviation of securities	Initial investment cost	Measurement method	Opening carrying amount	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Purchased in the period	Sold in the period	Profit or loss in the period	Closing carrying amount	Accounting title	Funding source
Overseas listed stock	1810	XIAOMI-W	1,272,584	Fair value method	936,358	1,364,354	-36,933	-	876,650	-1,653,772	1,676,547	Financial asset held for trading	Own funds
Overseas listed stock	DNK	Danke	172,190	Fair value method	-	-135,066	-1,998	172,190	-	-135,066	35,126	Financial asset held for trading	Own funds
Domestically listed stock	688018	Espressif Systems	14,625	Fair value method	150,993	-22,334	-	-	-7,011	-15,950	128,032	Financial asset held for trading	Own funds
Dom	688165	EFORT	178,534	Fair	-	249,200	-	226,06	-	249,200	475,260	Financial	Own

estically listed stock				valuation method					0			asset held for trading	fund s
Total			1,637,933	--	1,087,351	1,456,154	-38,931	398,250	-883,661	1,751,956	2,314,965		--

5.4.2 Derivatives investments

√Applicable □N/A

Unit: RMB'000

Operating party	Relationship with the Company	Related transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Opening investment amount	Purchased in Reporting Period	Sold in Reporting Period	Amount provided for impairment (if any)	Closing investment amount	Closing investment amount as a percentage of the Company's closing net assets	Actual gain/loss in Reporting Period
Futures company	No	No	Futures contracts	1,377	01/01/2020	31/12/2020	1,377	-	-	-	105	0.0001%	248,836
Bank	No	No	FX derivatives	267,475	01/01/2020	31/12/2020	267,475	44,681	30,417	-	1,007,587	0.8574%	1,869,953
Total				268,852	--	--	268,852	44,681	30,417	-	1,007,587	0.8574%	2,118,789
Source of derivatives investment funds	All from the Company's own funds												
Litigation involved (if applicable)	N/A												
Disclosure date of the announcement about the board's consent for the derivative investment (if any)	30/04/2020												

Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)	22/05/2020
Risk analysis of positions held in derivatives during the Reporting Period and explanation of control measures (Including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	<p>For the sake of eliminating the cost risk of the Company's bulk purchases of raw materials as a result of significant fluctuations in raw material prices, the Company not only carried out futures business for some of the materials, but also made use of bank financial instruments and promoted forex funds business, with the purpose of avoiding the risks of exchange and interest rate fluctuation, realizing the preservation and appreciation of forex assets, reducing forex liabilities, as well as achieving locked-in costs. The Company has performed sufficient evaluation and control against derivatives investment and position risks, details of which are described as follows:</p> <p>1. Legal risk: The Company's futures business and forex funds businesses shall be conducted in compliance with laws and regulations, with clearly covenanted responsibility and obligation relationship between the Company and the agencies.</p> <p>Control measures: The Company has designated relevant responsible departments to enhance learning of laws and regulations and market rules, conducted strict examination and verification of contracts, defined responsibility and obligation well, and strengthened compliance check, so as to ensure that the Company's derivatives investment and position operations meet the requirements of the laws and regulations and internal management system of the Company.</p> <p>2. Operational risk: Imperfect internal process, staff, systems and external issues may cause the Company to suffer from loss during the course of its futures business and forex funds business.</p> <p>Control measures: The Company has not only developed relevant management systems that clearly defined the assignment of responsibility and approval process for the futures business and forex funds business, but also established a comparatively well-developed monitoring mechanism, aiming to effectively reduce operational risk by strengthening risk control over the business, decision-making and trading processes.</p> <p>3. Market risk: Uncertainties caused by changes in the prices of bulk commodity and exchange rate fluctuations in foreign exchange market could lead to greater market risk in the futures business and forex funds business. Meanwhile, inability to timely raise sufficient funds to establish and maintain hedging positions in futures operations, or the forex funds required for performance in forex funds operations being unable to be credited into account could also result in loss and default risks.</p> <p>Control measures: The futures business and forex funds business of the Company shall always be conducted by adhering to prudent operation principles. For futures business, the futures transaction volume and application have been determined strictly according to the requirements of production & operations, and the stop-loss mechanism has been implemented. Besides, to determine the prepared margin amount which may be required to be supplemented, the futures</p>

	<p>risk measuring system has been established to measure and calculate the margin amount occupied, floating gains and losses, margin amount available and margin amount required for intended positions. As for forex funds business, a hierarchical management mechanism has been implemented, whereby the operating unit which has submitted application for funds business should conduct risk analysis on the conditions and environment affecting operating profit and loss, evaluate the possible greatest revenue and loss, and report the greatest acceptable margin ratio or total margin amount, so that the Company can update operating status of the funds business on a timely basis to ensure proper funds arrangement before the expiry dates.</p>
<p>Changes in market prices or fair value of derivative products during the Reporting Period, specific methods used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives</p>	<ol style="list-style-type: none"> 1. Gain from futures contracts during the Reporting Period was RMB248,836,000. 2. Gain from FX derivatives during the Reporting Period was RMB1,869,953,000. 3. Public quotations in futures market or forward forex quotations announced by the Bank of China are used in the analysis of derivatives fair value.
<p>Explanation of significant changes in accounting policies and specific financial accounting principles in respect of the Company's derivatives for the Reporting Period as compared to the previous Reporting Period</p>	<p>No change</p>
<p>Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control</p>	<p>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.</p>

5.5 Use of funds raised

Applicable N/A

No such cases in the Reporting Period.

6. Sale of Major Assets and Equity Interests

6.1 Sale of major assets

Applicable N/A

No such cases in the Reporting Period.

6.2 Sale of major equity interests

Applicable N/A

7. Analysis of Major Subsidiaries

Applicable N/A

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

Company name	Company type	Business scope	Registered capital	Total assets (in RMB million)	Net assets (in RMB million)	Operating revenue (in RMB million)	Operating profit (in RMB million)	Net profit (in RMB million)
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD72 million	17,976.46	6,369.45	14,407.31	1,821.82	1,589.79
GD Midea Air-Conditioning Equipment Co.,Ltd.	Subsidiary	Manufacturing of air conditioners	RMB854 million	37,034.15	4,350.11	46,322.47	339.80	415.92
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD42 million	14,931.98	7,580.76	10,698.15	1,420.91	1,241.10
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	Subsidiary	Manufacturing of water heaters	RMB60 million	13,950.03	1,171.59	11,879.86	1,084.47	941.00

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable N/A

The detailed information of major subsidiaries included in the consolidation scope in current year is set

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

8. Structured Bodies Controlled by the Company

Applicable N/A

9. Outlook for the Future Development of the Company

9.1 Development strategies of the Company

With “Bring Great Innovations to Life” as its corporate vision, “Integrate with the World, to Inspire your Future” as its mission, and “Embrace What’s Next - Aspiration、Dedication、Collaboration、Innovation” as its values, Midea adheres to its new strategic focus of “Technology Leadership, Direct to Users, Digitization & Intelligence Driven, and Global Impact” and focuses on “Comprehensive Digitalization and Comprehensive Intellectualization”, in pursuit of a new Midea in the new era. It integrates global resources, follows the customer-oriented principle, and builds key technology barriers by way of technological innovation and quality improvement, so as to achieve global leadership with respect to principal product categories and new business breakthroughs, as well as to maintain technology leadership. It aims to establish direct connection with customers in terms of mindsets, products, buying, services, etc. through digitalization and intellectualization in its operations. Supported by data- and platform-based operations in the whole value chain, Midea strives to boost its business competitiveness and become more competitive in the digital era by implementing the strategy of “Digitization & Intelligence Driven”. It will also promote global operations and try to lay a solid foundation in this regard and enhance global impact through promoting its own branded products. It will promote efficiency driven growth by improving management, manufacturing and asset efficiency to create more cost efficiency. Additionally, it will strengthen its ToB business to build new business platform and growth points. It aims to create a better life for over 400 million users, major customers and strategic partners in different areas worldwide every year with satisfying products and services.

9.2 Key operation points in 2021

In 2021, based on the core strategic focus with “Technology Leadership” as the core, Midea will promote development both in the ToB and ToC business, as well as carry out transformation in both the domestic and overseas operations. With innovation, breakthroughs and planning as the keynote, it will make clear the five business divisions, promote the implementation of the four strategic focus, as well as ensure enough breakthroughs regarding management systems, the organizational structure and mechanisms. Specific priority tasks are set out below:

a. Midea will firmly increase R&D investment and build up the R&D scale advantage in key technologies, cutting-edge technologies, basic technologies, digitalization and intellectualization in particular. Driven by technology as the fundamental approach, it will make breakthroughs and build key technology barriers in all the product categories. Also, it will see to the full implementation of the customer-oriented principle with respect to all the products, services and business models. By way of “Comprehensive Digitalization and Comprehensive Intellectualization”, increasing efficiency internally and developing customers externally, as well as deepening the R&D model of “Three Generations”, Midea is implementing the strategy of “Being the Number One or the Only One”. Meanwhile, efforts will be made in bringing in top talent, promoting a distributed working system and talent diversity at home and abroad, strengthening the global R&D network, refining the global R&D system, and building up an R&D-centric and innovation-driven model, with a purpose of maintaining technology leadership in a comprehensive manner.

b. Midea will keep a high-quality development direction and stick to internal, sustained and effective organic growth. It will promote the T+3 business model reform and high-performance operations in the whole value chain in every link from product planning to after-sales service, so as to increase efficiency in the whole value chain and the data-driven efficiency. Channel reform will be firmly pushed forward for the front-end market in pursuit of better profitability. In order to win in competition, it is important to develop high-end products to refine the product mix. Breakthroughs must be made in a faster manner regarding small and major appliances, in addition to the promotion of products catering to new consumption trends. Midea will explore new models, business and product categories and make breakthroughs in these areas. It will plan for, establish and refine business middle platforms, especially data and technology middle platforms. In the meantime, it will maintain overall consistency by sticking to “One Midea, One System,

One Standard”. It will also maintain effective investments, control non-operating expenses, increase labor productivity, improve human resource allocation efficiency, promote lean management and provide fresh impetus for continual growth through relentless innovation.

c. For the domestic market, Midea will focus on promoting “One Midea” for users, enhance the basic systems, and set up a unified business language and rules. It will also make use of the advantages of synergies, reinforce the result-oriented process control and improve operating efficiency. Intellectualization and digitalization will be deepened in the exclusive shop system. Specific measures include rebuilding smart experience scenes at the retail end and the whole sales service process from the customers’ angle, enhance customers’ smart perception, building smart service package platforms for home decoration customers and companies and communities, as well as constructing Midea’s intelligent terminal network. With specific objectives, Midea will continue to deepen platform reform and increase efficiency, look for incremental systems, expand sources of sales, and improve efficiency at the front and back end through the data middle platform. In terms of the ToB business, Midea will implement sales incremental approaches, make breakthroughs for new business, build the middle platform capability for the engineering business, and expand its presence in the real estate industry by covering all key customers, making breakthroughs in the cooperation with regional strategic target customers, and increasing sales to key target customers. In addition, operational professionalism is further enhanced with regard to the chain operator business, the special channel business, etc., generating breakthroughs and growth in sales. Midea will deepen the reform of the service engineer model, rebuild the whole service process from the customers’ angle, and solve their pain points. The “get a new one instead of repairs” service is implemented for all the small domestic appliances, with super-fast identification and get-a-new-one services. And an industry-leading smart home service platform is being built. Meanwhile, it will continue to increase the efficiency of the supply chain system, enhance the advantage of Midea’s all-channels coverage, rebuild business processes and push forward the construction of a shared inventory system.

d. For the overseas market, Midea will firmly carry forward the strategy of “Global Impact”, and adhere to the strategies of being customer-oriented and leading products. Leveraging its advantageous global R&D and user research networks, as well as benchmarking to other top brands across the globe, Midea will

continue to launch differentiated and innovative products to solve users' pain points, enlarge the mainstream market share and give play to its advantage of various product categories. It will continue to improve the ability to operate multiple brands in the overseas market, refine the differentiated product portfolios of the brands, and carry out global and regional branding activities through digital marketing to boost the brands' presence and reputation. Meanwhile, cross-border e-commerce will be promoted. The focus has shifted from product marketing to brand marketing. Midea will embrace digital and content marketing, work on new media and social media operation, and establish customer- and brand-oriented business models. It will quickly upgrade its organizing capability to fully promote the development of the overseas e-commerce business. Meanwhile, Midea will break through strategic markets, stick to a long-termist approach, implement business models with direct connection with customers and build up capabilities by way of continuous product innovation. In addition to building the brand image of MSmart in a comprehensive manner in key strategic markets, Midea will enhance local capabilities in relation to customer insights, R&D and manufacturing. In terms of overseas channels, Midea will focus its advantageous resources on breaking through substantial channels. It plans to set up over 20,000 self-branded sales units in 2021 to boost channel vitality and enlarge the channel percentage. Digital tools are used to empower and increase the efficiency of the value chain of all the channels. And the D2C channel will be the focus to get closer to consumers and achieve direct connection with them. Meanwhile, channel reform and empowerment will be deepened. Midea will continue to boost channel vitality and increase channel efficiency. It will further its channel reform centering on empowering channel customers and increasing channel efficiency. A coordination platform will be put in place for key overseas channels. And one-stop services will be provided for customers at different levels, including product customization, order placing, automatic settlement, policy delivery, live-streaming training, etc. Also, digitalization will be promoted for the overseas commercial operations. Midea will continue to strengthen data analysis for the overseas business, particularly the e-commerce data analysis platform, the retail store shopping guide monitoring system, the automatic data and product analysis system, and the smart warning module. It will effectively deepen the transformation towards digitalization in international operations for data transparency and sharing, as well as for higher coordination efficiency. In addition, the global logistics and service capability will be improved. Midea will improve the one-stop services of distribution, installation and repair for strategic markets, set up regional pre-warehouses, and substantially accelerate order execution and boost customer satisfaction using the intelligent supply chain replenishing algorithm.

TLSC will enhance the in-depth cooperation with key customers and all the business divisions of the Group, take proactive actions to deal with risks, firmly promote business reform, and focus on the Japan market. Firstly, in terms of products, it will focus on the real needs of customers, strengthen manufacturing coordination with the Group's business divisions, continue to improve the product quality and product portfolio, and ensure the timely supply of products and service spare parts. Secondly, it will promote a lean and transparent sales system, accelerate reforms in relation to single-store and per-capita efficiency, further refine the e-commerce organizational system, and expand online sales as a percentage of the total revenue. Finally, the 632 program and the related system development will be furthered to improve the capability of digitalized management.

e. In light of different needs from different consumer groups, Midea will carry out long-term planning, improve its multi-brand matrix, and refine its high-end brand portfolio. COLMO, the brand targeting high-end consumers, will launch whole new product suites for all scenes, expand its channel network, and upgrade the scene-based and smart experience at the retail end. BUGU, the brand targeting online consumers, will integrate internal and external resources to provide individualized experience for users, and establish all-scene ecosystem cooperation with external manufacturers to create innovative marketing and business models. Meanwhile, consistency towards customers will be promoted. Being customer-oriented, Midea will give play to its multi-category synergistic advantages, provide product suites for customers based on scenes, and provide customized and integrated home solutions with full categories of the household appliances.

f. Midea will boost its competitiveness in the digital era by implementing the strategy of "Digitization & Intelligence Driven". It will strengthen the building of Midea as a digitalized enterprise, improve the digital operational methods and systems, support the integration of every link of Midea's value chain by digital means, and optimize efficiency, value creation and the fulfillment of operating objectives through digitalization. Effort will also be made to refine the Midea Cloud Sales platform, promote digital reform in marketing, as well as further build and optimize digitalized Industrial Internet factories. And it will strengthen digital support for the "Global Impact" strategy. Measures to be taken include enhancing the data platform and data governance to promote data-driven improvement in operations. Meanwhile, Midea will continue to increase its investment in the R&D of IoT basic technology. Upholding the customer-

oriented principle, it is dedicated to building an industry-leading open IoT platform featuring multiple scenes, entries and applications. Focusing on user research, smart scene experience, solution packages, smart marketing upgrading and one-stop delivery, among others, Midea will provide more families with smart life services which are convenient, safe and reliable.

g. Midea will beef up KUKA's localized operations in China, increase investment in the development and application of robotics, as well as foster R&D innovation of core components and software systems. In terms of marketing, Midea will maintain leadership in the auto sector and take active steps to explore new areas including general industrial manufacturing, electronics, medical care and logistics, services, etc. Concerning operation, it will concentrate on R&D, supply chain management, high-performance operations and digitalization, among others, so as to build the core competitiveness of the robotics and industrial automation business in a faster manner.

9.3 Key capital expenditure plan in future

To adapt to changes in the industry environment, the Company will focus its 2021 investments on technological innovation, product quality improvement, robotics and industrial automation systems, digitalization, e-commerce channel expansion and new retail channels construction, new brand marketing, global operations capability improvement and the smart home strategy. Meanwhile, the Company will strictly control investment in infrastructure and capacity expansion, as well as non-operating expenditures. The capital expenditures will primarily come from the Company's own funds.

9.4 Main risks in future development

a. Risk associated with the COVID-19 outbreak

The fluctuations and repeated outbreaks of the COVID-19 pandemic may impact the demand, production and sales of the Company's products and services. Pandemic control measures, such as lockdown, social distancing, and travel restrictions, reduce customer mobility. Other consequences include limited production and operations in some regions, the shutdown of retail outlets, suspended customer operations, and increased logistics costs. All these factors bring about uncertainties and challenges to the normal functioning of the Company and the market environment.

b. Risk of macro economy fluctuation

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

c. Risks in the fluctuation of production factors

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

d. Risk in global asset allocation and overseas market expansion

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

e. Risk in foreign exchange losses caused by exchange rate fluctuation

As Midea carries on with its overseas expansion plan, its overseas sales have accounted for more than 40% of the total revenues. Any sharp exchange rate fluctuation might not only bring negative effects on

the overseas operations of the Company, but could also lead to exchange losses and increase its finance costs.

f. Market risks brought by trade frictions and tariff barriers

Due to the rise of anti-globalization and trade protectionism, China will see more uncertainties in export in 2021. The trade barriers and frictions of some major markets will affect the export business in the short run, as well as marketing planning and investment in the medium and long run. Political and compliance risks are rising in international trade. These can mainly be seen on compulsory safety certificates, international standards and requirements, and product quality and management systems certification, energy-saving requirements, the call for increasingly strict environmental protection requirements, as well as with rigorous requirements for recycling household appliances waste. Trade frictions caused by anti-dumping measures implemented by some countries and regions aggravate the burden in costs and expenses for household appliance enterprises, and have brought about new challenges to market planning and business expansion for enterprises.

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

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

10.1 In the Reporting Period

Applicable N/A

Date	Place	Way of visit	Type of visitor	Visitor	Discussions	Index to main inquiry information
14 January 2020	Shanghai	One-on-one meeting	Institution	Aberdeen Standard Investments, Boyu Capital, Janus Henderson Investors, MFS International,	1. Please briefly introduce Midea's development in the Industrial Internet. 2. What about Midea's channel reform? 3. Please summarize the internal automatic integration and expansion of Midea. 4. How does Midea improve user	Log Sheet of Investor Relations Activities for 14 January 2020 disclosed on www.cninfo.com.cn

				Moore Capital Management, etc.	service quality?	
14 March 2020	Midea Group HQ	By phone	Institution	FountainCap Research & Investment (HK) Co Ltd, Harvest Global Investment, GIC Private Limited, Guoco Management Co. Limited, etc.	1. Please describe Midea's changes in the retail network given the rising of different consumer circles. 2. How is Midea's integration with KUKA? 3. Please briefly explain Midea's layout in smart home. 4. Please outline Midea's corporate governance mechanism.	Log Sheet of Investor Relations Activities for 14 March 2020 disclosed on www.cninfo.com.cn
15 May 2020	Midea Group HQ	By phone	Institution	Investors	1. Midea ranks No. 36 on the 2019 Fortune China 500 list, the highest-ranking among the home appliance industry in the country for five consecutive years. As a leading player in the home appliance industry, what's Midea's core competitiveness? How are the product positioning and competition strategy of Midea? 2. How does Midea adjust channels, given the rising of different consumer circles? 3. What about the future value and proportions of channels (especially franchised stores of home appliances in villages and towns) like third-party platforms (e.g., Suning and JD)? How does Midea view e-commerce platforms and channels like Pinduoduo? 4. What is Midea's future strategic plan for home appliances? What does Midea think of the future development of the small domestic appliance business in market segments? 5. How does Midea deepen the channel reform and transformation and reshape retail service capabilities? Please talk about the progress of Midea's channel reform strategy. 6. How is the air-conditioner pricing this year? How to	Log Sheet of Investor Relations Activities for 15 May 2020 disclosed on www.cninfo.com.cn

					balance between profitability improvement and market expansion? 7. Midea established a new IoT Division, based on the IoT company, in April this year. What's the strategic objective of this division? Does Midea have any plans for realizing the strategic objective? How will the IoT Division implement the strategic plans?	
27 May 2020	Midea Group HQ	By phone	Institution	Broad Peak Master Fund II Ltd, FIL Investment Management Ltd, LGM Investments Limited, Point 72 Asset Management, Principal Asset Management, etc.	1. Please briefly introduce the integration of TLSC in 2019. 2. What progress has Midea made in the technological innovation of smart home? 3. Please briefly talk about the development of WAHIN in 2019. 4. Midea established a new IoT Division, based on the IoT company, this year. What's the strategic objective of this division?	Log Sheet of Investor Relations Activities for 27 May 2020 disclosed on www.cninfo.com.cn
23 June 2020	Midea Group HQ	By phone	Institution	Invesco Great Wall Fund Management Co., Ltd. (IGW), PH Capital, Soochow Asset Management Co., Ltd., Maxwealth Fund, Green Court Capital Management Limited, Harvest Fund, Bank of Communications Schroder Fund Management Co., Ltd (BOCOM Schrodgers), Minsheng Royal Fund Management Co., Ltd., Cathay Life Insurance, New	1. Midea will regard the MSmartLife App as an entry to provide complete solutions for a smart and healthy life. Please briefly describe the App. 2. What breakthroughs did Midea make in refrigerators and the corresponding technologies in 2019? 3. Please briefly explain the profit of the overseas operations. 4. Please summarize the mid-to-long term strategic planning and major directions in the next five years.	Log Sheet of Investor Relations Activities for 23 June 2020 disclosed on www.cninfo.com.cn

				China Fund, Foresea Life Insurance, BOSCO Asset, Zhong Ou AMC, etc.		
9 July 2020	Midea Group HQ	By phone	Institution	GW&K Investment Management LLC, Teng Yue Partners LP, Matthews International Capital, Ivy Investment Management Company, Wells Capital Management, etc.	1. Please briefly describe the mid-to-long term planning and profitability of the KUKA business. 2. Currently, how to effectively manage the overseas operations and apply the efficient systems of Midea to those operations for better outcomes? 3. Please briefly talk about the development of Annto. 4. Please summarize the governance and incentive mechanisms.	Log Sheet of Investor Relations Activities for 9 July 2020 disclosed on www.cninfo.com.cn
30 July 2020	Midea Group HQ	By phone	Institution	Oriental Alpha Fund, Ping An Fund, Yinhua Fund, Bank of China Investment Management, Sinolink Securities, BOCOM Schroders, Morgan Stanley China, Nan Shan Life Insurance, Harvest Fund, China Asset Management, etc.	1. Midea established a new IoT Division, based on the IoT company, this year. What's the strategic objective of this division? 2. What's Midea's core competitiveness regarding the development of the Industrial Internet? What new development directions will Midea have? 3. Please briefly describe the development of channels. 4. Please summarize innovations in relation to commercial air conditioners.	Log Sheet of Investor Relations Activities for 30 July 2020 disclosed on www.cninfo.com.cn
16 September 2020	Midea Group HQ	By phone	Institution	APS Asset Management, Calamos Advisors, Dymon Asia Capital, Fidelity Management & Research, Hardman	1. Please talk about the e-commerce business in the first half of the year. 2. Please briefly talk about the latest development of BUGU. 3. How is the IoT development? 4. What innovation has Midea achieved in patented technologies?	Log Sheet of Investor Relations Activities for 16 September 2020 disclosed on www.cninfo.com.cn

				Johnston Gbl Adv Llc, etc.		
27 November 2020	Midea Group HQ	By phone	Institution	Tiger Pacific, Botong Investment, China Fund, First State Cinda Fund Management Co., Ltd., Everbright Trust, TruValue Asset Management, etc.	1. Midea's R&D investment and layout. 2. What's Midea's next move regarding the strategy of "Technology Leadership"?	Log Sheet of Investor Relations Activities for 27 November 2020 disclosed on www.cninfo.com.cn

Times of visit	243
Number of visiting institutions	2,545
Number of visiting individuals	125
Number of other visitors	0
Significant undisclosed information disclosed, revealed or leaked	No

Section V Significant Events

1. Profit Distribution and Converting Capital Surplus 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

Cash dividend to common shareholders in the past three years (including the Reporting Period)

Unit: RMB

Year	Cash dividends (tax included)	Net profit attributable to common shareholders of the Company in the consolidated statement in the year	Ratio of cash dividends to net profit attributable to common shareholders in the consolidated statement in the year	Cash dividends in other forms (such as share repurchase)	Ratio of cash dividends in other forms to net profit attributable to common shareholders in the consolidated statement in the year	Total cash dividends (inclusive of those in other forms)	Ratio of total cash dividends (inclusive of those in other forms) to net profit attributable to common shareholders in the consolidated statement in the year
2020	11,066,392,174.40	27,222,969,000	40.65%	2,700,000,000	9.92%	13,766,392,174.40	50.57%
2019	11,131,489,692.80	24,211,222,000	45.98%	3,200,000,000	13.22%	14,331,489,692.80	59.19%
2018	8,561,589,853.70	20,230,779,000	42.32%	4,000,000,000	19.77%	12,561,589,853.70	62.09%

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 Surplus 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)	16
Additional shares converted from capital surplus for every 10 shares (share)	0
Total shares as the basis for the preliminary plan for profit distribution (share)	6,916,495,109
Cash dividends (RMB) (tax inclusive)	11,066,392,174.40
Cash dividends in other forms (such as share repurchase) (RMB)	2,700,000,000
Total cash dividends (inclusive of those in other forms) (RMB) (tax inclusive)	13,766,392,174.4
Distributable profits (RMB)	25,795,300,000
Percentage of total cash dividends (inclusive of those in other forms) in the total distributed profit (%)	100%
Cash dividend policy adopted	
Where the Company is at a mature stage of development and has significant expenditure arrangements, cash dividends shall account for at least 40% of the total distributed profit when carrying out profit distribution.	
Details about the preliminary plan for profit distribution and converting capital surplus into share capital	
According to the Auditor's Report PwC ZT Shen Zi (2021) No. 10017 issued by PricewaterhouseCoopers Zhong Tian LLP, the parent company realized a net profit of RMB15,187,038,000 for 2020. Pursuant to the relevant provisions under the Articles of Association, it provided 10% as statutory surplus reserve, namely RMB1,518,704,000. Plus undistributed profits at the beginning of the year of RMB23,249,372,000 and minus the profit distributed in the year of RMB11,122,406,000, the actual distributable profit would be RMB25,795,300,000.	

3. Performance of Undertakings

3.1 Undertakings of the Company's actual controller, shareholders, related parties and acquirer, as well as the Company and other commitment makers fulfilled in the Reporting Period or 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	Controlling shareholder and actual controller	Maintenance of independence	1. 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.	28/03/2013	Long-standing	1. There has been no violation of this undertaking.
alternative documents	Controlling shareholder and actual controller	Avoiding competition within the industry	2. In order to avoid possible competition within the industry between Midea Group and Midea Holding and its controlled enterprises as well as He Xiangjian, his immediate family and his controlled companies, 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	28/03/2013	Long-standing	2. There has been no violation of this undertaking.

		<p>not or will not be engaged or participate in such business that is competitive to the existing main business of Midea Group and its controlled companies by controlling other economic entities, institutions or economic organizations;</p> <p>(2) If Midea Group and its controlled companies expand their business on the basis of the existing ones to those where the above mentioned related entities or individuals are already performing such production and operations, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they will agree on solving the problem of competition within the industry arising therefrom within a reasonable period;</p> <p>(3) If Midea Group and its controlled companies expand their business scope on the basis of the existing ones to those where the above mentioned related subjects have not gone into production or operation, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they would undertake as not to engage in competitive business to the new ones of Midea Group and its controlled companies;</p> <p>(4) In accordance with effective laws, regulations or other regulatory documents of People's Republic of China, as long as Midea Holding is identified as the controlling shareholder of Midea Group, and He Xiangjian the actual controller, they will not change or terminate this undertaking.</p> <p>(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</p>			
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		responsibilities conferred by the undertaking, they would bear the corresponding legal responsibilities according to relevant laws, rules, regulations and regulatory documents.			
Controlling shareholder and actual controller	Regulation of related transactions	<p>3. 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:</p> <p>(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.</p> <p>(2) They shall fulfill the obligation of withdrawing from voting that involves the above mentioned related transactions at the general meeting of Midea Group;</p>	28/03/2013	Long-standing	3. There has been no violation of this undertaking.

		<p>(3) The related subject mentioned above shall not require Midea Group to offer more favorable conditions than those to any independent third party in any fair market transactions.</p> <p>(4) In accordance with effective laws, regulations or other regulatory documents of People's Republic of China, as long as Midea Holding is identified as the controlling shareholder of Midea Group, and He Xiangjian the actual controller, they shall not change or terminate this undertaking.</p> <p>(5) Midea Holding and He Xiangjian will faithfully fulfill the above undertaking and assume the corresponding legal liabilities. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they will bear the corresponding legal responsibilities according to relevant laws, rules, regulations and regulatory documents.</p>			
<p>Controlling shareholder and actual controller</p>	<p>On Midea Trade Union Committee transferring its limited equity of Midea Group</p>	<p>4. On 4 January 2001, the Midea Trade Union Committee signed the "Equity Transfer Contract" with five people, namely He Xiangjian, Chen Dajiang, Feng Jingmei, Chen Kangning and Liang Jieyin, where it transferred all its limited equity of Midea Group (22.85%) respectively to those five people. According to the confirmation letter issued by members of the Midea Trade Union Committee at that time, the equity transfer price was determined after mutual discussion on the basis of their true opinions, therefore there was no dispute or potential dispute.</p> <p>On 28 June 2013, Foshan Shunde Beijiao General Union, superior department of Midea Trade Union Committee, issued a confirmation letter to the fact that the Midea Trade Union Committee funded the establishment of Midea Group Co., Ltd. In addition the letter also confirmed that the council of Midea</p>	<p>28/03/2013</p>	<p>Long-standing</p>	<p>4. So far, this shareholding transfer has not brought about any loss caused by any dispute or potential disputes. There has been no violation of this undertaking.</p>

		<p>Trade Union Committee is entitled to dispose any property of the committee, and such property disposal does not need any agreement from all staff committee members.</p> <p>Midea Holding and He Xiangjian, respectively the controlling shareholder and actual controller of Midea Group Co., Ltd. have undertaken as follows: For any loss to Midea Group caused by any dispute or potential dispute arising from the matters of equity transfer mentioned above, they are willing to assume full liability for such loss.</p>			
Controlling shareholder and actual controller	Issues about Payment of the Staff Social Insurance and the Housing Provident Fund involved in Midea Group's Overall Listing	<p>5. Midea Holding and He Xiangjian have undertaken to be liable for (1) paying such expenses and related expenses on time based on the requirements of relevant state departments if Midea Group is required to be liable for the payment of staff social insurance, housing provident fund and the payment required by relevant state authorities prior to this merger, (2) paying corresponding compensation for all direct and indirect losses incurred by Midea Group and its subsidiaries due to this merger, (3) indemnifying and holding harmless Midea Group and its subsidiaries in time from such expenses when Midea Group and its subsidiaries are required to pay them in advance.</p>	28/03/2013	Long-standing	5. 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 and	Issues about asset alteration,	<p>6. Undertakings on issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries</p>	28/03/2013	Long-standing	6. So far, the issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries have not brought about any controversy or potential disputes. There

<p>actual controll er</p>	<p>asset flaw and house leasing of Midea Group and its subsidiari es</p>	<p>Midea Holding and He Xiangjian have undertaken as follows:</p> <p>(1) Midea Holding will do its utmost to assist and urge Midea Group (including its subsidiaries) to complete renaming procedures of related assets, such as land, housing, trademarks, patents and stock rights, declared in the related files of this merger. Midea Holding will be liable for all compensations of losses caused by issues about renaming procedures of related assets mentioned above to Midea Group.</p> <p>(2) Midea Holding shall do its utmost to assist Midea Group (including its subsidiaries) to apply for ownership certificates of land and housing or property declared in related files of this merger.</p> <p>(3) Midea Holding shall assist Midea Group (including its subsidiaries) to re-apply for corresponding construction procedures and apply for their ownership certificates for houses without complete procedures, as happened in the past, to apply for the ownership certificate. If the competent authorities requires Midea Group to dismantle buildings that cannot acquire the re-application for real estate registration procedures, Midea Holding shall do its utmost to provide assistance and be liable for any related expenses used in dismantling such buildings by Midea Group (including its subsidiaries).</p> <p>(4) Under any circumstances that Midea Group suffers from losses incurred from no longer using these properties or presently using the land or house above due to failing to obtain or collect in time the ownership certificates of the land or house above or any losses caused by any other reasons, Midea Holding shall compensate any loss for these reasons in time and</p>			<p>has been no violation of this undertaking. And Midea Holding shall honor this undertaking before its expiration.</p>
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	<p>in full. Midea Holding shall compensate the actual loss Midea Group suffers from any circumstances above resulting in penalties subjected to from competent authorities or through claims from any other third party.</p> <p>(5) Based on issues of defective house leasing declared in related files of this merger, Midea Holding shall provide sufficient compensations for all economic losses incurred by Midea Group (including its subsidiaries) where the leasehold relations above become invalid or other disputes occur, which are caused by rights claims from a third party or by means of an administrative authority exercising a right and therefore results in any economic losses due to eviction from rental houses, or any penalties subjected to by competent government departments or any recourse from related parties.</p> <p>(6) Based on the issues of defective land leasing declared in related files of this merger, when leasehold relations become invalid caused by defects of land leasing or when other disputes occur, resulting in any economic losses to Midea Group (including its subsidiaries) or through any penalties administered by competent government departments. Likewise if the lessor cannot compensate for losses caused by such defective leasing, Midea Holding shall compensate Midea Group for losses caused by such defective land leasing.</p> <p>Midea Holding has further undertaken that where a violation of guarantees and undertakings referred to previously occurs or such guarantees and undertakings are not consistent with the reality and Midea Group has suffered any loss therefrom, Midea Holding shall compensate in cash or make up for Midea Group's loss upon Midea Group's notice in writing within 30 days when</p>			
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			the loss occurs and the loss amount is definite.			
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

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

Applicable N/A

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

Applicable N/A

The detailed information of major subsidiaries included in the consolidation scope in current year is set out in Notes 5 and 6. Entities newly included in the consolidation scope in current year include Media Group (Shanghai) Co., Ltd., Chongqing Midea Commercial Factoring Co., Ltd., Tianjin Annto Network Technology Co., Ltd., Western-style Electric Products Company, Hiconics Eco-Energy Technology Co., Ltd. and its subsidiaries (hereinafter "Hiconics"), and WINONE Elevator Company Limited and its subsidiaries (hereinafter "WINONE Elevator"). Please refer to Note 5(1) and Note 5(2)(a) for details. The

detailed information of subsidiaries no longer included in the consolidation scope in current year is set out in Note 5(2)(b).

9. Engagement and Disengagement of CPA Firm

CPA firm at present

Name of the domestic CPA firm	PricewaterhouseCoopers Zhong Tian LLP
The Company's payment to the domestic CPA firm	RMB8.953 million
Consecutive years of the audit service provided by the domestic CPA firm	Six years
Names of the certified public accountants from the domestic CPA firm	Yao Wenping and Qiu Xiaoying
Consecutive years of the audit service provided by the certified public accountants from the domestic CPA firm	One year and four years respectively

Whether the CPAs firm was changed in the current period

Yes No

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

Applicable N/A

The Company appointed PricewaterhouseCoopers Zhong Tian LLP as the internal control auditor for the current year. The total amount paid by the Company to PricewaterhouseCoopers Zhong Tian LLP for its financial statement and internal control audit services for 2020 was RMB8.953 million.

10. Possibility of Delisting after Disclosure of this 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

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

Applicable N/A

A. Overview of the Second Stock Option Incentive Scheme

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

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

B. Overview of the Third Stock Option Incentive Scheme

a. The Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, at which the Proposal for the Adjustment to the Exercise Price for the Third Stock Option Incentive Scheme was reviewed and approved. As the 2019 Annual Profit Distribution had been carried out, the exercise price for the Third Stock Option Incentive Scheme was revised from RMB17.85 to RMB16.26 per share.

b. The Company convened the 23rd Meeting of the 3rd Board of Directors on 24 July 2020, at which the

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

During the Reporting Period, 20,583,246 shares were exercised under the Third Stock Option Incentive Scheme.

C. Overview of the Fourth Stock Option Incentive Scheme

a. The Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, at which the Proposal for the Adjustments to the Exercise Price, Incentive Recipients and Their Exercisable Stock Options for the Fourth Stock Option Incentive Scheme was reviewed and approved. As the 2019 Annual Profit Distribution had been carried out, the exercise price for the Fourth Stock Option Incentive Scheme was revised from RMB30.22 to RMB28.63 per share. Meanwhile, it was agreed to adjust the incentive recipients and their exercisable stock options for the Fourth Stock Option Incentive Scheme due to the departure, positional changes, low individual or business division performance appraisals or other factors of some incentive recipients. Upon the adjustments, the number of locked-up stock options granted to them was reduced from 26,740,000 to 23,867,600.

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

c. The Proposal for the Retirement of Unexercised Stock Options under the Fourth Stock Option Incentive Scheme upon Expiry was also reviewed and approved. As the Fourth Stock Option Incentive Scheme expired on 11 May 2020, the Board of Directors of the Company agreed to retire the 19,500 and 30,000

stock options that had been previously granted to Huang Yongsong and Yu Shengming respectively but were unexercised upon expiry.

During the Reporting Period, 24,274,206 shares were exercised under the Fourth Stock Option Incentive Scheme.

D. Overview of the Fifth Stock Option Incentive Scheme

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

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

During the Reporting Period, 9,110,719 shares were exercised under the Fifth Stock Option Incentive Scheme.

E. Overview of the Sixth Stock Option Incentive Scheme

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

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

F. Overview of the Seventh Stock Option Incentive Scheme

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

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

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

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

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

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

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

G. Overview of the 2017 Restricted Share Incentive Scheme

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

Also, the Proposal on the Satisfaction of the Conditions for the Second Unlocking Period for the Reserved Restricted Shares of the 2017 Restricted Share Incentive Scheme was approved at the aforesaid meeting. A total of 42 personnel were eligible for this unlocking, with 1,340,750 restricted shares (0.02% of the Company's total existing share capital) unlocked and allowed for public trading on 19 February 2020, of

which senior management Xiao Mingguang unlocked 50,000 shares.

b. The Company submitted the application to China Securities Depository and Clearing Co., Ltd. (Shenzhen branch) (hereinafter referred to as “CSDC Shenzhen”) for the retirement of the 679,000 restricted shares under the 2017 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 10 March 2020, as confirmed by CSDC Shenzhen, the retirement of the said restricted shares had been completed.

c. The Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, at which the Proposal for the Adjustment to the Repurchase Price for the 2017 Restricted Share Incentive Scheme was reviewed and approved. As the 2019 Annual Profit Distribution had been carried out, the repurchase price for the first phase of the grant was revised from RMB13.36 to RMB11.77 per share, and the repurchase price for the reserved restricted shares from RMB25.49 to RMB23.90 per share.

Also, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2017 Restricted Share Incentive Scheme was approved at the said meeting. As such, it was agreed to repurchase and retire 187,500 restricted shares that had been granted to 3 personnel but were still in lockup, for the reasons of their business unit’s 2019 performance appraisal result being “just so-so”, low individual performance appraisals for 2019, violation of company rules or other factors.

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

d. The Company submitted the application to CSDC Shenzhen for the retirement of the 187,500 restricted shares under the 2017 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 31 July 2020, as confirmed by CSDC Shenzhen, the retirement of the said restricted shares had been completed.

H. Overview of the 2018 Restricted Share Incentive Scheme

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

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

c. The Company convened the 21st Meeting of the 3rd Board of Directors on 5 June 2020, at which the Proposal for the Adjustment to the Repurchase Price for the 2018 Restricted Share Incentive Scheme was reviewed and approved. As the 2019 Annual Profit Distribution had been carried out, the repurchase price for the first phase of the grant was revised from RMB26.27 to RMB24.68 per share, and the repurchase price for the reserved restricted shares from RMB22.29 to RMB20.70 per share.

Also, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme was approved at the said meeting. As such, it was agreed to repurchase and retire 1,021,000 restricted shares that had been granted to 18 personnel but were still in lockup, for the reasons of their departure from the Company, position change, low individual performance appraisals for 2019, violation of company rules or other factors.

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

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

d. The Company submitted the application to CSDC Shenzhen for the retirement of the 1,021,000 restricted shares under the 2018 Restricted Share Incentive Scheme that had been granted but were still in lockup. On 31 July 2020, as confirmed by CSDC Shenzhen, the retirement of the said restricted shares had been completed.

I. Overview of the 2019 Restricted Share Incentive Scheme

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2017, 2018 and 2019 Restricted Share Incentive Schemes was approved at the 17th Meeting of the 3rd Board of Directors on 10 January 2020. As such, it was agreed to repurchase and retire 1,241,000 restricted shares that had been granted to 21 personnel but were still in lockup, for the reasons of their departure from the Company, position change or other factors.

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

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

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

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

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

J. Overview of the 2020 Restricted Share Incentive Scheme

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

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

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

d. The Company had intended to grant 34,180,000 restricted shares to 520 incentive recipients. However, after the date of grant, 14 incentive recipients left the Company or gave up subscription, and the 935,000 restricted shares that had been granted to them were cancelled. As such, the Company actually granted

33,245,000 restricted shares to 506 incentive recipients, including 120,000 shares to senior management Wang Jinliang. Zhonghui Certified Public Accountants LLP issued on 6 July 2020 the Capital Verification Report ZHKY [2020] No. 5044, verifying the payments as of 30 June 2020 by the 506 incentive recipients for share subscription under the 2020 Restricted Share Incentive Scheme. As verified, as of 30 June 2020, the Company had received RMB811,842,900.00 from the 506 incentive recipients for restricted share subscription. After the grant, the total share capital of the Company remained the same, and the restricted shares rose by 33,245,000.00 due to the equity incentive and the unrestricted public shares decreased by 33,245,000.00.

e. As per the CSRC's Measures for the Administration of Equity Incentives of Listed Companies, and as confirmed by the Shenzhen Stock Exchange and CSDC Shenzhen, the shares under the Company's 2020 Restricted Share Incentive Scheme had been registered and were allowed for public trading on 14 July 2020.

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

K. Overview of the Second Global Partner Stock Ownership Scheme

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

b. The Proposal on the Extended Duration of the Second Global Partner Stock Ownership Scheme was approved at the 18th Meeting of the 3rd Board of Directors on 22 February 2020. As proposed by the administrative committee of this scheme, the Board agreed to extend the duration of this scheme from four years to five years, i.e. to 24 March 2021.

c. The Company disclosed on 8 September 2020 the Announcement on the Completion of Share Clearing & Early Termination of the Second Global Partner Stock Ownership Scheme. As per the relevant provisions of the Second Core Management and Global Partner Stock Ownership Scheme of Midea Group Co., Ltd. (Draft), this scheme was completed and terminated ahead of schedule.

As of the end of the Reporting Period, the Second Global Partner Stock Ownership Scheme was completed.

L. Overview of the Third Global Partner Stock Ownership Scheme

a. The Company disclosed the Reminder of the Completion of Vesting under the Third Global Partner Stock Ownership Scheme & the Expiry of the Lockup Period on 2 June 2020. As such, the final 30% installment of shares under the Third Global Partner Stock Ownership Scheme had been vested, marking the completion of this scheme. A total of 1,552,618 shares had been vested in the Company's incumbent senior management (Fang Hongbo, Yin Bitong, Gu Yanmin, Wang Jianguo, Wang Jinliang and Xiao Mingguang), and a total of 718,800 shares had been vested in other incentive recipients, totaling 2,271,418 shares. The remaining unvested 575,027 shares and the corresponding dividends (if any) had been taken back by the administrative committee of this scheme for no compensation, and would be sold

at a proper timing before this scheme expired. The earnings on the sale would belong to the Company.

As of the end of the Reporting Period, a total of 2,846,445 shares were held under the Third Global Partner Stock Ownership Scheme, representing 0.0405% of the Company's total share capital.

M. Overview of the Fourth Global Partner Stock Ownership Scheme

a. Under the Fourth Global Partner Stock Ownership Scheme, the total shares to be granted were 2,714,700 shares (1,564,200 shares for senior management Fang Hongbo, Yin Bitong, Gu Yanmin, Wang Jianguo and Wang Jinliang, and the other 1,150,500 shares for other core management personnel). Due to certain incentive recipients' position change or departure from the Company in the duration of the Fourth Global Partner Stock Ownership Scheme, there are remained 603,840 shares unallocated under this scheme. As per the Fourth Global Partner Stock Ownership Scheme (Draft), these unallocated shares and the corresponding dividends (if any) had been taken back by the administrative committee of this scheme for no compensation, and would be sold at a proper timing before this scheme expired. The earnings on the sale would belong to the Company.

As of the end of the Reporting Period, a total of 3,318,540 shares were held under the Fourth Global Partner Stock Ownership Scheme, representing 0.0472% of the Company's total share capital.

N. Overview of the First Business Partner Stock Ownership Scheme

a. Under the First Business Partner Stock Ownership Scheme, the total shares to be granted were 1,151,687 shares (182,566 shares for senior management Zhang Xiaoyi, Xiao Mingguang, Hu Ziqiang, Liu Min and Jiang Peng, and the other 969,121 shares for other core management personnel). Due to certain incentive recipients' position change or departure from the Company in the duration of the First Business Partner Stock Ownership Scheme, there are remained 627,613 shares unallocated under this scheme. As per the First Business Partner Stock Ownership Scheme (Draft), these unallocated shares and the corresponding dividends (if any) had been taken back by the administrative committee of this scheme for no compensation and belonged to the Company. In this case, the Company still had to return the performance bonuses corresponding to these unallocated shares under this scheme to the relevant senior management.

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

O. Overview of the Fifth Global Partner Stock Ownership Scheme

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

b. The Company disclosed the Announcement on the Share Allocation and Vesting under a Partner Stock Ownership Scheme on 27 July 2020. A total of 3,732,075 of the Company's shares were repurchased for this scheme. As per the Fifth Global Partner Stock Ownership Scheme (Draft), the administrative committee of this scheme confirmed the number of shares to be granted to each partner, with the total shares to be granted being 2,988,966 shares (2,001,374 shares for senior management Fang Hongbo, Yin Bitong, Gu Yanmin, Wang Jianguo and Zhang Xiaoyi, and the other 987,592 shares for other core management personnel). Due to certain incentive recipients' position change or departure from the Company in the duration of the Fifth Global Partner Stock Ownership Scheme, there are remained 743,109 shares unallocated under this scheme. As per the Fifth Global Partner Stock Ownership Scheme (Draft), these unallocated shares and the corresponding dividends (if any) had been taken back by the administrative committee of this scheme for no compensation, and would be sold at a proper timing before this scheme expired. The earnings on the sale would belong to the Company.

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

P. Overview of the Second Business Partner Stock Ownership Scheme

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

b. A total of 1,867,845 of the Company's shares were repurchased for the Second Business Partner Stock Ownership Scheme. As per the Second Business Partner Stock Ownership Scheme (Draft), the administrative committee of this scheme confirmed the number of shares to be granted to each partner, with the total shares to be granted being 1,377,859 shares (220,124 shares for senior management Wang Jinliang, Xiao Mingguang, Liu Min, Jiang Peng and Zhong Zheng, and the other 1,157,735 shares for other core management personnel). Due to certain incentive recipients' position change or departure from the Company in the duration of the Second Business Partner Stock Ownership Scheme, there are remained 489,986 shares unallocated under this scheme. As per the Second Business Partner Stock Ownership Scheme (Draft), these unallocated shares and the corresponding dividends (if any) had been taken back by the administrative committee of this scheme for no compensation and belonged to the Company. In this case, the Company still had to return the performance bonuses corresponding to these unallocated shares under this scheme to the relevant senior management.

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

Q. Overview of the Sixth Global Partner Stock Ownership Scheme

a. The Sixth Global Partner Stock Ownership Scheme was approved at the 20th Meeting of the 3rd Board of Directors on 28 April 2020 and the 2019 Annual General Meeting of Shareholders on 22 May 2020. The shares for this scheme would be obtained from the Company's securities account for repurchase in a non-transaction transfer and put into the securities account of "Midea Group Co., Ltd.—the Seventh Employee Stock Ownership Scheme" for management.

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

c. According to the Confirmation of Securities Transfer received by the Company from CSDC Shenzhen on 13 July 2020, 3,537,663 shares (0.0504% of the Company's total existing share capital) had been

transferred from the Company's securities account for repurchase to the securities account of "Midea Group Co., Ltd.—the Seventh Employee Stock Ownership Scheme" in a non-transaction transfer on 10 July 2020. As required by the Sixth Global Partner Stock Ownership Scheme (Draft), the shares transferred to the securities account of the Sixth Global Partner Stock Ownership Scheme would be locked up from 14 July 2020 to 13 July 2021.

As of the end of the Reporting Period, a total of 3,537,663 shares were held under the Sixth Global Partner Stock Ownership Scheme, representing 0.0503% of the Company's total share capital.

R. Overview of the Third Business Partner Stock Ownership Scheme

a. The Third Business Partner Stock Ownership Scheme was approved at the 20th Meeting of the 3rd Board of Directors on 28 April 2020 and the 2019 Annual General Meeting of Shareholders on 22 May 2020. The shares for this scheme would be obtained from the Company's securities account for repurchase in a non-transaction transfer and put into the securities account of "Midea Group Co., Ltd.—the Eighth Employee Stock Ownership Scheme" for management.

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

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

As of the end of the Reporting Period, a total of 1,873,559 shares were held under the Third Business

Partner Stock Ownership Scheme, representing 0.0267% of the Company's total share capital.

16. Significant Related Transactions

16.1 Related transactions arising from routine operation

√Applicable □N/A

Related transaction party	Relation	Type of the transaction	Contents of the transaction	Pricing principle	Transaction price	Transaction amount (RMB'000)	Proportion in the total amounts of transaction of the same kind (%)	Approved transaction line (RMB'000)	Over approved line	Mode of settlement	Obtainable market price for the transaction of the same kind	Disclosure date	Index to the disclosed information
Infore Environment Technology Group Co., Ltd.	Controlled by family member of Company's actual controller	Procurement	Procurement of goods	Market price	-	951,201	0.48%	1,500,000	No	Payment after delivery	-	2020-4-30	www.cninfo.com.cn
Orinko Plastics Group	Controlled by family member of Company's actual controller	Procurement	Procurement of goods	Market price	-	1,238,817	0.62%	1,700,000	No	Payment after delivery	-	2020-4-30	www.cninfo.com.cn
Midea Real Estate	Controlled by Compa	Sale	Sale of goods	Market price		198,903	0.07%	4,710,00	No	Payment after delivery	-	2020-4-30	www.cninfo.com.

Holding Limited	ny's actual controller												cn
Total				--	--	2,388,921	--	3,671,000		--		--	--
Details of any sales return of a large amount				Zero									
Give the actual situation in the Reporting Period (if any) where a forecast had been made for the total amounts of routine related-party transactions by type to occur in the current period				The line for routine related transactions between the Company and the related parties and their subsidiaries did not exceed the total amount of routine related transactions estimated by the Company by type.									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				N/A									

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

Applicable N/A

No such cases in the Reporting Period.

16.3 Related transactions 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

No such cases in the Reporting Period.

16.5 Other significant related transactions

Applicable N/A

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

2019 Annual General Meeting of Shareholders held on 22 May 2020.

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

Index to the announcement about the said related transactions disclosed

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

There were no other significant related transactions in the Reporting Period.

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

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

GD Midea Heating & Ventilating Equipment Co., Ltd.	2020-4-30	2,000,000	2020-1-10	60,500	Joint liability	One year	No	No
Guangdong Midea-SIIX Electronics Co., Ltd.	2020-4-30	150,000			- Joint liability	One year	No	No
Guangdong Midea Commercial Air-Conditioning Equipment Co., Ltd.	2020-4-30	200,000			- Joint liability	One year	No	No
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	2020-4-30	290,000	2020-1-19	310	Joint liability	One year	No	No
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	2020-4-30	1,210,000	2020-1-13	70	Joint liability	One year	No	No
GD Midea Environment Appliances Mfg. Co.,Ltd.	2020-4-30	420,000			- Joint liability	One year	No	No
Guangdong Midea Cuchen Company Ltd.	2020-4-30	5,000			- Joint liability	One year	No	No
GD Midea Caffitaly Coffee Machine Manufacturing Co., Ltd.	2020-4-30	15,000			- Joint liability	One year	No	No
Main Power Inno Tech (Shenzhen) Manufacturing Co., Ltd.	2020-4-30	45,000			- Joint liability	One year	No	No
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	2020-4-30	2,200,000	2020-1-6	166,230	Joint liability	One year	No	No
Guangdong Midea Kitchen & Bath Appliances Manufacturing Co., Ltd.	2020-4-30	436,000			- Joint liability	One year	No	No
Foshan Shunde Midea Water Dispenser Manufacturing Company Limited	2020-4-30	710,000	2020-2-13	9,010	Joint liability	One year	No	No
Foshan Midea Chungho Water Purification Equipment. Co., Ltd.	2020-4-30	142,000			- Joint liability	One year	No	No
Guangdong Meizhi Compressor Limited	2020-4-30	230,000	2020-1-17	2,950	Joint liability	One year	No	No
Guangdong Meizhi Precision-Manufacturing Co., Ltd	2020-4-30	90,000			- Joint liability	One year	No	No
Guangdong Welling Motor Manufacturing Co., Ltd.	2020-4-30	230,000	2020-2-5	5,340	Joint liability	One year	No	No
Foshan Welling Washer Motor Manufacturing Co., Ltd.	2020-4-30	350,000	2020-1-2	2,090	Joint liability	One year	No	No
Guangdong Midea Environmental Technologies Co., Ltd.	2020-4-30	50,000			- Joint liability	One year	No	No
Guangdong Welling Auto Parts Co.,	2020-4-30	20,000			- Joint liability	One	No	No

Ltd.						year		
Ningbo Midea United Materials Supply Co. Ltd.	2020-4-30	1,070,000	2020-1-10	154,350	Joint liability	One year	No	No
Guangzhou Kaizhao Commercial and Trading Co.,Ltd	2020-4-30	75,500		-	Joint liability	One year	No	No
Guangdong Midea Intelligent Robotics Co., Ltd.	2020-4-30	50,000		-	Joint liability	One year	No	No
Servotronix Motion Technology Development (Shenzhen) Ltd.	2020-4-30	10,000		-	Joint liability	One year	No	No
Midea Group E-Commerce Co., Ltd.	2020-4-30	130,000		-	Joint liability	One year	No	No
Annto Logistics Technology Co., Ltd.	2020-4-30	1,430,000	2020-2-25	616,930	Joint liability	One year	No	No
Guangdong Midea Smart Link Technologies Co., Ltd.	2020-4-30	41,200	2020-3-23	3,610	Joint liability	One year	No	No
GD Midea Group Wuhu Air-Conditioning Equipment Co.,Ltd.	2020-4-30	1,100,000		-	Joint liability	One year	No	No
Wuhu Maty Air-Conditioning Equipment Co., Ltd	2020-4-30	800,000		-	Joint liability	One year	No	No
Wuhu Midea Kitchen Appliances Manufacturing Co., Ltd.	2020-4-30	4,020,000		-	Joint liability	One year	No	No
Hefei Hualing Co., Ltd.	2020-4-30	1,700,000	2020-2-3	3,710	Joint liability	One year	No	No
Hubei Midea Refrigerator Co., Ltd.	2020-4-30	230,000	2020-4-10	-	Joint liability	One year	No	No
Hefei Midea Refrigerator Co., Ltd.	2020-4-30	903,000		-	Joint liability	One year	No	No
Guangzhou Midea Hualing Refrigerator Co., Ltd.	2020-4-30	1,345,000	2020-3-19	1,030	Joint liability	One year	No	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	2020-4-30	548,000	2020-3-13	30	Joint liability	One year	No	No
Hefei Midea-SIIX Electronics Co.,Ltd.	2020-4-30	230,000		-	Joint liability	One year	No	No
Hefei M&B Air Conditioning Equipment Co., Ltd.	2020-4-30	40,800	2020-4-14	10	Joint liability	One year	No	No
Wuhu Midea Life Appliances Mfg Co., Ltd.	2020-4-30	2,000,000	2020-6-22	902,850	Joint liability	One year	No	No
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	2020-4-30	1,930,000	2020-2-13	11,030	Joint liability	One year	No	No

Anhui Meizhi Compressor Co., Ltd.	2020-4-30	110,000	2020-3-12	660	Joint liability	One year	No	No
Anhui Meizhi Precision Manufacturing Co., Ltd.	2020-4-30	60,000	2020-2-12	340	Joint liability	One year	No	No
Welling (Wuhu) Motor Manufacturing Co., Ltd.	2020-4-30	10,000	2020-5-18	1,310	Joint liability	One year	No	No
Wuhu Welling Motor Sales Co., Ltd.	2020-4-30	800,000		-	Joint liability	One year	No	No
Anhui Welling Auto Parts Co., Ltd.	2020-4-30	50,000	2020-1-10	2,820	Joint liability	One year	No	No
Wuxi Little Swan General Appliance Co., Ltd.	2020-4-30	100,000	2020-2-25	-	Joint liability	One year	No	No
Wuxi Little Swan Electric Co., Ltd.	2020-4-30	2,000,000	2020-1-31	8,550	Joint liability	One year	No	No
Hefei Midea Laundry Appliance Co., Ltd.	2020-4-30	1,180,000	2020-1-21	5,760	Joint liability	One year	No	No
Jiangsu Midea Cleaning Appliances Co., Ltd.	2020-4-30	90,000		-	Joint liability	One year	No	No
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	2020-4-30	63,800		-	Joint liability	One year	No	No
Handan Midea Air-Conditioning Equipment Co., Ltd.	2020-4-30	110,000		-	Joint liability	One year	No	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	2020-4-30	180,000	2020-3-10	3,780	Joint liability	One year	No	No
Midea Intelligent Lighting & Controls Technology Co., Ltd.	2020-4-30	261,000	2020-3-11	-	Joint liability	One year	No	No
Changzhou Welling Motor Manufacturing Co., Ltd.	2020-4-30	5,000		-	Joint liability	One year	No	No
Huaian Welling Motor Manufacturing Co., Ltd.	2020-4-30	10,000	2020-4-24	60	Joint liability	One year	No	No
Zhejiang Meizhi Compressor Co., Ltd.	2020-4-30	3,000,000	2020-3-13	2,006,340	Joint liability	One year	No	No
Ningbo Annto Logistics Co., Ltd.	2020-4-30	10,000		-	Joint liability	One year	No	No
Reis Robotics (Kunshan) Co., Ltd.	2020-4-30	120,750		-	Joint liability	One year	No	No
KUKA Systems (China) CO., Ltd.	2020-4-30	245,000	2020-1-16	78,400	Joint liability	One year	No	No

KUKA Robotics Manufacturing China Co.,Ltd	2020-4-30	115,000			- Joint liability	One year	No	No
KUKA Robotics (Shanghai) Co.,Ltd.	2020-4-30	115,000			- Joint liability	One year	No	No
Shanghai Swisslog Healthcare Co., Ltd.	2020-4-30	8,000			- Joint liability	One year	No	No
Swisslog (Shanghai) Co., Ltd.	2020-4-30	110,000	2020-1-13	41,750	Joint liability	One year	No	No
Shanghai Swisslog Logistics Automation Co. Ltd.	2020-4-30	60,000			- Joint liability	One year	No	No
Midea International Corporation Company Limited	2020-4-30	11,830,000	2020-1-17	7,803,910	Joint liability	One year	No	No
Midea International Trading Company Limited	2020-4-30	2,222,430	2020-1-2		- Joint liability	One year	No	No
Welling International Hong Kong Ltd	2020-4-30	182,000			- Joint liability	One year	No	No
Midea Electric Trading (Singapore) Co.,Pte. Ltd.	2020-4-30	4,996,000	2020-1-3	361,400	Joint liability	One year	No	No
Toshiba Lifestyle Products & Services Corporation and its subsidiaries	2020-4-30	2,667,450	2020-1-3	582,950	Joint liability	One year	No	No
Orient Household Appliances Ltd.(Orient)	2020-4-30	120,000	2020-1-31		- Joint liability	One year	No	No
Midea Consumer Electric Vietnam	2020-4-30	112,000			- Joint liability	One year	No	No
Concepcion Midea Inc.	2020-4-30	112,000	2020-3-24		- Joint liability	One year	No	No
Midea Italia S.R.L.	2020-4-30	140,000			- Joint liability	One year	No	No
Midea Scott & English Electronics Sdn. Bhd.	2020-4-30	206,500	2020-1-30		- Joint liability	One year	No	No
Midea Mexico, S. De R.L. De C.V.	2020-4-30	180,000	2020-3-13		- Joint liability	One year	No	No
Midea Electric Trading (Thailand) Co.,Ltd.	2020-4-30	105,000			- Joint liability	One year	No	No
Midea America Corp	2020-4-30	669,000	2020-2-10		- Joint liability	One year	No	No
Pt. Midea Planet Indonesia	2020-4-30	56,000	2020-1-15		- Joint liability	One year	No	No

Midea Electrics Egypt	2020-4-30	175,000			- Joint liability	One year	No	No	
Midea Europe Gmbh	2020-4-30	70,000			- Joint liability	One year	No	No	
Midea America (Canada) Corp	2020-4-30	70,000			- Joint liability	One year	No	No	
Servotronix Motion Control Ltd.	2020-4-30	940			- Joint liability	One year	No	No	
Midea Austria Gmbh	2020-4-30	5,700			- Joint liability	One year	No	No	
Clivet Spa	2020-4-30	79,300			- Joint liability	One year	No	No	
Midea Electric Netherland (I)	2020-4-30	31,446,110	2020-1-1	28,856,400	Joint liability	One year	No	No	
Total guarantee line for subsidiaries approved during the Reporting Period (B1)		122,364,580		Total actual guarantee amount for subsidiaries during the Reporting Period (B2)			68,421,730		
Total approved guarantee line for subsidiaries at the end of the Reporting Period (B3)		122,364,580		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)			45,827,970		
Guarantees between subsidiaries									
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not	
No such cases									
Total guarantee amount (total of the above-mentioned three kinds of guarantees)									
Total guarantee line approved during the Reporting Period (A1+B1+C1)		122,364,580		Total actual guarantee amount during the Reporting Period (A2+B2+C2)			68,421,730		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		122,364,580		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)			45,827,970		

Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company	39.00%
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)	37,095,660
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)	37,095,660
Joint responsibilities possibly borne for undue guarantees (if any)	N/A
Provision of external guarantees in breach of the prescribed procedures (if any)	N/A

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

No such cases in the Reporting Period.

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. Social Responsibility (CSR)

18.1 Measures taken to fulfill CSR commitment

The Company has voluntarily disclosed its CSR work. Attaching great importance to protecting the legal rights and interests of its shareholders, employees, consumers and business partners, as well as the government, the community and other stakeholders, the Company sticks to harmonious common growth with them, honors its commitments, abides by law and moral principles, and continue to contribute to the sustainable development of the society and the environment. For further information, see the Company's Corporate Social Responsibility Report 2020 released on www.cninfo.com.cn.

18.2 Measures taken for targeted poverty alleviation

A. Summary of the work done for targeted poverty alleviation during the year

In 2020, Midea provided counterpart aid funds of RMB9.60 million, RMB5 million and RMB1.13 million respectively to Leizhou and Xuwen in Zhanjiang City and Liangshan Yi Autonomous Prefecture in Sichuan Province for local industrial development, education improvement, infrastructure improvement, living environment improvement and other poverty alleviation purposes. By doing so, it has provided strong support to help lift registered impoverished households from poverty and win the battle against poverty nationwide.

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

Indicator	Measurement unit	Quantity/Progress
I General information	—	—
Of which: 1. Monetary inputs	RMB'000	15,730
2. Supplies converted to cash	RMB'000	
3. Number of registered impoverished individuals that the Company has helped lift from poverty	Person	22,730
II Inputs by item	—	—

1. Poverty alleviation through industrial development	—	—
Of which: 1.1 Type of poverty alleviation projects through industrial development	—	Helping develop tourism
1.2 Number of poverty alleviation projects through industrial development	Number of project	18
1.3 Input amount to poverty alleviation projects through industrial development	RMB'000	3,995
1.4 Number of registered impoverished individuals that the Company has helped lift from poverty	Person	6,344
2. Poverty alleviation through labor migration	—	—
3. Poverty alleviation through relocation	—	—
4. Poverty alleviation through education	—	—
Of which: 4.1 Input amount for impoverished students	RMB'000	
4.2 Number of students that the Company has helped	Person	
4.3 Input amount for improving educational resources in impoverished areas	RMB'000	1,924.4
5. Poverty alleviation through improving health conditions	—	—
6. Poverty alleviation through improving environment	—	—
Of which: 6.1 Type of project	—	Improving environment
6.2 Input amount	RMB'000	160
7. Assurance of minimum living standard	—	—
8. Social assistance in poverty alleviation	—	—
Of which 8.1 Input amount for poverty alleviation in East and West China	RMB'000	1,130
8.2 Input amount for fixed-point poverty alleviation	RMB'000	
8.3 Input amount to poverty alleviation public welfare foundations	RMB'000	
9. Other projects	—	—
Of which 9.1 Number of projects	Number of project	43
9.2 Input amount	RMB'000	8,520.6
9.3 Number of registered impoverished individuals that the Company has helped lift from poverty	Person	17,560
III Awards received (content, level)	—	—

16.2.2 Targeted poverty alleviation plans for the coming future

Midea Group will follow the relevant requirements of the Party and the government to continue to solidify and expand the achievements in the targeted poverty alleviation campaign, and play its part in the revitalization of the countryside. It will continue to spread positive energy, motivate those who have been lifted from poverty towards a better life, as well as boost the sense of fulfillment, happiness and the sense of pride among them.

18.3 Environmental protection

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

Yes N/A

Name of the Company or subsidiary	Major pollutants	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Concentration of the discharge (unit: mg/m ³)	Pollutant discharge standards	Total discharge (ton)	Approved total discharge (ton)	Excess discharge
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd. (the Washing and Sterilizing Appliances Park)	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The southern side of 2# plant in the Washing and Sterilizing Appliances Park	47	The discharge limits of water pollutants in Guangdong (DB44/26-2001)	0.1620	0.228	No
	SS				29		0.0224	/	No
	BOD5				16		0.1320	/	No
	Petroleum				2.77		0.0035	/	No
	Benzene	High altitude discharge after being treated by waste gas treatment station	1	The southern side of 2# plant in the Washing and Sterilizing Appliances Park	1.0×10 ⁻²	Emission standard of volatile organic compounds for furniture manufacturing (DB44/814-2010)	0.02	/	No
	Toluene and xylene				2.13		0.1843	/	No
	VOCS				16.1		0.75	/	No

Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd. (the Range Hood and Stove Park)	COD	Discharge to the municipal sewage system after being treated by wastewater treatment system	1	The northeastern side of 2# plant in the Third Industrial Zone	56	The discharge standard of water pollutants for electroplating in Guangdong (DB441597-2015)	0.3846	2.41	No
	SS				25		0.15	/	No
	Petroleum				0.16		0.0013	/	No
	Ammonia nitrogen				1.72		0.0183	0.45	No
	Benzene	High altitude discharge after being treated by waste gas treatment station	4	The northern and eastern sides of 2# plant in the Third Industrial Zone	1.0×10^{-2}	Emission standard of air pollutants for industrial kiln and furnace (GB-9078-1996) / The emission limit of gas pollutants in Guangdong (DB-44/27-2007)	0.02	/	No
	Toluene and xylene				1.35		0.0686	/	No
	VOCS				25.9		0.9365	/	No
	Soot				14.5		0.0732	/	No
	Sulfur dioxide				Less than the limit of 3		0.02	0.114	No
Nitrogen oxide	41	0.64	0.726	No					
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	Western gate of the Wuhu plant	197	Integrated wastewater discharge standard (GB8978-1996)	135.07	/	No
	Ammonia nitrogen				1.34		6.78	/	No
	BOD ₅				47.4		73.46	/	No
	Petroleum				0.24		0.31	/	No
	Soot	15m high altitude discharge	45	Plants	<20	Emission standard of air pollutants for boiler (GB13271-2014)	0.005	/	No
	Sulfur dioxide				<50		/	/	No
	Nitrogen oxide				<150		0.102	/	No

	Soot	High altitude discharge after being treated by waste gas treatment station			<50	Integrated emission standards for atmospheric pollutants (GB16297-1996)	0.93	/	No
	Xylene				<10		0.032	/	No
	VOCs				<20		0.0687	/	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The eastern side of 1# plant	40	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and integrated wastewater discharge standard (GB8978-1996) third-level	3.89	/	No
	Ammonia nitrogen				0.083		0.0807	/	No
	NMHC	RTO equipment	1	1 set at the northeastern side of 3# plant	4.21	Integrated emission standards for atmospheric pollutants GB16297-1996 second-level	0.124	/	No
		Condensation + degreasing + filtering + activated carbon + catalytic combustion equipment	1	1 set at the southwestern side of 4# plant	1.85		0.054		
		Water spraying + activated carbon equipment	3	2 sets at 1# plant and 1 set at 2# plant	6.5		0.19		
		UV + activated carbon equipment	1	1 set at 2# plant	3.1		0.09		
Particles	Filter cartridge dust collector	3	2 at 2# plant and 1 at 4# plant	30	0.45	/	No		
Hefei Midea	COD	Discharge after being treated by wastewater treatment station	1	The eastern side of wastewater treatment station	62	Implementation of the takeover standards of the Western Hefei Group	25.000	58.150	No

Laundry Appliance Co., Ltd. (monitored by the municipal government)	Ammonia nitrogen			The eastern side of wastewater treatment station	1.5	wastewater treatment plant and integrated wastewater discharge standard (GB8978-1996) third-level	0.6	/	No
	Particles	15m high altitude discharge after being treated by cyclone + filter cartridge dust collector	2	1 outlet at 2# plant, 1 outlet at 6# plant	<20	Table 5 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Special Emission Limit Requirements	3.12	/	No
	Particles	15m high altitude discharge after being treated by water spraying + dedusting + UV photolysis + activated carbon	1	1 outlet at 3# plant	<20		1.27	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	3	1 outlet at 2# plant	1.46		0.1	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	6	6 outlets at 6# plant	2.25		2.00	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	6	6 outlets at 6# plant	1.11		2.69	/	No
	NMHC	15m high altitude discharge after being treated by low-temperature plasma	2	1 outlet at 1# plant, 1 outlet at 5# plant	2.215		0.16	/	No
	NMHC	15m high altitude discharge after being treated by photocatalyst and activated carbon	1	1 outlet at 3# plant	4.3		0.85	/	No
GD Midea Air-Conditioning Equipment	COD	Discharge after being treated by wastewater treatment station	1	The southeastern side of 4# plant	89	The discharge standard of water pollutants for electroplating (DB441597-2015) chart 2 PRD standard	13.89	/	No
	Ammonia nitrogen				1.75		0.46	1.510	No
	SS				19		3.56	/	No
	Petroleum				3.63		0.68	/	No
	COD	Discharge after being treated by	1	The eastern side of 2#	79	The discharge limits of	5.6	9.59	No

Co.,Ltd.	SS	wastewater treatment station		plant	51	water pollutants (DB44/26-2001)	1.6	/	No
	Ammonia nitrogen				3.9		0.013	/	No
	Petroleum				6.22		3.88	/	No
	VOCs (dusting)	15m high altitude discharge after being treated by spray tower + activated carbon	3	4# plant	22	Emission standard of volatile organic compounds for furniture manufacturing (DB44/814-2010) the second time period	4.12	/	No
	VOCs (screen printing)	15m high altitude discharge after being treated by environmental protection equipment	4	1#, 5#, 9#, 11# plants	1.79	Emission standard of volatile organic compounds for printing industry (DB44/815-2010)	0.224		No
	NMHC (evaporator & condenser)	15m high altitude discharge after being treated by environmental protection equipment	2	10# plants	30	Emission standard of volatile organic compounds for printing industry (DB44/815-2010)	15	/	No
	NMHC (electronic)	15m high altitude discharge after being treated by environmental protection equipment	6	2#, 5# plants	26.7	Emission limits of air pollutants (DB44/27-2001) the second time period	18.32	/	No
Wuhu Maty Air-Conditioning Equipme	COD	Discharge after being treated by wastewater treatment station	1	The northern side of the park	35	Integrated wastewater discharge standard (GB8978-1996) chart 4 third-level	11.66	/	No
	SS				50		12.7	/	No
	BOD				9		2.3	/	No
	Ammonia nitrogen				35		9.6	/	No

nt Co., Ltd	Petroleum				0.5		0.1	/	No
	Particles	15m high altitude discharge after being treated by environmental protection equipment	5	2# plant	<20	Integrated emission standards for atmospheric pollutants (GB16297-1996)	1.52	/	No
	VOCs		8	2#, 3# plants	19	Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13-2322-2016)	14.9	/	No
	NOX		3	3# plant	17	Integrated emission standards for atmospheric pollutants (GB16297-1996)	1.22	/	No
	SO ₂		3	3# plant	8		0.45	/	No
Guangdo ng Meizhi Precision - Manufact uring Co., Ltd	COD	Discharge after being treated by wastewater treatment station	1	Near the wastewater treatment station in the north side of the plant	27	The discharge limits of water pollutants in Guangdong DB-44/26-2001 the second time period first-level	12.43	16.28	No
	Ammonia nitrogen				2.12		1.24	2.034	No
Guangdo	COD		1	Near the wastewater	42	The discharge standard of	3.115	6.046	No

ng Meizhi Compres sor Limited	Ammonia nitrogen	Discharge after being treated by wastewater treatment station		treatment station in the north side of the plant	0.282	water pollutants for electroplating DB-441597- 2015, before 1 September 2012	0.154	0.756	No
Foshan Shunde Midea Electrical Heating Applianc es Manufact uring Co., Ltd.	CODcr	Discharge after being treated by wastewater treatment system and reaching the standard	2	Waste water treatment stations 1 and 2 of 3# plant	122	The discharge standard of water pollutants for electroplating (DB44/1597-2015)	18.934	21.304	No
	Petroleum				1.44		0.127	/	No
	Ammonia nitrogen				0.81		0.77	4.26	No
	Toluene and xylene	High altitude discharge after being treated by waste gas treatment station	7	Waste gas sprayers 1 and 2 at 3# plant, outlets 1, 2 and 3 for waste gas from wave-soldering, painting and drying at 6# plant, outlets 1 and 2 for waste gas from reflow soldering at 6# plant	2.46	Table 1 of the Discharge Standard of Volatile Organic Chemical Compounds in the Furniture Making Industry (DB44/814-2010): Discharge Limits for VOCs through Exhaust Funnel/for Time Period II	3.013	/	No
	VOCs	High altitude discharge after being treated by waste gas treatment station			17.28		20.32	/	No
NMHC	High altitude discharge after being treated by waste gas treatment station	2	Outlet of injection molding waste gas in the south side of 1# plant, outlet of injection molding waste gas in the south side of 9# plant	1.99	Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572- 2015): Emission Limits of Air Pollutants	0.48	/	No	

	Particles	Pulsed jet cloth filtering	4	Outlets 1 and 2 of sanding waste gas at 3# plant, outlets 1 and 2 of polishing waste gas at 3# plant	9.3	Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001): Emission	0.733	0.2223	No
	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	2	Oxidation wire roof of 3# plant	3	Limits of Industrial Waste Gas (Time Period 2), Level 2	0.144	1.17	No
	Nitrogen oxide			Drying furnace of 3# plant	33.5		1.135	12.9827	No
	Cooking fume	Discharge after being treated by waste gas treatment station	2	South and east section canteens	0.88	Emission Standard of Cooking Fume (Trial) (GB 18483-2001)	0.083	/	No
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	CODcr	Discharge after being treated by wastewater treatment system and reaching the standard	1	Wastewater treatment station	48	The discharge standard of water pollutants for electroplating (DB44/1597-2015)	2.875	4.8	No
	Petroleum				0.2275		0.01363	/	No
	ss				8.5		0.5093	/	No
	Ammonia nitrogen				6.73		0.4032	0.96	No
	Benzene	High altitude discharge after being treated by waste gas treatment station	1	Spraying waste gas outlet at 1# plant	0.01	Table 1 of the Discharge Standard of Volatile Organic Chemical Compounds in the Furniture Making Industry (DB44/814-2010): Discharge Limits for VOCs through Exhaust Funnel/for	0.001	/	No
	Toluene	High altitude discharge after being treated by waste gas treatment station			2.4		0.276	/	No
	Xylene	High altitude discharge after being treated by waste gas treatment station			3.14		0.35	/	No
	Toluene and xylene	High altitude discharge after being treated by waste gas treatment station			4.618		0.52	/	No

	VOCs	High altitude discharge after being treated by waste gas treatment station			17.4	Time Period II	1.47	/	No
	NMHC	High altitude discharge after being treated by waste gas treatment station	2	Injection molding waste gas outlet in the southern side of 2# plant, injection molding waste gas outlet in the northern side of 2# plant	1.818	Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Emission Limits of Air Pollutants	0.407	/	No
	Particles	Pulsed jet cloth filtering	2	Sanding waste gas outlet at 1# plant, polishing waste gas outlet at 1# plant	14.25	Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2	0.339	/	No
	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	1	Drying furnace at 1# plant	Not detected		/	0.028	No
	Nitrogen oxide	High altitude discharge after being treated by waste gas treatment station			25		0.1196	0.131	No
	Cooking fume	Discharge after being treated by waste gas treatment facility	1	Canteen of 1# plant	0.8275	Emission Standard of Cooking Fume (Trial) (GB 18483-2001)	0.123	/	No
Anhui Meizhi Compressor Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The western side of the comprehensive wastewater treatment station	32	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and integrated wastewater discharge standard (GB8978-1996) third-level	5.96	/	No
	Ammonia nitrogen				1.60		0.196	/	No

Particles	Collected by gas trap hood+15m high exhaust cylinder	13	No. 1 workshop welding soot discharge outlet for waste gas	<20	Integrated emission standards for atmospheric pollutants (GB16297-1996)	10.076	65.45	No
			No. 3 workshop discharge outlet for the welding waste gas	<20				
			Waste gas outlet of 1# heat-treating furnace at No. 2 workshop	<20	Emission standard of air pollutants for industrial kiln and furnace (GB9078-1996)			
			Waste gas outlet of 2# heat-treating furnace at No. 2 workshop	<20				
			Waste gas outlet for die casting at No. 2 workshop	<20	Integrated emission standards for atmospheric pollutants (GB16297-1996)			
			Waste gas outlet for die casting at No. 4 workshop	<20	Integrated emission standards for atmospheric pollutants (GB16297-1996) Emission standard of air pollutants for industrial kiln and furnace (GB9078-1996)			
			Waste gas outlet of 1# heat-treating furnace at No. 4 workshop	<20				
			Waste gas outlet of 2# heat-treating furnace at No. 4 workshop	<20				
			Waste gas outlet for electrophoresis and drying at No. 1 workshop	<20	Integrated emission standards for atmospheric pollutants (GB16297-1996)			

				Waste gas outlet for electrophoresis and drying at No. 3 workshop	<20	Integrated emission standards for atmospheric pollutants (GB16297-1996)			
				Waste gas outlet of 1#-3# furnaces	<20	Emission standard of air pollutants for boiler (GB13271-2014)			
	Sulfur dioxide	Collected by gas trap hood+15m high exhaust cylinder	9	Waste gas outlet of 1#-3# furnaces	1.5	Emission standard of air pollutants for boiler (GB13271-2014)	2.82	112.2	No
				Outlet of 1# heat-treating furnace at No. 2 workshop	<3	Integrated emission standards for atmospheric pollutants GB16297-1996 second-level			
				Outlet of 2# heat-treating furnace at No. 2 workshop	<3				
				Waste gas outlet for die casting at No. 2 workshop	<3				
				Outlet of 1# heat-treating furnace at No. 4 workshop	<3				
				Outlet of 2# heat-treating furnace at No. 4 workshop	<3				
				Waste gas outlet for die casting at No. 4 workshop	<3				
	Nitrogen oxide	Collected by gas trap hood+15m high exhaust cylinder	9	Waste gas outlet of 1#-3# furnaces	36	Emission standard of air pollutants for boiler (GB13271-2014)	3.69	33.24	No
				Outlet of 1# heat-treating furnace at No. 2 workshop	<3	Integrated emission standards for atmospheric			

				Outlet of 2# heat-treating furnace at No. 2 workshop	<3	pollutants GB16297-1996 second-level			
				Waste gas outlet for die casting at No. 2 workshop	<3				
				Outlet of 1# heat-treating furnace at No. 4 workshop	<3				
				Outlet of 2# heat-treating furnace at No. 4 workshop	<3				
				Waste gas outlet for die casting at No. 4 workshop	<3				
	VOCs	Collected by gas trap hood+15m high exhaust cylinder Direct-fired waste gas incinerator+15m high exhaust cylinder	4	Waste gas outlet of the drying furnace at No. 1 workshop	1.35	Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB12/ 524-2020)	0.187	21.6	No
				Waste gas outlet of 1# drying furnace at No. 3 workshop	0.985				
				Die casting at No. 2 workshop	0.323				
				Die casting at No. 4 workshop	0.52				
	Guangdong Midea Kitchen Appliances	COD	Discharge to the municipal sewage system after being treated by wastewater treatment system	1	The eastern side of wastewater treatment station in Malong base	51	The discharge limits of water pollutants in Guangdong (DB-44/26-201)	10.90	22.77
Ammonia nitrogen		2.7				0.74		4.554	No
Particles		20m high altitude discharge	116	26 outlets at A1 plant, 50	16.1	Emission standard of air	28.01	/	No

Manufacturing Co., Ltd.	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	1	outlets at A2 plant, 21 outlets at B2 plant, 9 outlets at C2 plant, 2 outlets at C3 plant, 1 outlet at wastewater treatment station and 7 outlets at canteen	32	pollutants for industrial kiln and furnace (GB-9078-1996) / The emission limit of gas pollutants in Guangdong (DB-44/27-2007)	0.00	1.055	No
	Nitrogen oxide			7	0.26		10.314	No	
	Benzene			0.773	0.02		/	No	
	Toluene and xylene			13.8	5.94		/	No	
	VOCs			47	39.46		/	No	
	NMHC			18.4	3.22		/	No	
	Styrene			9.34	1.13		/	No	
	Cooking fume			0.78	0.13		/	No	
Foshan Welling Washer Motor Manufacturing Co., Ltd.	Benzene	Activated carbon + UV photolysis + catalytic combustion	1	Waste gas outlet near 2# plant	0	Emission standard of volatile organic compounds for furniture manufacturing (DB44/814-2010) the second time period	0	/	No
	Toluene and xylene	Activated carbon + UV photolysis + catalytic combustion	1	Waste gas outlet near 2# plant	2.71	Emission standard of volatile organic compounds for furniture manufacturing (DB44/814-2010) the second time period	0.87	/	No

	VOCs	Activated carbon + UV photolysis + catalytic combustion	1	Waste gas outlet near 2# plant	18.85	Emission standard of volatile organic compounds for furniture manufacturing (DB44/814-2010) the second time period	5.97	17.83	No
Welling (Wuhu) Motor Manufacturing Co., Ltd.	Particles	Collected by gas trap hood + dust collector + activated carbon +15m high exhaust cylinder	2	Exhaust funnels 1 and 2 for mold injection	21.5	Integrated emission standards for atmospheric pollutants (GB16297-1996)	23	5	No
	VOCs	Collected by gas trap hood +15m high exhaust cylinder	7	Waste gas outlets 1-7 of the die casting workshop	2.75	Emission standard of air pollutants for industrial kiln and furnace (GB9078-1996)	3.388	0.9	No
	VOCs	Activated carbon + UV photolysis	2	Exhaust funnels 1 and 2 for dip coating	26.1	Hebei Province Standard DB13/2322-2016 The Concentration Limits at Emission Reference Point for Coating Operations	31	3	No
	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	General wastewater outlet	80	Integrated wastewater discharge standard (GB8978-1996) chart 4 third-level	65	/	No
	Ammonia nitrogen				20		7	/	No
	BOD				12.3		13.486	/	No
	SS				59		12.5	/	No
	Petroleum				0.95		1.04	/	No
Anhui	COD	Discharge after being treated by	1	The south side of Building	43	Integrated wastewater	32.4	/	No

Meizhi Precision Manufacturing Co., Ltd.	Ammonia nitrogen	wastewater treatment system and reaching the standard		6 for night shift at the north side of the plant area	2.4	discharge standard (gb8978-1996), chart 4, level 3	2.6214	/	No
	BOD				14		12.474	/	No
	SS				22		16.2	/	No
	Petroleum				0.73		1.126	/	No
	Particles	Collected by gas trap hood +21m high exhaust cylinder	9	1-8# welding waste gas outlets	7.3	Integrated emission standards for atmospheric pollutants GB16297-1996, chart 2, level 2	1.877.4	/	No
				9#-10# welding waste gas outlets	7.1				
				2# outlet of stator + rotor heat-treating furnace	0.672	Emission standard of air pollutants for industrial kiln and furnace GB9078-1996, chart 2, level 2	4.7256		No
				3# outlet of 2# stator heat-treating furnace	0.9				
				1# outlet of stator + rotor heat-treating furnace	0.7992				
				Outlet at the head of 3# stator furnace	0.3384				
Outlets at the head of 2# stator furnace and 4# rotor furnace				0.7848					
Outlets at the tail of 3# and 4# stator furnaces and comprehensive outlet for 4 aluminum melting furnaces				0.7704					
Waste gas outlet of aluminum melting furnace	0.4608								

	Sulfur dioxide	Collected by gas trap hood +21m high exhaust cylinder	2	1# outlet of heat-treating furnace	3.0	Emission standard of air pollutants for industrial kiln and furnace GB9078-1996, chart 2, level 2	0.68	/	No
				2# outlet of heat-treating furnace	10.0				
	Nitrogen oxide	Collected by gas trap hood +21m high exhaust cylinder	3	2# outlet of stator + rotor heat-treating furnace	2.6616		6.7416	/	No
				3# outlet of 2# stator heat-treating furnace	1.5456				
				1# outlet of stator + rotor heat-treating furnace	2.5344				
	VOCs	Direct-fired waste gas incinerator+21m high exhaust cylinder	3	1# outlet for waste gas from drying	0.5256		Chart 1 of Hebei Province Standard—Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13/2322-2016)	2.2038	/
9-10# outlets for waste gas from drying				25.3					
GD Midea Environment Appliances Mfg. Co.,Ltd.	VOCs	Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	2	During the screen printing process	1.21	Emission standard of volatile organic compounds for printing industry (DB44/815-2010)	0.068	0.07	No
		Dry filtering + UV + activated carbon + catalytic combustion + 15m high altitude discharge	2	Outlet for waste gas from dip coating, drying and hardening	18	Emission standards for odor pollutants (GB14554-93)	3.19	3.42	No

		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	1	During the manual welding process	0.15	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2 and Emission standards for odor pollutants (GB14554-93)	0.005	0.009	No
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	3	During the wave soldering process (paste printing and wave reflow)	1.24	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2 and Emission standards for odor pollutants (GB14554-93)	0.078	0.086	No
	NMHC	Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	6	Exhaust funnel for waste gas from the baking and injection molding processes	2.78	Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015)	1.278	1.432	No
	Particles	Gas trap hood + water spraying + dry filtering + UV + activated carbon + 15m high altitude discharge	1	Outlet for waste gas from dusting, electrophoresis and hardening	17	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2 and Emission standards for odor pollutants (GB14554-93)	0.973	1.05	No
	Cooking fume	Water wash hood + electrostatic range hood + 15m high altitude discharge	7	Cooking fume outlet at canteen	0.3	Emission Standard of Cooking Fume (GB 18483-2001)	0.287	0.4	No

Hubei Midea Refrigerator Co., Ltd.	COD	Domestic sewage in the plant is discharged to the municipal sewage system after being treated by the septic tank	1	Domestic sewage outlets at the plant	30	Integrated wastewater discharge standard (GB8978-1996)	6.89	15	No	
	Ammonia nitrogen				5.18		1.36	2.5	No	
	BOD				9.8		2.25	/	No	
	SS				35		8.04	/	No	
	Animal and vegetable oil				0.67		0.15	/	No	
	Petroleum				0.70		0.16	/	No	
	Guangzhou Midea Hualing Refrigerator Co., Ltd.	COD	Freezer spaying waste water is discharged to the municipal sewage system after floatation + acidification + aerobic sludge digestion + filtration and other processes	1	Waste water outlets at the freezer branch plant	129	Integrated wastewater discharge standard (GB8978-1996)	2.94	15	No
		Ammonia nitrogen				4.49		0.20	2.5	No
		BOD				26.8		1.08	/	No
		SS				21		0.85	/	No
		Animal and vegetable oil				1.82		0.07	/	No
Petroleum		1.28				0.05		/	No	
Guangzhou Midea Hualing Refrigerator Co., Ltd.	NMHC, odor concentration, and VOCS	High altitude discharge after being treated by waste gas treatment station (UV photolysis + light and oxygen purification)	4	1# outlet: upper platform of central air-conditioning room of 2# plant 2# outlet: external platform of rolling line of 2# plant	5.5	For NMHC, Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Emission Limits	3.3	/	No	

				3# outlet: platform of extruding line of 3# plant 4# outlet: platform on 2/F of plastic injection room		For odor concentration, Table 2 of Emission standards for odor pollutants (GB14554-93): Emission Limits For VOCs, Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2 (Limits for NMHC)			
Wuxi Little Swan Electric Co., Ltd.	COD	Discharge to the municipal sewage system	1	Exit at the middle gate of the plant	213	Integrated wastewater discharge standard (GB8978-1996)	30.744	123.8994	No
	SS				45		8.724	87.2473	No
	Animal and vegetable oil				1.33		1.1718	10.7034	No
	Total phosphorus				1.95		0.3155	1.0701	No
	Total nitrogen				32.5		3.7618	11.2612	No
	Ammonia nitrogen				25.6		2.6796	6.6906	No
	Particles	High altitude discharge after treatment	11	Buildings A, C, and D	ND	Integrated emission standards for atmospheric pollutants (GB16297-1996) /Tianjin Emission	0.2601	2.0696	No
	VOCS	Direct discharge			0.49		0.4562	1.2218	No
	Sulfur dioxide				5		0.0903	0.624	No

	Nitrogen oxide				20	Control Standard for Industrial Enterprises Volatile Organic Compounds (DB12/524-2014)/ Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015)/ Emission standard of air pollutants for boiler (GB13271-2014)	0.598	3.38	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	Anionic surfactant	Discharge after being treated by wastewater treatment system and reaching the standard	1	General waste water outlet of the plant	616	Provincial Discharge Standard of Main Water Pollutants for Chemical Industry Park (GB/T4754-2011)	0.000035	0.001121	No
	COD				32000		0.001794	0.028028	No
	Suspended solids				8000		0.000448	0.022422	No
	PH value				/	/	/	No	
	Ammonia nitrogen (NH ₃ -N)				4210	0.000236	/	No	
	Five-day BOD				15000	0.000841	0.016817	No	
	Toluene	High altitude discharge after being treated by waste gas treatment station	4	1# and 4# workshops	0.101	Limit of Harmful Substances of Industrial Protective Coatings	0.0054	8.7048	No
	Benzene				0.077		0.0041	1.404	No
	NMHC				4.07		0.225	28.08	No

	Xylene				1.77	(GB30981-2020); Fugitive Emission Standard of Volatile Organic Compounds (GB37822-2019); Integrated Emission Standard of Air Pollutants (DB50-418-2016)	0.084	2.808	No
	Particles				15.7		0.5054	2.2464	No
Huaian Welling Motor Manufacturing Co., Ltd.	Particles	Gas trap hood + cotton filter + activated carbon + 15m high exhaust cylinder	2	5# waste gas outlet: outside the inductor dip coating room 8# waste gas outlet: outside the reactor dip coating room	7.1	Integrated emission standards for atmospheric pollutants (GB16297-1996)	0.585	0.97	No
	NMHC				1.84	Integrated emission standards for atmospheric pollutants (GB16297-1996)	0.1870	0.3078	No
	Styrene				/	Emission standards for odor pollutants (GB14554-93)	/	0.032	No
Midea Group Wuhan Refrigeration Equipment Co.,Ltd.	PH value	Discharge after being treated by wastewater treatment system and reaching the standard	1	West of the plant	7.38-7.48	Integrated wastewater discharge standard (GB8978-1996)	/	/	No
	Suspended solids				21		/	/	No
	Five-day COD				53.6		/	/	No

	COD				150		2.19	19.60	No
	Petroleum				0.24		/	/	No
	Ammonia nitrogen				0.152		0.002	1.764	No
	Fluoride				11.1		/	/	No
	Total zinc				3.38		/	/	No
	Particles	1. Water spraying + low-temperature plasma; direct-fired TO furnace	4	Northwestern corner of 1# plant; central 1# plant	0.129	Integrated emission standards for atmospheric pollutants (GB16297-1996)	1.548	2.775	No
	Sulfur dioxide	2. Frame filtration + activated carbon	3	Northeastern corner of 3# plant	0.0278		0.334	0.405	No
	Nitrogen oxide	3. Frame filtration + Level 2 spraying + UV photolysis + carbon absorption	1	West Gate 2 of 4# plant	0.1458		1.750	1.89	No
	VOCs	4. Activated carbon 5. RTO regenerative combustion	2	West Gate 2 of 5# plant, West Gate 1 of 5# plant	0.129		2.270	/	No

The construction of pollution prevention facilities and their operation

During the Reporting Period, all subsidiaries have strictly abided by the laws and regulations related to environment protection, and no major environmental pollution incidents occurred. All subsidiaries have set up reliable waste water and gas treatment systems. Through regular monitoring,

supervision and inspection mechanisms, as well as third-party testing, it is ensured that the discharge of waste water, waste gas and solid waste during the production and operation process meets the national and local laws and regulations. There is no excessive discharge by any subsidiary, which is in compliance with the relevant requirements of the environment administrations.

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

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

Contingency plans for environmental accidents

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

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

Environment self-monitoring plans

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

Other environment-related information that should be made public

None

Other environment-related information

None

19. Other Significant Events

Applicable N/A

20. Significant Events of Subsidiaries

Applicable N/A

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

On 25 March 2020, Midea Heating & Ventilating entered into the Share Transfer Agreement with Shanghai Shangfeng Group Co., Ltd. (hereinafter referred to as “Shangfeng Group”) and Liu Jincheng. A total of 208,685,418 shares (approximately 18.73% of Hiconics’s total share capital) were acquired in the Acquisition, with a total payment of RMB742,582,087. Midea Heating & Ventilating entered into the Voting Rights Entrustment Agreement with Shangfeng Group and Ye Jinwu, which agreed to entrust the voting rights in respect of their holdings of 55,747,255 shares in Hiconics (approximately 5% of Hiconics’s total share capital) to Midea Heating & Ventilating on an irrevocable basis for a term of 15 months commencing from the settlement date of the Acquisition, which makes Midea Heating & Ventilating have control over the voting rights in respect of a total of 264,432,673 shares in Hiconics (approximately 23.73% of Hiconics’s total share capital).

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

Section VI Changes in Shares and Information about Shareholders

1. Changes in Shares

1.1 Changes in shares

Unit: share

	Before		Increase/decrease in Reporting Period (+/-)			After	
	Shares	Percentage (%)	New issue	Others	Subtotal	Shares	Percentage (%)
1. Restricted shares	165,402,513	2.37		17,460,118	17,460,118	182,862,631	2.60
1.1 Shares held by the state							
1.2 Shares held by state-owned corporations							
1.3 Shares held by other domestic investors	163,369,513	2.34		16,415,618	16,415,618	179,785,131	2.56
Among which: Shares held by domestic corporations	2,363,601	0.03			0	2,363,601	0.03
Shares held by domestic individuals	161,005,912	2.31		16,415,618	16,415,618	177,421,530	2.52
1.4 Shares held by foreign investors	2,033,000	0.03		1,044,500	1,044,500	3,077,500	0.04
Among which: Shares held by foreign corporations							
Shares held by foreign individuals	2,033,000	0.03		1,044,500	1,044,500	3,077,500	0.04
2. Non-restricted shares	6,806,497,061	97.63	63,801,425	-23,185,118	40,616,307	6,847,113,368	97.40
2.1 RMB common shares	6,806,497,061	97.63	63,801,425	-23,185,118	40,616,307	6,847,113,368	97.40
2.2 Domestically listed							

foreign shares							
2.3 Overseas listed foreign shares							
2.4 Other							
3. Total shares	6,971,899,574	100.00	63,801,425	-5,725,000	58,076,425	7,029,975,999	100.00

Reasons for the changes in shares

√Applicable □N/A

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

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

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

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

e. For the reasons of certain incentive recipients' business unit's 2019 performance appraisal result being

“just so-so”, departure from the Company, violation of company rules, position change, individual performance appraisal result being “substandard” or other factors, the Company repurchased and retired 187,500 shares of 3 incentive recipients under the 2017 Restricted Share Incentive Scheme on 31 July 2020, 1,021,000 shares of 18 incentive recipients under the 2018 Restricted Share Incentive Scheme, and 1,010,000 shares of 15 incentive recipients under the 2019 Restricted Share Incentive Scheme, totaling 2,218,500 restricted shares (including 175,000 restricted shares of foreign employees).

f. 33,245,000 restricted shares (repurchased shares) were granted to 506 employees (including 1,510,000 restricted shares to foreign employees) under the 2020 Restricted Share Incentive Scheme, with no change to the total share capital of the Company. These shares would be allowed for public trading on 14 July 2020.

g. In 2020, the incentive recipients of stock options chose to exercise 63,801,425 shares, which have been registered into the Company’s share capital.

h. In 2020, locked-up shares held by senior management increased by 517,493 shares.

Approval of share changes

Applicable N/A

Transfer of share ownership

Applicable N/A

Progress of any share repurchase

Applicable N/A

a. The Proposal on the Plan for the Repurchase of Some Public Shares (hereinafter referred to as the “2020 Repurchase Plan”) was approved at the 18th Meeting of the 3rd Board of Directors on 21 February 2020. As such, the Company was agreed to repurchase, with its own funds, no less than 40,000,000 shares and no more than 80,000,000 shares by way of centralized bidding at a price not exceeding RMB65/share (adjusted to a price not exceeding RMB63.41/share upon the implementation of the 2019 Annual Profit Distribution Plan). All the repurchased shares would be used for the Company’s equity incentive schemes and/or employee stock ownership schemes.

As disclosed in the Announcement on the Completion of the Implementation of the Share Repurchase Plan dated 23 October 2020, during the repurchase period, the Company had repurchased 41,826,050 shares (0.5953% of the Company's total share capital as of 21 October 2020) by way of centralized bidding. With the highest trading price being RMB74.99/share and the lowest being RMB46.30/share, the total payment amounted to RMB2,697,409,655.33 (exclusive of trading fees). Therefore, the Company has repurchased over 40,000,000 shares (the lower limit for this share repurchase) for the 2020 Repurchase Plan, and the fact that the Company's share price has been consistently higher than the upper limit of the repurchase price has made continued repurchase unlikely. Therefore, the implementation of this share repurchase plan has been completed. So far, cumulatively 10,635,020 repurchased shares have been transferred. If the Company does not use the repurchased shares for the aforesaid purposes within 36 months upon the completion of the share repurchase, the unused shares will be retired following the relevant procedure.

Progress of any repurchased share reduction through centralized price bidding

Applicable N/A

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

Applicable N/A

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

Applicable N/A

1.2 Changes in restricted shares

Applicable N/A

Unit: share

Name of shareholder	Opening restricted shares	Unlocked in current period	Increased in current period	Closing restricted shares	Reason for change	Date of unlocking
Incentive recipients of 2017 Restricted Share Incentive Scheme (first phase) ①	6,140,000	5,532,500	0	0	Lockup according to the Scheme	22 June 2020

Incentive recipients of reserved restricted shares under 2017 Restricted Share Incentive Scheme ②	2,924,750	1,340,750	0	1,325,000	Lockup according to the Scheme	19 February 2020
Incentive recipients of 2018 Restricted Share Incentive Scheme (first phase) ③	17,094,000	3,704,125	0	11,232,375	Lockup according to the Scheme	1 July 2020
Incentive recipients of reserved restricted shares under 2018 Restricted Share Incentive Scheme ④	2,420,000	0	0	1,970,000	Lockup according to the Scheme	10 May 2021
Incentive recipients of 2019 Restricted Share Incentive Scheme ⑤	28,560,000	0	0	26,309,000	Lockup according to the Scheme	10 July 2021
Incentive recipients of 2020 Restricted Share Incentive Scheme	0	0	33,245,000	33,245,000	Lockup according to the Scheme	14 July 2021
Zhang Xiaoyi	273,875	0	151,056	424,931	Lockup for senior management position	-
Jiang Peng	458,475	114,525	0	343,950	Lockup for senior management position	-
Xiao Mingguang	66,250	0	153,750	220,000	Lockup for senior management position	-
Zhong Zheng	11,152	0	87,212	98,364	Lockup for senior management position	-
Hu Ziqiang	0	0	225,000	225,000	Lockup for senior management position	-
Zhu Fengtao	765,300	0	15,000	780,300	Locked-up shares of a former senior executive associated with his former tenure	-
Total	58,713,802	10,691,900	33,877,018	76,173,920	--	--

Notes: ① 607,500 restricted shares in total for the first phase of the 2017 Restricted Share Incentive Scheme that had been granted but were still in lockup were retired on 10 March 2020 and 31 July 2020, reducing the closing restricted shares by 607,500 shares.

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

③ 2,157,500 restricted shares in total for the first phase of the 2018 Restricted Share Incentive Scheme that had been granted but were still in lockup were retired on 10 March 2020 and 31 July 2020, reducing the closing restricted shares by 2,157,500 shares.

④ 450,000 reserved restricted shares in total under the 2018 Restricted Share Incentive Scheme that had been granted but were still in lockup were retired on 10 March 2020 and 31 July 2020, reducing the closing restricted shares by 450,000 shares.

⑤ 2,251,000 restricted shares in total for the 2019 Restricted Share Incentive Scheme that had been granted but were still in lockup were retired on 10 March 2020 and 31 July 2020, reducing the closing restricted shares by 2,251,000 shares.

2. Issuance and Listing of Securities

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

Applicable N/A

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

Applicable N/A

The total shares of the Company were 6,971,899,574 at the beginning of the Reporting Period. During the Reporting Period, 63,801,425 awarded stock options were exercised and registered; and a total of 5,725,000 restricted shares under the 2017, 2018 and 2019 Restricted Share Incentive Schemes were repurchased and retired. As such, total shares are 7,029,975,999 at the end of the Reporting Period.

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	226,871	Total number of common shareholders at the prior month-end before the disclosure date of the annual report	404,034	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	
5% or greater common shareholders or top 10 common shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total common shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted common shares held	Number of non-restricted common shares held	Pledged or frozen shares	
							Status	Shares
Midea Holding Co., Ltd.	Domestic non-state-owned corporation	30.86%	2,169,178,713	-42,867,900	0	2,169,178,713	Pledged	100,000,000
Hong Kong Securities Clearing Company Limited	Foreign corporation	15.05%	1,057,722,637	-119,585,807	0	1,057,722,637		
China Securities Finance Co., Ltd.	State-owned corporation	2.82%	198,145,134	0	0	198,145,134		
Fang Hongbo	Domestic individual	1.66%	116,990,492	-20,000,000	102,742,869	14,247,623		
Canada Pension Plan Investment Board – own	Foreign corporation	1.48%	103,913,897	-16,465,170	0	103,913,897		

funds (stock exchange)	n							
Central Huijin Asset Management Ltd.	State-owned corporation	1.28%	90,169,354	0	0	90,169,354		
Huang Jian	Domestic individual	1.25%	88,030,000	-2,200	0	88,030,000		
UBS AG	Foreign corporation	0.79%	55,877,225	18,513,229	0	55,877,225		
Li Jianwei	Foreign individual	0.72%	50,300,000	-1,400,000	0	50,300,000		
Yuan Liqun	Domestic individual	0.60%	42,125,195	-10,748,375	0	42,125,195		
Strategic investors or general corporations becoming top-ten common shareholders due to placing of new shares		N/A						
Related-parties or acting-in-concert parties among the shareholders above		N/A						
Top 10 non-restricted common shareholders								
Name of shareholder	Number of non-restricted common shares held at the period-end	Type of shares						
		Type	Shares					
Midea Holding Co., Ltd.	2,169,178,713	RMB common stock	2,169,178,713					
Hong Kong Securities Clearing Company Limited	1,057,722,637	RMB common stock	1,057,722,637					
China Securities Finance Co., Ltd.	198,145,134	RMB common stock	198,145,134					
Canada Pension Plan Investment Board— own funds (stock exchange)	103,913,897	RMB common stock	103,913,897					
Central Huijin Asset Management Ltd.	90,169,354	RMB common stock	90,169,354					
Huang Jian	88,030,000	RMB common stock	88,030,000					
UBS AG	55,877,225	RMB common stock	55,877,225					
Li Jianwei	50,300,000	RMB common stock	50,300,000					
Yuan Liqun	42,125,195	RMB common stock	42,125,195					

Merrill Lynch International	40,958,596	RMB common stock	40,958,596
Related-parties or acting-in-concert parties among the top ten non-restricted common shareholders and between the top ten non-restricted common shareholders and the top ten common shareholders	N/A		
Explanation on the top 10 common shareholders participating in securities margin trading (if any)	1. The Company's shareholder Yuan Liqun holds 9,138,000 shares in the Company through her common securities account and 32,987,195 shares in the Company through her account of collateral securities for margin trading, representing a total holding of 42,125,195 shares in the Company.		

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

Yes No

No such cases in the Reporting Period.

3.2 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	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.			

Reporting Period	
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Change of the controlling shareholder during the Reporting Period

Applicable N/A

No such cases in the Reporting Period.

3.3 Actual controller and acting-in-concert parties thereof

Name of the actual controller	Relationship with the actual controller	Nationality	Right of residence in other countries or regions
He Xiangjian	Actual controller himself	The People's Republic of China	No
Main occupation and duty	Incumbent board chairman of Midea Holding Co., Ltd.		
Domestically and overseas listed companies controlled in the last 10 years	Midea Group (000333.SZ), KUKA (KU2.DE), Hiconics (300048.SZ), Midea Real Estate (3990.HK), Little Swan (A: 000418.SZ; B: 200418) (delisted in 2019), and Welling Holding (00382.HK) (delisted in 2018)		

Whether the Company has any shareholder with a greater than 10% interest at the ultimate control level

Yes No

Shareholders with a greater than 5% interest at the ultimate control level

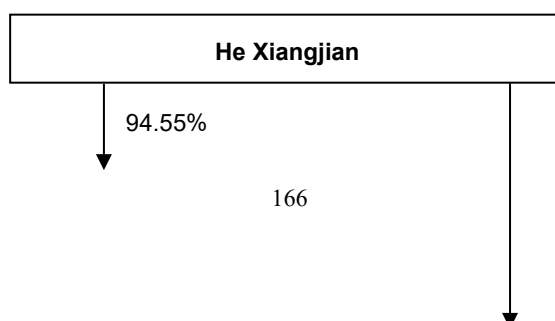
Applicable N/A

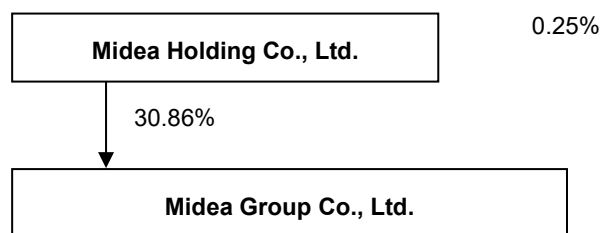
Change of the actual controller during the Reporting Period

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 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 of the Board and CEO	Incumbent	Male	54	2012-8-25	2021-9-25	136,990,492	0	20,000,000	0	116,990,492
He Jianfeng	Director	Incumbent	Male	54	2012-8-25	2021-9-25	0	0	0	0	0
Yin Bitong	Director and Vice President	Incumbent	Male	53	2016-12-16	2021-9-25	2,109,655	0	0	0	2,109,655
Gu Yanmin	Director and Vice President	Incumbent	Male	58	2014-4-21	2021-9-25	0	0	0	0	0
Yu Gang	Director	Incumbent	Male	62	2018-9-26	2021-9-25	0	0	0	0	0
Xue Yunkui	Independent Director	Incumbent	Male	57	2018-9-26	2021-9-25	179,914	0	0	0	179,914
Guan Qingyong	Independent Director	Incumbent	Male	44	2018-9-26	2021-9-25	0	0	0	0	0
Han Jian	Independent Director	Incumbent	Female	49	2018-9-26	2021-9-25	0	0	0	0	0
Dong	Chairman of	Incumbent	Male	35	2020-10-16	2021-9-25	0	0	0	0	0

Wentao	the Supervisory Committee	Incumbent	Male								
Zhao Jun	Supervisor	Incumbent	Male	46	2014-4-21	2021-9-25	0	0	0	0	0
Liang Huiming	Employee Supervisor	Incumbent	Female	38	2017-3-30	2021-9-25	0	0	0	0	0
Wang Jianguo	Vice President	Incumbent	Male	45	2017-12-15	2021-9-25	0	0	0	0	0
Zhang Xiaoyi	Vice President	Incumbent	Male	48	2018-4-23	2021-9-25	586,575	0	70,000	0	516,575
Xiao Mingguang	Vice President	Incumbent	Male	51	2019-3-22	2021-9-25	355,000	0	0	105,000	460,000
Hu Ziqiang	Vice President	Incumbent	Male	64	2014-8-18	2021-9-25	400,000	0	0	0	400,000
Wang Jinliang	Vice President	Incumbent	Male	54	2014-8-18	2021-9-25	120,000	0	0	120,000	240,000
Li Guolin	Vice President	Incumbent	Male	45	2020-7-3	2021-9-25	165,000	0	0	100,000	265,000
Liu Min	Chairman of the Supervisory Committee	Former	Female	44	2016-2-1	2020-10-16	0	0	0	0	0
	Vice President	Incumbent			2020-10-16	2021-9-25					
Zhong Zheng	Director of Finance	Incumbent	Female	39	2019-3-22	2021-9-25	201,152	0	0	10,000	211,152
Jiang Peng	Board Secretary	Incumbent	Male	48	2013-10-30	2021-9-25	458,600	0	100,000	0	358,600

Helmut Zodl	CFO	Former	Male	48	2019-10-22	2021-1-25	0	0	0	0	0
Total	--	--	--	--	--	--	141,566,388	0	20,170,000	335,000	121,731,388

2. Changes in Directors, Supervisors and Senior Management

√Applicable □N/A

Name	Office title	Type of change	Date	Reason
Li Guolin	Vice President	Appointed	2020-7-3	-
Liu Min	Chairman of the Supervisory Committee	Former	2020-10-16	Job change
Liu Min	Vice President	Appointed	2020-10-16	-
Dong Wentao	Chairman of the Supervisory Committee	Elected	2020-10-16	-
Helmut Zodl	CFO	Former	2021-1-25	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, male, holder of a Master's degree, is the Chairman and CEO of the Company. He joined Midea in 1992 and previously served as the General Manager of Midea Air-Conditioning Business Unit, CEO of Midea Refrigeration Electric Appliances Group, Chairman and CEO of GD Midea Holding Co., Ltd.

Mr. He Jianfeng, male, holder of a Bachelor's degree, is a Director of Midea Group. He is also the Chairman of the Board and President of Infore Investments Holding Group Co., Ltd.

Mr. Yin Bitong, male, a Master's graduate, joined Midea in 1999 and served as GM Assistant and Marketing Director of the Residential Air Conditioning Division as well as GM and Director of Wuxi Little Swan Co. Ltd. He is now a Director and Vice President of Midea Group, a Co-President of the Smart Home Business Group, the President of Midea Residential Air Conditioning Division, and the President of Midea China.

Mr. Gu Yanmin, male, holder of a Doctoral degree, joined Midea in 2000 and has functioned as the Head of Planning & Investment, Head of Overseas Strategy & Development, Vice President and Head of Overseas Business Development of Midea Air-Conditioning & Refrigeration Group, Head of Overseas Strategy of Midea Group. Currently he is a Director and Vice President of the Company, the President of the Robotics & Automation Division, as well as the Chairman of the Supervisory Committee of KUKA.

Mr. Yu Gang, male, holder of a Doctoral degree given by the Wharton School of the University of Pennsylvania, is the Honorary Chairman and a co-founder of YHD.COM. He once served as the Global Supply Chain Vice President of Amazon and the Global Procurement Vice President of Dell. He is now the Executive Chairman of the Board of Directors and a co-founder of 111, Inc., as well as a Director of Midea Group.

Mr. Xue Yunkui, male, is a holder of a Doctoral degree given by the Southwest University and a holder of a Post-Doctoral degree given by the Shanghai University of Finance and Economics. He used to be the associate dean and a doctoral supervisor at the School of Accountancy of Shanghai University of Finance and Economics, a Founding Vice President of Shanghai National Accounting Institute and Cheung Kong Graduate School of Business, the Secretary-General of China Association of Accounting Professors, a Vice Chairman of the Steering Committee of the National Accounting Institute under the Ministry of Finance, etc. He is now an accounting professor of Cheung Kong Graduate School of Business, and an Independent Director of Midea Group.

Mr. Guan Qingyou, male, is a holder of a Doctoral degree in economics given by the Chinese Academy of Social Sciences and a holder of a Post-Doctoral degree given by the Tsinghua University. He once worked as a Vice President and the Director of the Research Institute of Minsheng Securities. Currently, he serves as the President and Chief Economist of the Reality Institute of Advanced Finance, a Professor of the Faculty of Economics of Hainan University, a Vice Chairman of China Institute of Private Sector, an Academic Committee of the International Monetary Institute of the Renmin University of China, the Chief Economist of Zhongguancun Equity Investment Association and Guangdong Province Venture Capital Association, etc.

Ms. Han Jian, female, holder of a Doctoral degree given by the Cornell University, is an associate

professor of management in China Europe International Business School, a co-director of the Sino European Innovation Institute in China and the Sino European Digital Economy and Intelligent Enterprise Research Center, as well as an Independent Director of Midea Group.

Mr. Dong Wentao, male, a Master's degree graduate, joined Midea in 2016. He used to work in CIMC and ZTE. And he once served in the Legal Affairs Department, the Investor Relations Department, etc. of Midea Group, with over 10 years of experience in legal affairs, risk control, market value management, capital operation, etc.

Mr. Zhao Jun, male, 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 Executive President in Midea Holding Co., Ltd., as well as a Non-Executive Director of Midea Real Estate Holding Limited.

Ms. Liang Huiming, female, is a holder of a Bachelor's degree. Joining Midea in 2007, she used to serve as the Chief Business Administration Commissioner in Midea Group's Administration and Human Resources Department. She is now the Employee Supervisor of Midea Group.

Mr. Wang Jianguo, male, a Master's degree holder, joined Midea in 1999. He was once the Director of the Supply Chain Management Department of Midea Group's Residential Air Conditioner Division, the Director of the Administration and Human Resources Department of Midea Group, and the General Manager of Midea Group's Refrigeration Division. Currently, he is a Vice President of Midea Group, a Co-President of the Smart Home Business Group, and the President of Midea International Business.

Mr. Zhang Xiaoyi, male, is a holder of a Master's degree. Joining Midea Group in 2010, he used to serve as the head of the overseas process IT system, the head of the supply chain system, and the IT Director of Midea Group, etc. He is now a Vice President and the Chief Information Officer of Midea Group.

Mr. Xiao Mingguang, male, a holder of a Master's degree, joined Midea in 2000. He once was the Deputy Director of the Financial Management Department and the Director of the Operational Management Department of Midea Group, the Director of the Audit and Supervision Department and a Director of GD Midea Holding Co., Ltd., as well as the Director of Finance of Midea Group, etc. He is now a Vice

President of Midea Group.

Mr. Hu Ziqiang, male, 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 CTO of the Company.

Mr. Wang Jinliang, male, 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 of the Company.

Mr. Li Guolin, male, holder of a Master's degree, joined Midea in 1998 and previously worked as a Vice President of the Residential Air Conditioner Division, and the President of the Small Domestic Appliance Division of Midea Group. He is now a Vice President, and the President of the Manufacturing Technology Research Institute, of the Company.

Ms. Liu Min, female, a Master's degree graduate, joined Midea in 1998. She used to be the General Manager of the Overseas Marketing Company under Midea's Residential Air-Conditioning Division and the Director of Midea Executive Office. She is now a Vice President, a Vice President of the Robotics & Automation Division, of the Company, as well as a member of KUKA's Supervisory Committee.

Ms. Zhong Zheng, female, a holder of a Master's degree, joined Midea in 2002. She once was the Financial Manager of the factory in Guangzhou of the Residential Air Conditioner Division and of domestic and overseas marketing subsidiaries, the Director of Finance of the Financial Center and the Component Division, as well as the Audit Director of Midea Group, etc. She is now the Director of Finance of Midea Group.

Mr. Jiang Peng, male, holder of a Master's degree, joined Midea in 2007 and used to be the Representative for Securities Affairs and Board Secretary for GD Midea Holding Co., Ltd. He is now the Board Secretary and Director of Investor Relations of Midea Group.

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
He Jianfeng	Midea Holding Co., Ltd.	President	2016-01	-	No
Zhao Jun	Midea Holding Co., Ltd.	Executive President	2020-03	-	Yes
Note	N/A				

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
He Jianfeng	Infore Investments Holding Group Co., Ltd.	Chairman of the Board and President	1995-06	-	Yes
Gu Yanmin	KUKA	Chairman of the Supervisory Committee	2017-01	2024-06	Yes
Yu Gang	111, Inc.	Executive Chairman of the Board	2011-04	-	Yes
Xue Yunkui	Ouyeel Co., Ltd.	Independent Director	2019-08	2022-08	Yes
	Dalian Wanda Commercial Management Group Co., Ltd.	Independent Director	2020-02	2023-02	Yes
	Bank of Shanghai Co., Ltd.	Independent Director	2021-01	2024-01	Yes
	Hinova Pharmaceuticals Inc.	Independent Director	2020-09	2023-09	Yes
Guan Qingyou	Beijing Rushi Research Information Consulting Service Co., Ltd.	Chairman of the Board	2017-12	-	Yes
	Shaanxi International Trust Co., Ltd.	Independent Director	2019-07	2022-07	Yes
	Nanhua Futures Co., Ltd.	Independent Director	2019-02	2022-02	Yes
	Shandong Hi-Speed Road&Bridge Co., Ltd.	Independent Director	2020-06	2023-06	Yes
	Hangzhou Hikvision Digital	Independent Director	2021-03	2024-03	Yes

	Technology Co., Ltd.				
Liu Min	KUKA	Member of the Supervisory Committee	2017-01	2024-06	Yes
Note	N/A				

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 Management

The following describes the decision-making procedures, grounds on which decisions are made and actual remuneration payment of directors, supervisors and senior management.

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

The remuneration of directors, supervisors and senior management consist of basic annual payments and performance-related annual payments according to the Salary Management System for the Directors, Supervisors and Senior Management which has been approved by the Company. Basic payment is determined based on the responsibility, risk and pressure of directors, supervisors and senior management. 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 management 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 management 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

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

Unit: RMB'000

Name	Position	Gender	Age	Incumbent/ Former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company
Fang Hongbo	Chairman of the Board and CEO	Male	53	Incumbent	12,130	
He Jianfeng	Director	Male	53	Incumbent	-	Yes
Yin Bitong	Director and Vice President	Male	52	Incumbent	8,840	
Gu Yanmin	Director and Vice President	Male	57	Incumbent	5,540	
Yu Gang	Director	Male	61	Incumbent	450	
Xue Yunkui	Independent Director	Male	56	Incumbent	450	
Guan Qingyou	Independent Director	Male	43	Incumbent	450	
Han Jian	Independent Director	Female	48	Incumbent	450	
Dong Wentao	Chairman of the Supervisory Committee	Female	35	Incumbent	490	
Zhao Jun	Supervisor	Male	45	Incumbent	-	Yes
Liang Huiming	Employee Supervisor	Female	37	Incumbent	250	
Wang Jianguo	Vice President	Male	44	Incumbent	5,660	
Zhang Xiaoyi	Vice President	Male	47	Incumbent	4,960	
Hu Ziqiang	Vice President	Male	63	Incumbent	4,760	
Wang Jinliang	Vice President	Male	53	Incumbent	4,310	
Xiao Mingguang	Vice President	Male	50	Incumbent	4,300	
Liu Min	Chairman of the Supervisory Committee	Female	43	Incumbent	4,620	
Li Guolin	Vice President	Male	45	Incumbent	4,480	
Helmut Zodl	Chief Financial Officer	Male	47	Former	7,770	

Zhong Zheng	Director of Finance	Female	38	Incumbent	3,960	
Jiang Peng	Board Secretary	Male	47	Incumbent	3,070	
Total	--	--	--	--	76,940	--

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
Hu Ziqiang	Vice President	-	-	-	98.44	100,000	100,000	0	15.86	0
						100,000	25,000	0	27.57	75,000
Xiao Mingguang	Vice President	210,000	105,000	17.85	98.44	100,000	25,000	0	27.57	75,000
						100,000	50,000	0	27.99	50,000
Zhang Xiaoyi	Vice President	80,000	80,000	16.06	98.44	70,000	70,000	0	15.86	0
						100,000	25,000	0	27.57	75,000
Wang Jinliang	Vice President	-	-	-	98.44	120,000	0	120,000	24.42	240,000
Li Guolin	Vice President	-	-	-	98.44	0	0	100,000	24.42	100,000
Zhong Zheng	Director of Finance	75,000	10,000	17.85	98.44	60,000	60,000	0	15.86	0
						80,000	20,000	0	27.57	60,000
Total	--	365,000	195,000	--	--	830,000	375,000	220,000	--	675,000
Note (if any)	N/A									

5. Staff in the Company

5.1 Number, functions and educational backgrounds of the staff

Number of in-service staff of the Company	1,729
Number of in-service staff of main subsidiaries	147,510
Total number of in-service staff	149,239
Total number of staff with remuneration in the period	149,239
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	2,369
Functions	
Function	Number of staff
Production	121,579
Sales	8,063
Technical	16,071
Financial	1,830
Administrative	1,696
Total	149,239
Educational backgrounds	
Educational background	Number of staff
Master and doctor	5,491
Bachelor	27,770
College, technical secondary school	59,393
Others	56,585
Total	149,239

Note: The data above have not yet included the staff of KUKA, which are around 14,000.

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 trainings

In Midea, new employees will receive orientation and job-specific skill training or tutoring, while in-service ones will be given irregular trainings inside or outside the Company to help improve their professional and universal skills. In this way, Midea people enjoy better development opportunities.

Midea has also put in place a multi-tier talent development system, including a mature leadership development program comprising the Sailor Project, the Voyager Project and the Pilot Project to cultivate reserve talent for manager, director and general manager.

The attendances at internal training sessions were 5,448,046 in 2020, of which 27,467 were management personnel, 2,233,420 technical and marketing personnel and 3,187,159 operational personnel. The trainings included:

- a. Building Leadership Development Programs such as the Sailor-Voyager-Pilot program and a High-Potential Leaders Training system to facilitate talent management and training. 55 talent training programs were carried out, where 3,205 highly skilled managerial staff were trained for a total of 68,160 man-hours.
- b. Building a professionalism promotion system. 809 such programs were carried out, where 326,282 staff were trained for a total of 2,609,472 man-hours.
- c. Providing channels for common skill improvement. 682 such programs such as the Lecture for Staff were launched, where 73,679 staff were trained for a total of 262,188 man-hours.
- d. Improving individual comprehensive ability. 140 external trainings for individuals at junior, middle and senior levels were organized, where 515 staff were trained for a total of 8,073 man-hours.
- e. In order to help new graduates develop themselves fast and foster a new power for the Company, 63 relevant programs such as the Re-Education of New Graduates, the Training Camp for New Graduates, and the Orientation Training Camp for New Graduates were organized, where 9,647 new graduates were trained for a total of 256,733 man-hours.

f. Facilitating organizational learning. 6,013 internal sharing sessions were held, where 235,870 employees were trained for 367,901 man-hours. With the addition of 888 new internal trainers, annual teaching time reached 7,805 hours in total. And a total of 852 courses were designed in the year.

g. 12,399 key technical staff and working team leaders were trained for a total of 258,723 hours.

h. 110,728 staff visited M-Learning, a mobile app developed by Midea for online training, for a total of 476,721 times in 2020.

5.4 Labor outsourcing

Applicable N/A

Section VIII Corporate Governance

1. Basic Situation of Corporate Governance

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

Yes No

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' 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, and Management System for Finance Flow with Connected Parties, Internal Auditing System*. The shareholders' meeting, the Board of Directors, the 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 Company has also launched core management team shareholding plans and equity incentive plans for core research, quality control, technical, production and management staff, which helps to develop a sound shareholding structure for the future growth of the Company.

In 2020, the Company won the following honors:

No. 307 of “Fortune Global 500”; No. 229 of “The World’s 2,000 Largest Public Companies” released by the Forbes; No. 33 of the “BrandZ™ 2020 Top 100 Most Valuable Chinese Brands” jointly released by WPP and Kantar Millward Brown; No. 174 of the “2021 Brand Finance Global 500”; the Golden Bull Award for Social Responsibilities of Listed Companies” by China Securities Journal; and the “Poverty Alleviation Contribution Award of the Year” at “China ESG Golden Awards 2020” presented by finance.sina.com.cn.

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 Holding Co., Ltd., 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

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

4.1 Meetings of shareholders convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Disclosure index
2020 First Special Meeting of Shareholders	Special meeting of shareholders	54.4367%	13 March 2020	14 March 2020	Announcement No. 2020-023, disclosed on www.cninfo.com.cn
2019 Annual Meeting of Shareholders	Annual meeting of shareholders	57.2182%	22 May 2020	23 May 2020	Announcement No. 2020-050, disclosed on www.cninfo.com.cn
2020 Second Special Meeting of Shareholders	Special meeting of shareholders	57.9386%	22 June 2020	23 June 2020	Announcement No. 2020-076, disclosed on www.cninfo.com.cn
2020 Third Special Meeting of Shareholders	Special meeting of shareholders	60.4888%	16 October 2020	17 October 2020	Announcement No. 2020-107, disclosed on www.cninfo.com.cn

4.2 Special meetings of shareholders 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 meetings of shareholders

Attendance of independent directors in Board meetings and meetings of shareholders							
Independent director	Presence due at Board meetings in the Reporting Period (times)	Presence at Board meetings on site (times)	Presence at Board meetings by telecommunication (times)	Presence at Board meetings through a proxy (times)	Absence from Board meetings (times)	Absence from Board meetings for two consecutive times	Presence at meetings of shareholders (times)
Xue Yunkui	11	1	10	0	0	No	0
Guan Qingyou	11	1	10	0	0	No	1
Han Jian	11	1	10	0	0	No	0

Explanation of absence from Board meetings for two consecutive times

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

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 2019 Final Account Report, The 2019 Annual Report & Its Abstract, The Report of the Audit Committee on Concluding and Appraising the 2019 Annual Audit Work, The Proposal for Appointing an Auditor for the 2020 Annual Result, The Proposal for Appointing an Auditor for the Internal Control in 2020, The Report on the First Quarter of 2020, The 2020 Semi-Annual Report and The Report on the Third Quarter of 2020.*

6.2 The Remuneration and Appraisal Committee under the Board convened three meetings in the Reporting Period, at which the following proposals were considered and approved: *The Remuneration Standard for Directors, Supervisors and Senior Management for 2019, The Proposal on the Seventh Stock Option Incentive Scheme (Draft) and Its Abstract, The Proposal on the 2020 Restricted Share Incentive Scheme (Draft) and Its Abstract, The Sixth Core Management and Global Partner Stock Ownership Scheme of Midea Group Co., Ltd. (Draft) and Its Abstract, The Third Core Management and Business Partner Stock Ownership Scheme of Midea Group Co., Ltd. (Draft) and Its Abstract, The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2017, 2018 and 2019 Restricted Share Incentive Schemes, The Proposal on the Satisfaction of the Conditions for the Second Unlocking Period for the Reserved Restricted Shares of the 2017 Restricted Share Incentive Scheme, The Proposal for Matters Related to the Stock Option Exercise for the Third Exercise Period of the Fourth Stock Option Incentive Scheme, The Proposal for Matters Related to the Stock Option Exercise for the First Exercise Period of the Fifth Stock Option Incentive Scheme, The Proposal on the Satisfaction of the Conditions for the Third Unlocking Period for the First Phase of the 2017 Restricted Share Incentive Scheme, and The Proposal on the Satisfaction of the Conditions for the First Unlocking Period for the First Phase of the 2018 Restricted Share Incentive Scheme.*

6.3 The Nomination Committee under the Board convened two meetings in the Reporting Period, at which the following proposals were considered and approved: *The Proposal for Vice President Appointment, and The Proposal for the Change of Representative for Securities Affairs.*

7. Performance of Duties by the Supervisory Committee

Were there any risks to the Company identified by the 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 schemes as well as multiple stock option or restricted share incentive schemes, 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	30 April 2021	
Index to the disclosed internal control self-evaluation report	For details, please refer to the 2020 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	70%	
Ratio of the operating revenue of the appraised entities to the consolidated operating revenue	70%	
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	For details, please refer to “(c) Basis for internal control evaluation and identification standards for internal control

	defects” under Section III of The 2020 Self-Evaluation Report on Internal Control disclosed on www.cninfo.com.cn dated 30 April 2021.	defects” under Section III of The 2020 Self-Evaluation Report on Internal Control disclosed on www.cninfo.com.cn dated 30 April 2021.
Quantitative standard	For details, please refer to “(c) Basis for internal control evaluation and identification standards for internal control defects” under Section III of The 2020 Self-Evaluation Report on Internal Control disclosed on www.cninfo.com.cn dated 30 April 2021.	For details, please refer to “(c) Basis for internal control evaluation and identification standards for internal control defects” under Section III of The 2020 Self-Evaluation Report on Internal Control disclosed on www.cninfo.com.cn dated 30 April 2021.
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 2020, Midea Group maintained an effective internal control of a financial report in all significant aspects based on the General Specifications of Company Internal Control 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	30 April 2021
Index to the disclosed full text of the auditor’s report on internal control	For details, please refer to the 2020 Auditor’s Report on Internal Control, which has been disclosed on www.cninfo.com.cn
Type of the auditor’s opinion	Standard & unqualified
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 IX Financial Report

1. Auditor's report

Type of the auditor's opinion	Unqualified opinion
Signing date of the auditor's report	28 April 2021
Name of the auditor	PricewaterhouseCoopers Zhong Tian LLP
No. of the auditor's report	PwC ZT Shen Zi (2021) No. 10017
Names of certified public accountants	Yao Wenping and Qiu Xiaoying

Auditor's Report

PwC ZT Shen Zi (2021) No. 10017

(Page 1 of 6)

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

Opinion

What we have audited

We have audited the accompanying financial statements of Midea Group Co., Ltd. (hereinafter “the Group”), which comprise:

- the consolidated and company balance sheets as at 31 December 2020;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Group as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises (“CASs”).

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition of revenue from heating & ventilation, as well as air-conditioner (hereinafter referred to as “HVAC”) and consumer appliances
- Impairment testing of goodwill

Key Audit Matters (Cont'd)	How our audit addressed the Key Audit Matters
<p>Recognition of revenue from HVAC and consumer appliances</p> <p>Please refer to Note 2(26)(a) “Revenue - sales of products” and Note 4(44) “Operating revenue” to the financial statements.</p> <p>The Group recognises relevant revenue at the amount of the consideration which the Group is expected to receive when the customer obtains control over relevant goods or services. In 2020, the Group’s consolidated operating revenue was RMB284,221,249,000 and the revenue from HVAC and consumer appliances was RMB235,105,807,000.</p> <p>We focused on recognition of revenue from HVAC and consumer appliances mainly due to the large size of both domestic and overseas customer base and high volume of sales through various distribution channels. In addition, the amount of revenue recognized is material to the financial statements as a whole. Therefore, completing the necessary audit procedures required substantial audit resources.</p>	<p>Regarding the Group’s revenue from sales of HVAC and consumer appliances, we performed the following procedures:</p> <ol style="list-style-type: none"> 1. We interviewed management from operation and financial departments to understand the necessary details of sales processes of all distribution channels and evaluate the internal control of processes relating to the revenue from sale of HVAC and consumer appliances designed by management and tested the operating effectiveness of key controls; 2. We reviewed household appliance sales contract template entered into by and between the Group and the clients from all distribution channels, and analysed and evaluated the Group’s accounting policies on the revenue from sales of HVAC and consumer appliances based on our interview with management, understanding of the Group’s business operation and audit experience; 3. Performed risk assessment through fluctuation analysis of monthly sales and gross margin by product; 4. Reviewed supporting documents relevant to revenue recognition on a sample basis, including sales contracts, orders, sales invoices, shipping orders, acknowledgement of goods receipts signed by customers, billing agreements with customers, etc.; 5. Validated the revenue by external confirmation on a sampling basis; 6. Evaluated whether or not the products sales occurred near year end was recorded in the proper period by checking the supporting documents which include acknowledgement of goods receipts signed by customers, billing agreements with customers or other supporting documents. <p>Based on the work performed, the Group’s recognition of revenue from sales of HVAC and consumer are supported by the available evidence.</p>

Key Audit Matters (Cont'd)	How our audit addressed the Key Audit Matters
<p>Impairment assessment of goodwill</p> <p>Please refer to Note 4(19) “Goodwill” to the financial statements.</p> <p>As at 31 December 2020, the goodwill recorded in the consolidated balance sheet of the Group amounted to RMB29,557,218,000, including RMB22,836,294,000 and RMB2,944,486,000 arising from business acquisition of KUKA Aktiengesellschaft and its subsidiaries (“KUKA Group”) and Toshiba Lifestyle Products & Services Corporation (“TLSC”), respectively. Management believed that it was not necessary to make impairment provision for the goodwill based on the impairment testing prepared in accordance with the accounting policies stated in Note 2(19) to the consolidated financial statements. The impairment testing is performed by assessing the recoverable amount of the asset group and asset groups containing the relevant goodwill, based on the present value of cash flows forecasts. Key assumptions adopted in the impairment testing of goodwill included expected revenue growth rates, EBITDA margins, perpetual annual growth rates, discount rates, etc. which required key accounting estimates and judgement.</p> <p>We focused on the impairment assessment of the goodwill totalling RMB25,780,780,000 arising from the business acquisition of KUKA Group and TLSC due to the significance of the goodwill and degree of key estimates and judgements involved in the impairment assessment.</p>	<p>Regarding the impairment testing of goodwill arising from the acquisition of KUKA Group and TLSC, we performed the following procedures:</p> <ol style="list-style-type: none"> 1. Understood the internal controls and evaluation process relating to impairment testing of goodwill, and assessed the inherent risks of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management’s bias and fraud; 2. Evaluated and tested the operating effectiveness of key controls relevant to the impairment testing of goodwill, including review and approval of key assumptions applied and internal control over calculating recoverable amounts of the asset group and asset groups containing the allocated goodwill; 3. Evaluated the rationality of the asset group and asset groups identification; 4. Evaluated the rationality of forecasts made by management by comparing the estimated future cash flows of the prior year with the actual business performance of the current year, and considered whether the judgement made by management during the selection of data would give rise to indicators of possible management bias; 5. Evaluated the rationality of key assumptions applied in the impairment testing of goodwill, such as expected revenue growth rates, EBITDA margins, perpetual annual growth rates and discount rates by reference to company’s historical operating performance, future operation plan and market developments; 6. Verified the mathematical accuracy of the calculation process during the impairment assessment of goodwill; 7. Evaluated the appropriateness of the goodwill impairment testing model and discount rate employed by management with the involvement of internal valuation expert. <p>Based on the work performed, management’s judgments in goodwill impairment assessment are supported by the available evidences.</p>

Other Information

Management of the Group is responsible for the other information. The other information comprises all the information included in 2020 annual report of the Group other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Group is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, 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.

In preparing these financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA

Yao Wenping
(Engagement Partner)

Shanghai, the People's Republic of China
[28] April 2021

Signing CPA

Qiu Xiaoying

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2020

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

ASSETS	Note	31 December 2020 Consolidated	31 December 2019 Consolidated	31 December 2020 Company	31 December 2019 Company
Current assets					
Cash at bank and on hand	4(1)	81,210,482	70,916,841	49,240,180	52,291,056
Financial assets held for trading	4(2)	28,239,601	1,087,351	16,614,658	-
Derivative financial assets		420,494	197,412	-	-
Notes receivable	4(3)	5,304,510	4,768,520	-	-
Accounts receivable	4(4)	22,978,363	18,663,819	-	-
Receivables financing	4(6)	13,901,856	7,565,776	-	-
Advances to suppliers	4(7)	2,763,710	2,246,177	45,306	36,877
Contract assets	4(8)	3,236,848	—	-	—
Loans and advances	4(9)	16,469,069	10,869,396	-	-
Other receivables	4(5), 17(1)	2,973,945	2,712,974	28,318,670	18,369,865
Inventories	4(10)	31,076,529	32,443,399	-	-
Other current assets	4(11)	33,079,918	65,011,027	20,533,745	42,665,884
Total current assets		241,655,325	216,482,692	114,752,559	113,363,682
Non-current assets					
Other debt investments	4(12)	21,456,155	-	20,064,155	-
Long-term receivables	4(13)	981,623	1,208,079	-	-
Loans and advances	4(9)	1,113,501	790,101	-	-
Long-term equity investments	4(14), 17(2)	2,901,337	2,790,806	54,991,161	52,605,859
Investments in other equity instruments		46,651	-	-	-
Other non-current financial assets	4(15)	3,360,849	1,750,107	80,937	487,564
Investment properties		405,559	399,335	476,839	518,828
Fixed assets	4(16)	22,239,214	21,664,682	749,835	878,239
Construction in progress	4(17)	1,477,302	1,194,650	204,304	155,681
Intangible assets	4(18)	15,422,393	15,484,179	684,997	700,836
Goodwill	4(19)	29,557,218	28,207,065	-	-
Long-term prepaid expenses	4(20)	1,300,962	1,267,127	97,078	123,548
Deferred tax assets	4(21)	7,208,635	5,768,993	287,360	189,888
Other non-current assets	4(22)	11,255,879	4,947,603	10,141,031	4,359,507
Total non-current assets		118,727,278	85,472,727	87,777,697	60,019,950
TOTAL ASSETS		360,382,603	301,955,419	202,530,256	173,383,632

MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D)
AS AT 31 DECEMBER 2020**

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2020 Consolidated	31 December 2019 Consolidated	31 December 2020 Company	31 December 2019 Company
Current liabilities					
Short-term borrowings	4(25)	9,943,929	5,701,838	799,314	4,550,064
Customer deposits and deposits from banks and other financial institutions		87,535	62,477	-	-
Derivative financial liabilities		161,225	27,100	-	-
Notes payable	4(26)	28,249,939	23,891,600	-	-
Accounts payable	4(27)	53,930,261	42,535,777	-	-
Advances from customers	4(28)	-	16,231,854	-	-
Contract liabilities	4(29)	18,400,922	-	-	-
Employee benefits payable	4(30)	6,954,822	6,436,109	562,954	566,861
Taxes payable	4(31)	5,758,058	5,096,267	1,326,219	1,059,246
Other payables	4(32)	4,501,391	3,800,568	123,120,354	103,624,998
Current portion of non-current liabilities	4(33)	6,310,181	1,460,117	4,000,000	-
Other current liabilities	4(34)	49,852,239	39,074,777	3,048,794	19,539
Total current liabilities		184,150,502	144,318,484	132,857,635	109,820,708
Non-current liabilities					
Long-term borrowings	4(35)	42,827,287	41,298,377	5,800,000	4,000,000
Long-term payables		13,260	33,646	-	-
Provisions		298,110	353,269	-	-
Deferred income		779,729	617,155	-	-
Long-term employee benefits payable	4(36)	2,159,675	2,418,563	-	-
Deferred tax liabilities	4(21)	5,223,954	4,556,002	67,792	59,032
Other non-current liabilities	4(37)	692,986	863,826	-	-
Total non-current liabilities		51,995,001	50,140,838	5,867,792	4,059,032
Total liabilities		236,145,503	194,459,322	138,725,427	113,879,740
Shareholders' equity					
Share capital	4(38)	7,029,976	6,971,900	7,029,976	6,971,900
Capital surplus	4(40)	22,488,105	19,640,313	29,123,547	26,592,959
Less: Treasury stock	4(39)	(6,094,347)	(3,759,732)	(6,094,347)	(3,759,732)
Other comprehensive income	4(41)	(1,549,003)	(711,554)	(16,009)	1,735
General risk reserve		587,984	366,947	-	-
Special reserve		12,730	-	-	-
Surplus reserve	4(42)	7,966,362	6,447,658	7,966,362	6,447,658
Undistributed profits	4(43)	87,074,453	72,713,631	25,795,300	23,249,372
Total equity attributable to shareholders of the Company		117,516,260	101,669,163	63,804,829	59,503,892
Minority interests		6,720,840	5,826,934	-	-
Total shareholders' equity		124,237,100	107,496,097	63,804,829	59,503,892
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		360,382,603	301,955,419	202,530,256	173,383,632

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

Legal representative:
Fang Hongbo

Principal in charge of accounting:
Zhong Zheng

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Item	Note	2020 Consolidated	2019 Consolidated	2020 Company	2019 Company
Total revenue		285,709,729	279,380,506	1,852,312	1,767,902
Including: Operating revenue	4(44), 17(3)	284,221,249	278,216,017	1,852,312	1,767,902
Interest income	4(45)	1,488,211	1,163,180	-	-
Fee and commission income		269	1,309	-	-
Less: Cost of sales	4(44)	(212,839,592)	(197,913,928)	(51,350)	(45,823)
Interest costs	4(45)	(105,168)	(122,618)	-	-
Fee and commission expenses		(6,972)	(11,633)	-	-
Taxes and surcharges	4(46)	(1,533,646)	(1,720,616)	(32,546)	(37,481)
Selling and distribution expenses	4(47)	(27,522,276)	(34,611,231)	-	-
General and administrative expenses	4(48)	(9,264,148)	(9,531,361)	(701,711)	(579,072)
Research and development expenses	4(49)	(10,118,667)	(9,638,137)	-	-
Financial income	4(50)	2,638,032	2,231,636	1,421,019	1,974,379
Including: Interest expenses		(1,305,591)	(880,703)	(1,903,866)	(1,402,376)
Interest income		3,663,028	3,807,136	3,352,633	3,363,003
Add: Other income	4(56)	1,424,090	1,194,665	369,889	464,034
Investment income	4(54), 17(4)	2,362,462	164,132	12,578,455	10,384,466
Including: Investment income from associates		402,528	506,225	216,318	272,089
Profit or loss arising from derecognition of financial assets measured at amortised costs		-	(709)	-	-
Gains on changes in fair value	4(53)	1,762,950	1,361,163	108,605	162,565
Credit impairment losses	4(52)	(247,605)	(96,446)	(6,340)	(418)
Asset impairment losses	4(51)	(705,209)	(871,909)	-	-
(Losses)/Gains on disposal of assets	4(55)	(60,523)	(131,131)	146	(1,040)
Operating profit		31,493,457	29,683,092	15,538,479	14,089,512
Add: Non-operating income		384,986	613,310	102,429	39,832
Less: Non-operating expenses		(214,904)	(367,288)	(116,120)	(22,741)
Total profit		31,663,539	29,929,114	15,524,788	14,106,603
Less: Income tax expenses	4(57)	(4,156,997)	(4,651,970)	(337,750)	(420,984)
Net profit		27,506,542	25,277,144	15,187,038	13,685,619
(1) Classified by continuity of operations					
Net profit from continuing operations		27,506,542	25,277,144	15,187,038	13,685,619
Net profit from discontinued operations		-	-	-	-
(2) Classified by ownership of the equity					
Attributable to shareholders of the Company		27,222,969	24,211,222	15,187,038	13,685,619
Minority interests		283,573	1,065,922	-	-

MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY INCOME STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Item	Note	2020 Consolidated	2019 Consolidated	2020 Company	2019 Company
Other comprehensive income, net of tax		(1,177,809)	348,040	(17,744)	(4,285)
Other comprehensive income attributable to shareholders of the Company, net of tax		(837,449)	283,152	(17,744)	(4,285)
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss		112,388	(142,753)	-	-
1) Changes arising from remeasurement of defined benefit plan		111,895	(142,753)	-	-
2) Changes in fair value of investments in other equity instruments		493	-	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss		(949,837)	425,905	(17,744)	(4,285)
1) Other comprehensive income that will be transferred subsequently to profit or loss under the equity method		(20,445)	(6,590)	(17,744)	(4,285)
2) Effective portion of cash flow hedging gains or losses		298,721	113,890	-	-
3) Differences on translation of foreign currency financial statements		(1,228,113)	318,605	-	-
Other comprehensive income attributable to minority shareholders, net of tax		(340,360)	64,888	-	-
Total comprehensive income		26,328,733	25,625,184	15,169,294	13,681,334
Attributable to shareholders of the Company		26,385,520	24,494,374	15,169,294	13,681,334
Minority interests		(56,787)	1,130,810	-	-
Earnings per share					
Basic earnings per share (RMB Yuan)	4(58)	3.93	3.60	Not applicable	Not applicable
Diluted earnings per share (RMB Yuan)	4(58)	3.90	3.58	Not applicable	Not applicable

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

Legal representative:
Fang Hongbo

Principal in charge of accounting:
Zhong Zheng

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Item	Note	2020 Consolidated	2019 Consolidated	2020 Company	2019 Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		240,052,501	238,815,589	-	-
Net increase in customer deposits and deposits from banks and other financial institutions		25,058	18,091	-	-
Net decrease in deposits with the Central Bank		-	693,023	-	-
Cash received from interest, fee and commission		1,381,851	1,315,921	-	-
Refund of taxes and surcharges		6,574,762	6,271,733	-	-
Cash received relating to other operating activities	4(59)(a)	4,950,874	5,008,821	21,491,325	30,809,036
Sub-total of cash inflows		<u>252,985,046</u>	<u>252,123,178</u>	<u>21,491,325</u>	<u>30,809,036</u>
Cash paid for goods and services		(139,660,744)	(130,099,497)	-	-
Net increase in loans and advances		(6,078,053)	(318,859)	-	-
Net decrease in loans with the Central Bank		-	(99,754)	-	-
Net increase in balances with the Central Bank		(1,274,496)	-	-	-
Cash paid for interest, fee and commission		(113,517)	(134,251)	-	-
Cash paid to and on behalf of employees		(28,460,318)	(26,851,139)	(72,404)	(52,269)
Payments of taxes and surcharges		(13,407,607)	(14,897,513)	(342,190)	(133,421)
Cash paid relating to other operating activities	4(59)(b)	(34,433,194)	(41,131,761)	(10,178,648)	(6,818,472)
Sub-total of cash outflows		<u>(223,427,929)</u>	<u>(213,532,774)</u>	<u>(10,593,242)</u>	<u>(7,004,162)</u>
Net cash flows from operating activities	4(59)(c)	<u>29,557,117</u>	<u>38,590,404</u>	<u>10,898,083</u>	<u>23,804,874</u>
2. Cash flows (in)/from investing activities					
Cash received from disposal of investments		141,821,724	84,852,601	103,460,300	56,920,222
Cash received from returns on investments		4,874,990	4,026,590	15,565,104	12,812,869
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		273,544	125,419	255	1,040
Net cash received from disposal of subsidiaries and other business units		42,398	-	13,000	-
Sub-total of cash inflows		<u>147,012,656</u>	<u>89,004,610</u>	<u>119,038,659</u>	<u>69,734,131</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(4,656,582)	(3,451,856)	(187,723)	(183,326)
Cash paid to acquire investments		(176,621,347)	(108,457,398)	(117,386,281)	(88,883,737)
Net cash paid to acquire subsidiaries and other business units		(1,045,390)	(203,057)	-	-
Sub-total of cash outflows		<u>(182,323,319)</u>	<u>(112,112,311)</u>	<u>(117,574,004)</u>	<u>(89,067,063)</u>
Net cash flows (in)/from investing activities		<u>(35,310,663)</u>	<u>(23,107,701)</u>	<u>1,464,655</u>	<u>(19,332,932)</u>
3. Cash flows in financing activities					
Cash received from capital contributions		2,657,489	2,897,917	2,542,556	2,777,490
Including: Cash received from capital contributions by minority shareholders of subsidiaries		114,933	120,427	-	-
Cash received from borrowings		18,070,961	17,117,677	6,599,314	11,059,564
Cash received from issuance of short-term financing bonds		33,998,238	-	33,998,238	-
Cash received relating to other financing activities		22,725	-	-	-
Sub-total of cash inflows		<u>54,749,413</u>	<u>20,015,594</u>	<u>43,140,108</u>	<u>13,837,054</u>
Cash repayments of borrowings		(8,354,338)	(8,643,875)	(4,550,064)	(3,084,500)
Cash paid for repayment of short-term financing bonds		(31,000,000)	-	(31,000,000)	-
Cash payments for interest expenses and distribution of dividends or profits		(12,822,636)	(11,055,769)	(12,831,949)	(9,740,298)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(425,461)	(1,651,504)	-	-
Cash payments relating to other financing activities		(3,328,734)	(3,589,551)	(2,934,420)	(3,257,482)
Sub-total of cash outflows		<u>(55,505,708)</u>	<u>(23,289,195)</u>	<u>(51,316,433)</u>	<u>(16,082,280)</u>
Net cash flows in financing activities		<u>(756,295)</u>	<u>(3,273,601)</u>	<u>(8,176,325)</u>	<u>(2,245,226)</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents		<u>(383,411)</u>	<u>280,376</u>	<u>-</u>	<u>-</u>
5. Net (decrease)/increase in cash and cash equivalents	4(59)(c)	<u>(6,893,252)</u>	<u>12,489,478</u>	<u>4,186,413</u>	<u>2,226,716</u>
Add: Cash and cash equivalents at the beginning of the year		30,441,760	17,952,282	12,408,650	10,181,934
6. Cash and cash equivalents at the end of the year	4(59)(d)	<u>23,548,508</u>	<u>30,441,760</u>	<u>16,595,063</u>	<u>12,408,650</u>

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

Legal representative:
Fang Hongbo

Principal in charge of accounting:
Zhong Zheng

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

[English translation for reference only]

Item	Equity attributable to shareholders of the Company							Minority interests	Total shareholders' equity
	Share capital (Note 4(38))	Capital surplus (Note 4(40))	Less: Treasury stock (Note 4(39))	Other comprehensive income	General risk reserve	Surplus reserve	Undistributed profits		
Balance at 1 January 2019	6,663,031	18,451,307	(4,918,427)	(994,706)	366,947	5,079,096	58,424,868	9,382,401	92,454,517
Movements for the year ended 31 December 2019									
Total comprehensive income									
Net profit	-	-	-	-	-	-	24,211,222	1,065,922	25,277,144
Other comprehensive income, net of tax	-	-	-	283,152	-	-	-	64,888	348,040
Total comprehensive income	-	-	-	283,152	-	-	24,211,222	1,130,810	25,625,184
Capital contribution and withdrawal by shareholders									
Ordinary shares invested by shareholders	87,150	2,426,916	(57,088)	-	-	-	-	120,427	2,577,405
Share-based payment included in shareholders' equity	-	144,287	-	-	-	-	-	82,268	226,555
Others	221,719	(1,221,661)	1,215,783	-	-	-	-	(3,231,072)	(3,015,231)
Profit distribution									
Appropriation to general risk reserve	-	-	-	-	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	-	-	1,368,562	(1,368,562)	-	-
Profit distribution to shareholders	-	-	-	-	-	-	(8,553,897)	(1,670,654)	(10,224,551)
Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-
Others	-	(160,536)	-	-	-	-	-	12,754	(147,782)
Balance at 31 December 2019	6,971,900	19,640,313	(3,759,732)	(711,554)	366,947	6,447,658	72,713,631	5,826,934	107,496,097

MIDEA GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

[English translation for reference only]

Item	Equity attributable to shareholders of the Company								Minority interests	Total shareholders' equity
	Share capital (Note 4(38))	Capital surplus (Note 4(40))	Less: Treasury stock (Note 4(39))	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Undistributed profits		
Balance at 1 January 2020	6,971,900	19,640,313	(3,759,732)	(711,554)	366,947	-	6,447,658	72,713,631	5,826,934	107,496,097
Movements for the year ended 31 December 2020										
Total comprehensive income										
Net profit	-	-	-	-	-	-	-	27,222,969	283,573	27,506,542
Other comprehensive income, net of tax	-	-	-	(837,449)	-	-	-	-	(340,360)	(1,177,809)
Total comprehensive income	-	-	-	(837,449)	-	-	-	27,222,969	(56,787)	26,328,733
Capital contribution and withdrawal by shareholders										
Ordinary shares invested by shareholders	63,801	2,157,530	-	-	-	-	-	-	89,465	2,310,796
Business combinations	-	-	-	-	-	13,618	-	-	1,663,792	1,677,410
Share-based payment included in shareholders' equity	-	508,256	-	-	-	-	-	-	55,314	563,570
Others	(5,725)	(193,357)	(2,334,615)	-	-	-	-	-	(517,436)	(3,051,133)
Profit distribution										
Appropriation to general risk reserve	-	-	-	-	221,037	-	-	(221,037)	-	-
Appropriation to surplus reserve	-	-	-	-	-	-	1,518,704	(1,518,704)	-	-
Profit distribution to shareholders	-	-	-	-	-	-	-	(11,122,406)	(417,486)	(11,539,892)
Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-
Appropriation in the current period	-	-	-	-	-	165	-	-	41	206
Use in the current period	-	-	-	-	-	(1,053)	-	-	(263)	(1,316)
Others	-	375,363	-	-	-	-	-	-	77,266	452,629
Balance at 31 December 2020	7,029,976	22,488,105	(6,094,347)	(1,549,003)	587,984	12,730	7,966,362	87,074,453	6,720,840	124,237,100

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

Legal representative:
Fang Hongbo

Principal in charge of accounting:
Zhong Zheng

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

[English translation for reference only]

Item	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2019	6,663,031	10,615,389	(4,918,427)	6,020	5,079,096	19,486,212	36,931,321
Movements for the year ended 31 December 2019							
Total comprehensive income							
Net profit	-	-	-	-	-	13,685,619	13,685,619
Other comprehensive income, net of tax	-	-	-	(4,285)	-	-	(4,285)
Total comprehensive income	-	-	-	(4,285)	-	13,685,619	13,681,334
Capital contribution and withdrawal by shareholders							
Ordinary shares invested by shareholders	87,150	2,426,916	(57,088)	-	-	-	2,456,978
Share-based payment included in shareholders' equity	-	226,556	-	-	-	-	226,556
Others	221,719	13,372,750	1,215,783	-	-	-	14,810,252
Profit distribution							
Appropriation to surplus reserve	-	-	-	-	1,368,562	(1,368,562)	-
Profit distribution to shareholders	-	-	-	-	-	(8,553,897)	(8,553,897)
Transfer from capital surplus to share capital	-	-	-	-	-	-	-
Others	-	(48,652)	-	-	-	-	(48,652)
Balance at 31 December 2019	6,971,900	26,592,959	(3,759,732)	1,735	6,447,658	23,249,372	59,503,892

MIDEA GROUP CO., LTD.

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

[English translation for reference only]

Item	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2020	6,971,900	26,592,959	(3,759,732)	1,735	6,447,658	23,249,372	59,503,892
Movements for the year ended 31 December 2020							
Total comprehensive income							
Net profit	-	-	-	-	-	15,187,038	15,187,038
Other comprehensive income, net of tax	-	-	-	(17,744)	-	-	(17,744)
Total comprehensive income	-	-	-	(17,744)	-	15,187,038	15,169,294
Capital contribution and withdrawal by shareholders							
Ordinary shares invested by shareholders	63,801	2,157,530	-	-	-	-	2,221,331
Share-based payment included in shareholders' equity	-	566,167	-	-	-	-	566,167
Others	(5,725)	(193,357)	(2,334,615)	-	-	-	(2,533,697)
Profit distribution							
Appropriation to surplus reserve	-	-	-	-	1,518,704	(1,518,704)	-
Profit distribution to shareholders	-	-	-	-	-	(11,122,406)	(11,122,406)
Transfer from capital surplus to share capital	-	-	-	-	-	-	-
Others	-	248	-	-	-	-	248
Balance at 31 December 2020	7,029,976	29,123,547	(6,094,347)	(16,009)	7,966,362	25,795,300	63,804,829

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

Legal representative:
Fang Hongbo

Principal in charge of accounting:
Zhong Zheng

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

1 General information

The principal business activities of Midea Group Co., Ltd. (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) include residential air-conditioner, central air-conditioner, heating and ventilation systems, kitchen appliances, refrigerators, washing machines and various small appliances, robotics and automation system. Other services include the smart supply chain; sale, wholesale and processing of raw materials of household electrical appliances; and financial business involved in customer deposits, interbank lendings and borrowings, consumption credits, buyer’s credits and finance leases.

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

As at 31 December 2020, the Company’s share capital is RMB 7,029,975,999, and the total number of shares in issue is 7,029,975,999, of which 182,862,631 shares are restricted tradable A shares and 6,847,113,368 shares are unrestricted tradable A shares.

The detailed information of major subsidiaries included in the consolidation scope in the current year is set out in Notes 5 and 6. Subsidiaries newly included in the consolidation scope via acquisition in the current year mainly include Hiconics Eco-energy Technology Co., Ltd. and its subsidiaries (“Hiconics Eco-energy”) and WINONE ELEVATOR COMPANY LIMITED and its subsidiaries (“WINONE ELEVATOR”), and are detailed in Note 5(1)(a); subsidiaries newly included in the consolidation scope via establishment in the current year are detailed in Note 5(2)(a); subsidiaries no longer included in the consolidation scope in the current year are detailed in Note 5(2)(b).

These financial statements were authorised for issue by the Company’s Board of Directors on [28] April 2021.

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates

The Group determines specific accounting policies and accounting estimates based on the features of production and operation, mainly including the measurement of expected credit loss (ECL) on receivables and contract assets (Note 2(9(a))), valuation method of inventory (Note 2(11)), depreciation of fixed assets and amortisation of intangible assets (Note 2(14), (17)), impairment of long-term assets (Note 2(19)) and recognition of revenue (Note 2(26)).

Key judgements and critical accounting estimates and key assumptions applied by the Group on the determination of significant accounting policies are set out in Note 2(31).

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

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

The financial statements of the Company for the year ended 31 December 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company's financial position of the Company as at 31 December 2020 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) Functional currency

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

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

[English translation for reference only]

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

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. If the absorbing party was bought by the ultimate controller from a third party in prior years, the value of its assets and liabilities (including goodwill generated due to the combination) are based on the carrying amount in the ultimate controller's consolidated financial statements. The difference between the carrying amount of the net assets obtained by the Group 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 Group in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

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. Where the previously-held equity in the acquiree involves other comprehensive income under equity method and shareholders' equity changes other than those arising from the net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other shareholders' equity changes are transferred into income for the current period to which the acquisition dates belong, excluding those arising from changes in the investee's remeasurements of net liability or net asset related to the defined benefit plan. The excess of the sum of fair value of the previously-held equity and fair value of the consideration paid at the acquisition dates over share of fair value of identifiable net assets acquired from the subsidiary is recognised as goodwill.

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

(6) Preparation of consolidated financial statements

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

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

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

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit attributed to minority interests and total comprehensive incomes attributed to non-controlling interests and presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. Where the loss for the current period attributable to the minority shareholders of the subsidiaries exceeds the share of the minority interests in the opening balance of equity, the excess is deducted against minority interests. Unrealised profits and losses resulting from the sales 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 sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the parent company and net profit attributable to minority interests in accordance with the allocation proportion of the parent company in the subsidiary. Unrealised profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the parent company and net profit attributable to minority interests in accordance with the allocation proportion of the parent company in the subsidiary. If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(7) Determination criterion for 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.

MIDEA GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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

(8) Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the 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 recognised 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.

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

(9) Financial instruments

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

(a) Financial assets

(i) Classification and measurement

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

The financial assets are measured at fair value at initial recognition. Related transaction costs that are attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are recognised directly in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

(i-1) Debt instruments

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

Measured at amortised cost:

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

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

(i-1) Debt instruments (Cont'd)

Measured at fair value through other comprehensive income:

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

Measured at fair value through profit or loss:

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

(i-2) Equity instruments

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

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

(i-3) Derivative financial instruments

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

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

- (9) Financial instruments (Cont'd)
 - (a) Financial assets (Cont'd)
 - (i) Classification and measurement (Cont'd)
 - (i-3) Derivative financial instruments (Cont'd)

The method for recognising changes in fair value of the derivative financial instrument depends on whether the derivative financial instrument is designated as a hedging instrument and meets the requirement for it, and if so, the nature of the item being hedged. 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.

Cash flow hedge

The effective portion of gains or losses on hedging instruments is recognised in other comprehensive income as cash flow hedging reserve, while the ineffective portion is recognised in profit or loss for the current period. Where the hedge is a forecast transaction which subsequently results in the recognition of a non-financial asset or liability, the amount originally recognised in other comprehensive income is transferred and included in the initially recognised amount of the asset or liability. For cash flow hedge beyond the foregoing scope, the amount originally recognised in other comprehensive income is transferred and included in profit or loss for the current period during the same time in which the profit or loss is influenced by the hedged expected cash flow. However, if all or part of net loss recognised directly in other comprehensive income will not be recovered in future accounting periods, the amount not expected to be recovered should be transferred to profit or loss for the current period. When the Group revokes the designation of a hedge, a hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, the Group will discontinue the hedge accounting treatments prospectively. Where the Group discontinues the hedge accounting treatment for cash flow hedging, for hedged future cash flows that will still happen, the accumulated gains or losses that have been recognised in other comprehensive income are retained and subject to accounting treatment under the subsequent treatment method of aforesaid cash flow hedging reserve; for hedged future cash flows that the forecast transaction will never happen, the accumulated gains or losses that have been recognised in other comprehensive income are transferred immediately and included in profit or loss for the current period.

- (ii) Impairment

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

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

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

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

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

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

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(All amounts in RMB'000 Yuan unless otherwise stated)
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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

For notes receivable, accounts receivable, receivables financing and contract assets arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group recognises the lifetime ECL provision regardless of whether there exists a significant financing component. Since contract assets are related to work in progress without invoice, essentially, their risk characteristics are the same as the accounts receivable of similar contracts. Therefore, the Group believes that the ECL rate of accounts receivable is an approximation to that of contract assets.

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

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

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

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

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

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

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Derecognition of financial assets

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

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

(b) Financial liabilities

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

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

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

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

(9) Financial instruments (Cont'd)

(c) Determination of fair value of financial instruments

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

(10) Receivables

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

(11) Inventories

(a) Classification of inventories

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

(b) Costing of inventories

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

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

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

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

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

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

(11) Inventories (Cont'd)

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

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

- (d) Inventory system

The Group adopts the perpetual inventory system.

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

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

(12) Long-term equity investments

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

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

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

- (a) Determination of investment cost

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

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

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

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

(a) Determination of investment cost (Cont'd)

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

For long-term equity investments acquired not through a business combination: for long-term equity investments 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 methods of gains and losses

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

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

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

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

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

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

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

(c) Basis for determining existence of control, joint control, significant influence over investees (Cont'd)

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(19)).

(13) Investment properties

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

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

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

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

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

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

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

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, overseas land, machinery and equipment, motor vehicles, electronic equipment and others.

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

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

(b) Depreciation method for fixed assets

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

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

Categories	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	15 to 50 years	0% - 10%	6.7% - 1.8%
Machinery and equipment	2 to 25 years	0% - 10%	50% - 3.6%
Motor vehicles	2 to 20 years	0% - 10%	50% - 4.5%
Electronic equipment and others	2 to 20 years	0% - 10%	50% - 4.5%
Overseas land	Permanent	Not applicable	Not applicable

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

(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(19)).

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

(14) Fixed assets (Cont'd)

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

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

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

(e) Disposal of fixed assets

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

(15) Construction in progress

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

(16) Borrowing costs

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

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

(16) Borrowing costs (Cont'd)

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

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

(17) Intangible assets

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

(a) Land use rights

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

(b) Patents and non-patent technologies

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

(c) Trademark rights

The trademark rights is measured at cost when acquired and is amortised over the estimated useful life of 4 to 30 years. The cost of trademark rights obtained in the business combinations involving enterprises not under common control is measured at fair value. As some of the trademarks are expected to attract net cash inflows injected into the Group, the management considers that these trademarks have an indefinite useful life and are presented based upon the carrying amounts after deducting the provision for impairment (Note 4(18)).

(d) Trademark use rights

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

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

(17) Intangible assets (Cont'd)

(e) Periodical review of useful life and amortisation method

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

(f) Research and development (“R&D”)

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

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

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

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

(g) Impairment of intangible assets

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

(18) Long-term prepaid expenses

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

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

(19) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, a joint venture and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. Intangible assets not ready for their intended use, intangible assets with infinite useful lives and overseas land 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 asset 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 group or 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 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 asset groups, and then deducted from the carrying amounts of other assets within the asset group or asset groups in proportion to the carrying amounts of assets other than goodwill.

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

(20) Employee benefits

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

(a) Short-term employee benefits

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

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

(20) Employee benefits (Cont'd)

(b) Post-employment benefits

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

Basic pensions

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

Supplementary retirement benefits

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

(c) Termination benefits

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

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

(20) Employee benefits (Cont'd)

(c) Termination benefits (Cont'd)

Early retirement benefits

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

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

(21) General risk reserve

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

(22) Dividend distribution

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

(23) Provisions

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

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 expenses.

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

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

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

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

(b) Determination of fair value of equity instruments

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

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

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

As at each balance sheet date in the vesting period, the Group would make best estimate in accordance with the newly acquired information such as changes in the number of employees entitled with exercisable or tradable equity instruments, and amend the estimated number of exercisable or tradable equity instruments. On the exercise or deactivation date, the final number of estimated exercisable or tradable equity instruments is consistent with the actual number of exercised or tradable equity instruments.

(25) Treasury stock

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

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

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

(25) Treasury stock (Cont'd)

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

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

(26) Revenue

The Group recognises revenue at the amount of the consideration which the Group is expected to receive when the customer obtains control over relevant goods or services. Revenue is stated net of discounts, rebates and returns.

When any of the following conditions is met, the Group is subject to performance obligations within a period of time; otherwise, at a point in time.

(1) Customers obtain and consume economic benefits coming from the Group's performance of contract while the Group performs the contract.

(2) Customers can control goods under construction during the Group's performance of contract.

(3) Goods produced during the Group's performance of contract are irreplaceable. During the whole contract period, the Group is entitled to collect payments for those which have been accumulated up to now.

For a contract obligation within a period of time, the Group shall recognise the revenue based on the progress of the obligation fulfilment within that period of time, except where the progress of the obligation fulfilment cannot be determined reasonably.

Where the status of completion cannot be reasonably determined, revenue shall be recognised at the amount of cost incurred if it is predicted that the cost can be compensated till the progress of the obligation fulfilment can be reasonably determined.

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

(a) Sales of products

The Group are principally engaged in the manufacturing and sales of heating & ventilation, as well as air-conditioner (hereinafter referred to as "HVAC") (mainly comprises residential air conditioner, central air-conditioner, heating and ventilation systems, etc.) and consumer appliances (mainly comprises kitchen appliances, refrigerators, washing machines and various small appliances, etc.), and robotics and automation system.

Revenue from domestic sales of HVAC and consumer appliances is recognised when the Group has delivered products to the location specified in the sales contract and the buyer has confirmed the acceptance of the products, and the delivery order is signed by both parties. 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.

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

(26) Revenue (Cont'd)

(a) Sales of products (Cont'd)

Revenue from overseas sales of HVAC and consumer appliances is recognised when the goods have been declared to the customs and shipped out of the port in accordance with the sales contract.

Revenue from sales of robotics and automation system is recognised when the Group has delivered products to the location specified in the sales contract and the buyer has confirmed the acceptance of the products, and the delivery order is signed by both parties.

The credit period granted to distributors by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component. Generally, the retail customers of the Group are entitled to return the products within 7 days after the confirmation of receipt.

The Group provides distributors with sales discount, and the relevant revenue is recognised at contract consideration net of the discount amount estimated.

The periods and terms of product quality warranty are provided in accordance with the laws and regulations related to the products. The Group has not provided any additional services or product quality warranty, so the product quality warranty does not constitute a separate performance obligation.

(b) Rendering of services

The Group provides robotics and automation system construction service, intelligent logistics integration solution, storage services, delivery services, installation services and transportation service, which are recognised in a certain period of time based on the stage of completion. On the balance sheet date, the Group re-estimates the stage of completion to reflect the actual status of contract performance.

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

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

(26) Revenue (Cont'd)

(b) Rendering of services (Cont'd)

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

(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 interest costs based on effective rates. The effective 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.

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

(26) Revenue (Cont'd)

(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.

(27) Government grants

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

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

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

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

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

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

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

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

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

(28) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

(29) Leases

(a) Operating leases

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

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

(29) Leases (Cont'd)

(a) Operating leases (Cont'd)

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

For the rental waivers as a result of COVID-19 and for the period ended 30 June 2021 only, the Group applies the practical expedient and records the waivers in profit or loss in the waiving period.

(b) Finance leases

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

(30) Segment information

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

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

(31) Critical accounting estimates and judgements

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

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

(31) Critical accounting estimates and judgements (Cont'd)

Critical accounting estimates and key assumptions

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

(i) Provision for impairment of goodwill

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

(ii) Income tax and deferred income tax

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

As stated in Note 3(1), some subsidiaries of the Group are high-tech enterprises. The "High-Tech Enterprise Certificate" is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

Deferred tax assets are recognised for the deductible tax losses that can be carried forward to subsequent years to the extent that it is probable that taxable profit will be available in the future against which the deductible tax losses can be utilised. Taxable profit that will be available in the future includes the taxable profit that will be realised through normal operations and the taxable profit that will be increased upon the reversal of taxable temporary differences incurred in prior periods. Judgements and estimates are required to determine the time and amounts of taxable profit in the future. Any difference between the reality and the estimate may result in adjustment to the carrying amount of deferred tax assets.

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

(32) Significant changes in accounting policies

The Ministry of Finance released the revised *Accounting Standard for Business Enterprises No. 14 - Revenue* ("new revenue standard") in 2017 and the *Circular on Accounting Regulations of Rental Waivers Against COVID-19* (Cai Kuai [2020] No. 10) and the *Questions and Answers on the Implementation of Accounting Standards for Business Enterprises* (issued on 11 December 2020) in 2020. The financial statements for the year ended 31 December 2020 are prepared in accordance with the above standard and circular, and impacts on the Group's and the Company's financial statements are as follows:

(a) Revenue

(a-1) In accordance with relevant provisions of the new revenue standard, the Group and the Company recognised the cumulative effect of initially applying the standard as an adjustment to the relevant line items in the financial statements for the year ended 31 December 2020. The comparatives for the year ended 31 December 2019 were not restated.

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected 1 January 2020	
		Consolidated	Company
Due to the implementation of new revenue standard, the amount of revenue recognised in relation to rendering of services based on progress of the obligation fulfilment in excess of the settled price is reclassified from inventories to contract assets.	Contract assets	Increase by 4,009,176	-
	Inventories	Decrease by 4,009,176	-
Due to the implementation of the new revenue standard, advances from customers arising from rendering of services and sales of goods as well as other current liabilities arising from provision of installation services are reclassified to contract liabilities.	Advances from customers	Decrease by 16,231,854	-
	Contract liabilities	Increase by 18,436,559	-
	Other current liabilities	Decrease by 2,204,705	-

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

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

(a) Revenue (Cont'd)

(a-2) Compared with the original revenue standard, the impact of the implementation of the new revenue standard on main items of the balance sheets as at 31 December 2020 is as follows:

Balance sheet items affected	The amounts affected 31 December 2020	
	Consolidated	Company
	Increase by	
Contract assets	3,236,848	-
	Decrease by	
Inventories	3,236,848	-
	Decrease by	
Advances from customers	14,942,068	-
	Increase by	
Contract liabilities	18,400,922	-
	Decrease by	
Other current liabilities	3,458,854	-

The impact of the implementation of the new revenue standard on main items of the consolidated income statement is that approximately RMB 8,928,186,000 of selling and distribution expenses is reclassified to the cost of sales and operating revenue.

(b) Accounting treatment of rental waivers against COVID-19

For the rental waivers as a result of COVID-19 and agreed with lessees and lessors respectively for the period ended 30 June 2021 only, the Group and the Company have applied the above circular for the preparation of the financial statements for the year ended 31 December 2020; and the circular exerts no significant impacts on the Group's and the Company's financial statements.

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3 Taxation

(1) Main tax category and rate

Category	Tax base	Tax rate
Enterprise income tax	Levied based on taxable income	Note (a)
Value-added tax ("VAT")	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	Note (b)
City maintenance and construction tax	The amount of VAT paid	1% or 5% or 7%
Educational surcharge	The amount of VAT paid	3% or 5%
Local educational surcharge	The amount of VAT paid	2%
Property tax	Price-based property is subject to a 1.2% tax rate after a 30% cut in the original price of property; rental-based property is subject to a 12% tax rate for the rental income.	1.2% or 12%

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

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

Name of taxpayer	No. of the <i>High-tech Enterprise Certificate</i>	Dates of issuance	Term of validity
Jiangsu Midea Cleaning Appliances Co., Ltd.	GR202032012131	2 December 2020	3 years
GD Midea Environment Appliances Mfg. Co., Ltd.	GR201944000430	2 December 2019	3 years
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	GR201844000250	28 November 2018	3 years
Guangdong Witol Vacuum Electronic Manufacture Co., Ltd.	GR202044001986	1 December 2020	3 years
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	GR202044003557	9 December 2020	3 years
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	GR201844010373	28 November 2018	3 years
Guangdong Midea Precision Molding Technology Co., Ltd.	GR201944004780	2 December 2019	3 years
Foshan Shunde Midea Electric Science and Technology Co., Ltd.	GR201944000317	2 December 2019	3 years
GD Midea Heating & Ventilating Equipment Co., Ltd.	GR201844008219	28 November 2018	3 years
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	GR201934001163	9 September 2019	3 years
Anhui Meizhi Precision Manufacturing Co., Ltd.	GR201834000890	24 July 2018	3 years
Guangzhou Midea Hualing Refrigerator Co., Ltd.	GR201944009238	2 December 2019	3 years
Guangdong Welling Motor Manufacturing Co., Ltd.	GR202044006087	9 December 2020	3 years
Foshan Welling Washer Motor Manufacturing Co., Ltd.	GR202044005425	9 December 2020	3 years
Huaian Welling Motor Manufacturing Co., Ltd.	GR201932010033	6 December 2019	3 years
Annto Logistics Technology Co., Ltd.	GR201834001306	24 July 2018	3 years
Wuxi Filin Electronics Co., Ltd.	GR201832001053	24 October 2018	3 years
Wuxi Little Swan General Appliance Co., Ltd.	GR201832001100	24 October 2018	3 years
GD Midea Air-Conditioning Equipment Co., Ltd.	GR202044003059	1 December 2020	3 years
Handan Midea Air-Conditioning Equipment Co., Ltd.	GR202013000191	27 September 2020	3 years

MIDEA GROUP CO., LTD.

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3 Taxation (Cont'd)

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

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

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

Name of taxpayer	No. of the <i>High-tech Enterprise Certificate</i>	Dates of issuance	Term of validity
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	GR202042000684	1 December 2020	3 years
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	GR202044001953	1 December 2020	3 years
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	GR202034001383	17 August 2020	3 years
Chongqing Midea General Refrigeration Equipment Co., Ltd.	GR202051100347	9 October 2020	3 years
Guangdong Meizhi Compressor Limited	GR202044004270	9 December 2020	3 years
Hubei Midea Refrigerator Co., Ltd.	GR202042000745	1 December 2020	3 years
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	GR202044007232	11 December 2020	3 years
Anhui Meizhi Compressor Co., Ltd.	GR201934000046	9 September 2019	3 years
Foshan Shunde Midea Water Dispenser Manufacturing Co., Ltd.	GR202044004098	9 December 2020	3 years
Midea Welling Motor Technology (Shanghai) Co., Ltd.	GR202031001304	12 November 2020	3 years
Welling (Wuhu) Motor Manufacturing Co., Ltd.	GR201834001144	24 July 2018	3 years
Hefei Midea Laundry Appliance Co., Ltd.	GR201834000882	24 July 2018	3 years
Hefei Hualing Co., Ltd.	GR201834000552	24 July 2018	3 years
Foshan Midea Chungho Water Purification Equipment Co., Ltd.	GR201844007089	28 November 2018	3 years
Toshiba HA Manufacturing (Nanhai) Co., Ltd.	GR201844007107	28 November 2018	3 years
Guangdong Meizhi Precision- Manufacturing Co., Ltd.	GR201844006181	28 November 2018	3 years
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	GR201834000818	24 July 2018	3 years
Guangdong Midea Intelligent Technologies Co., Ltd.	GR201844003941	28 November 2018	3 years
WINONE ELEVATOR COMPANY LIMITED	GR201844000152	28 November 2018	3 years
Hiconics Eco-energy Technology Co., Ltd.	GR201811002361	10 September 2018	3 years
Beijing Hiconics Eco-energy Frequency Conversion Technology Co., Ltd.	GR202011003365	21 October 2020	3 years
Hiconics Drive Technology (Wuhan) Co., Ltd.	GR201842000036	15 November 2018	3 years
Wuhan Hiconics Electric Drive Technology Co., Ltd.	GR202042001428	1 December 2020	3 years
Wuhan Hiconics Power Technology Co., Ltd.	GR201942001459	15 November 2019	3 years
Wuhan Hiconics Intelligent Electric Co., Ltd.	GR202042001512	1 December 2020	3 years
Changsha Sunye Electric Co., Ltd.	GR201843000432	17 October 2018	3 years
Beijing Huatairunda Energy Saving Co., Ltd.	GF201811003128	10 September 2018	3 years
Dorna Technology Co., Ltd.	GR202033006717	1 December 2020	3 years
Wuxi Little Swan Company Limited	GR202032006759	2 December 2020	3 years
KUKA Robotics Manufacturing China Co., Ltd.	GR201931001602	28 October 2019	3 years
KUKA Robotics Guangdong Co., Ltd.	GR202044003841	9 December 2020	3 years
Midea Intelligent Lighting & Controls Technology Co., Ltd.	GR202036000935	14 September 2020	3 years

(a-2) The application on exemption and reduction of enterprise income tax for the Development of Western China raised by Chongqing Midea Air-Conditioning Equipment Co., Ltd., the Company's subsidiary, was approved by the State Administration of Taxation of Chongqing Economical and Technological Development Zone on 3 June 2014. And according to the *Announcement on Continuing the Enterprise Income Tax Policies for the Development of Western China* jointly issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on 23 April 2020, the company was subject to enterprise income tax at a rate of 15% in 2020.

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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3 Taxation (Cont'd)

- (1) Main tax category and rate (Cont'd)
- (a) Notes to the enterprise income tax rate of the principal tax payers with different tax rates (Cont'd)
- (a-3) On 24 March 2016, Luanping Huitong Photovoltaic Power Co., Ltd., a subsidiary of the Company, obtained the Record Form for Enterprise Income Tax Preference issued by the Luanping County Office of the State Taxation Administration. According to *Announcement of the State Taxation Administration on the Income Tax Preference Policies for New Power Grid Projects of Power Grid Enterprises* (State Taxation Administration Announcement in 2013, No.26), Phase I Project of the Company was subject to the preferential policy of enterprise income tax exemption from 2016 to 2018, and is subject to the preferential policy of enterprise income tax reduction of 50% from 2019 to 2021. On 28 November 2017, Luanping Huitong Photovoltaic Power Co., Ltd., a subsidiary of the Company, obtained the *Record Form for Enterprise Income Tax Preference* issued by the Luanping County Office of the State Taxation Administration. According to Item 2 of Article 27 in the *Enterprise Income Tax Law of the People's Republic of China*, Order of the President of the People's Republic of China (No. 63), Phase II Project of the Company was subject to the preferential policy of enterprise income tax exemption from 2017 to 2019, and is subject to the preferential policy of enterprise income tax reduction of 50% from 2020 to 2022.
- (a-4) The Company's subsidiaries in Mainland China other than those mentioned in (a-1) and (a-3) are subject to enterprise income tax at the rate of 25%.
- (a-5) In August 2008, Midea Electric Trading (Singapore) Co., Pte Ltd., the Company's subsidiary, was awarded with the Certificate of Honour for Development and Expansion (No. 587) by the Singapore Economic Development Board and subject to the applicable preferential income tax rate of 5.5% for 2020. Midea Singapore Trading Co., Pte Ltd. and Little Swan International (Singapore) Co., Pte Ltd., the Company's subsidiaries, are subject to enterprise income tax at the rate of 17%.
- (a-6) The Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5%. Such subsidiaries include Midea International Trading Company Limited, Midea International Corporation Company Limited, Midea Home Appliances Investments (Hong Kong) Co., Limited, Century Carrier Residential Air-conditioning Equipment Co., Limited, Midea Refrigeration (Hong Kong) Limited, Welling Holding Limited, Welling International Hong Kong Ltd., and Midea Investment (Asia) Company Limited.
- (a-7) The Company's subsidiaries in BVI and Cayman Islands are exempted from enterprise income tax. Such subsidiaries include Mecca International (BVI) Limited, Titoni Investments Development Ltd., Midea Investment Holding (BVI) Limited, Midea Electric Investment (BVI) Limited, Welling Holding (BVI) Ltd., Midea Holding (Cayman Islands) Limited and Midea Investment Development Company Limited.
- (a-8) Springer Carrier Ltda., the Company's subsidiary in Brazil, is subject to Brazil enterprise income tax at the rate of 34%.
- (a-9) TLSC, the Company's subsidiary in Japan, and its subsidiaries ("TLSC Group"), are subject to Japan enterprise income tax at the rate of 34.01%.

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

[English translation for reference only]

3 Taxation (Cont'd)

- (1) Main tax category and rate (Cont'd)
- (a) Notes to the enterprise income tax rate of the principal tax payers with different tax rates (Cont'd)
- (a-10) Clivet S.P.A (“Clivet”), the Company's subsidiaries in Italy, are subject to Italy enterprise income tax at the rate between 20% and 31.4%.
- (a-11) KUKA Group, the Company's subsidiary in Germany, is subject to Germany enterprise income tax at the rate of 32%.
- (a-12) Servotronics Motion Control Ltd. (“SMC”), the Company's subsidiary in Israel, is subject to Israel enterprise income tax at the rate of 23%.
- (a-13) Misr Refrigeration and Air Conditioning Manufacturing Company, S.A.E., the Company's subsidiary in Egypt, is subject to Egyptian enterprise income tax at the rate of 22.5%.
- (b) Notes to the VAT rate of the principal tax payers with different tax rates
- (b-1) Pursuant to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (Announcement [2019] No. 39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs and relevant regulations, the applicable tax rate of revenue arising from sales of goods and rendering of repairing and replacement services of the Company's certain subsidiaries is 13% from 1 April 2019, while it was 16% before then.
- (b-2) Pursuant to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (Announcement [2019] No. 39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs and relevant regulations, the applicable tax rate of revenue arising from rendering of real estate leasing and transportation services of the Company's certain subsidiaries is 9% from 1 April 2019, while it was 10% before then.
- (b-3) Financial services, consulting services and storage services provided by the Company and certain subsidiaries are subject to VAT at the rate of 6%.
- (b-4) Rental revenue of the Company's certain subsidiaries is subject to easy levy of VAT at the rate of 5%.
- (b-5) Pursuant to the *Announcement on Relevant Policies for Deepening the Value-Added Tax Reform* (Announcement [2019] No. 39) issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, certain subsidiaries of the Company engaged in the production service sector, are eligible for a 10% additional VAT deduction based on deductible input VAT in the current period from 1 April 2019 to 31 December 2021.

MIDEA GROUP CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB'000 Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements**(1) Cash at bank and on hand**

	31 December 2020	31 December 2019
Cash on hand	2,538	3,128
Cash at bank (a)	51,253,132	49,012,677
Other cash balances (b)	688,481	153,022
Statutory reserve deposits with the Central Bank (c)	1,707,645	433,149
Surplus reserve with the Central Bank	344,860	355,471
Deposits with banks and other financial institutions (d)	26,515,276	20,562,160
Accrued interest	698,550	397,234
	<u>81,210,482</u>	<u>70,916,841</u>

Including: Total amounts deposited with banks overseas (including Hong Kong, China, Macau, China, Singapore, Japan, Italy, Brazil, Germany, etc.)	7,014,620	5,270,085
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- (a) As at 31 December 2020, cash at bank included fixed deposits with the term of over 3 months, amounting to RMB 37,067,298,000 (31 December 2019: RMB 39,491,676,000).
- (b) Other cash balances mainly include letters of guarantee, bank acceptance notes and letters of credit.
- (c) Statutory reserve with the Central Bank represents the statutory reserve deposited in People's Bank of China by the financial enterprise in accordance with relevant regulations, which are calculated at 6% and 5% for eligible RMB deposits and foreign currency deposits, respectively, and are not available for use in the Group's daily operations.
- (d) As at 31 December 2020, deposits with banks and other financial institutions included fixed deposits with the term of over 3 months, amounting to RMB 17,500,000,000 (31 December 2019: Nil).

MIDEA GROUP CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB'000 Yuan unless otherwise stated)

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

(2) Financial assets held for trading

	31 December 2020	31 December 2019
Structural deposits (a)	25,626,631	-
Investments in equity instrument held for trading (b)	2,314,965	1,087,351
Others	298,005	-
	<u>28,239,601</u>	<u>1,087,351</u>

(a) As at 31 December 2020, structural deposits were deposits with financial institutions due within 1 year, which were measured at fair value through profit or loss.

(b) As at 31 December 2020, investments in equity instrument held for trading referred to equity investments in listed companies, which were measured at fair value through profit or loss.

(3) Notes receivable

	31 December 2020	31 December 2019
Bank acceptance notes	5,086,749	4,768,520
Trade acceptance notes	218,108	-
Less: Provision for bad debts	(347)	-
	<u>5,304,510</u>	<u>4,768,520</u>

(a) Provision for bad debts

For notes receivable of the Group arising from sales of goods or rendering of services in the ordinary course of business, the Group measures bad debts based on the lifetime ECL regardless of whether there exists a significant financing component. As at 31 December 2020, the Company considered that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.

MIDEA GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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4 Notes to the consolidated financial statements (Cont'd)

(4) Accounts receivable

	31 December 2020	31 December 2019
Accounts receivable	23,854,936	19,631,644
Less: Provision for bad debts	<u>(876,573)</u>	<u>(967,825)</u>
	<u>22,978,363</u>	<u>18,663,819</u>

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

	31 December 2020	31 December 2019
Within 1 year	23,015,280	19,168,694
1 to 2 years	580,644	301,554
2 to 3 years	159,427	101,643
3 to 5 years	87,938	42,106
Over 5 years	11,647	17,647
	<u>23,854,936</u>	<u>19,631,644</u>

As at 31 December 2020, the Group had no significant overdue accounts receivable.

MIDEA GROUP CO., LTD.

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(All amounts in RMB'000 Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (Cont'd)

(4) Accounts receivable (Cont'd)

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

As at 31 December 2020, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Domestic customers	14,288	100.00%	(14,288)	The debtor encountered financial distress, etc.
Overseas customers	<u>1,000</u>	100.00%	<u>(1,000)</u>	
	<u>15,288</u>		<u>(15,288)</u>	

As at 31 December 2019, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Domestic customers	2,998	100.00%	(2,998)	The debtor encountered financial distress, etc.
Overseas customers	<u>4,767</u>	100.00%	<u>(4,767)</u>	
	<u>7,765</u>		<u>(7,765)</u>	

As at 31 December 2020, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	31 December 2020		
	Book balance Amount	Lifetime ECL rate	Provision for bad debts Amount
Domestic business grouping	11,521,032	3.71%	(427,912)
Overseas business grouping	<u>12,318,616</u>	3.52%	<u>(433,373)</u>
	<u>23,839,648</u>		<u>(861,285)</u>

MIDEA GROUP CO., LTD.

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(All amounts in RMB'000 Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (Cont'd)

(4) Accounts receivable (Cont'd)

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

As at 31 December 2019, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	31 December 2019		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Domestic business grouping	7,908,831	5.53%	(437,578)
Overseas business grouping	11,715,048	4.46%	(522,482)
	<u>19,623,879</u>		<u>(960,060)</u>

(c) The provision for bad debts in the current year amounted to RMB 168,438,000 (2019: RMB 215,902,000). The provision for bad debts reversed in the current year amounted to RMB 81,179,000 (2019: RMB 145,990,000). The provision for bad debts written off in the current year amounted to RMB 114,893,000 (2019: RMB 97,348,000).

(d) As at 31 December 2020, the five largest accounts receivable aggregated by debtor were summarised and analysed as follows:

	Amount	Provision for bad debts	% of total balance
Total amount of the five largest accounts receivable	<u>3,493,123</u>	<u>(64,023)</u>	<u>14.64%</u>

MIDEA GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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4 Notes to the consolidated financial statements (Cont'd)

(5) Other receivables

	31 December 2020	31 December 2019
Other receivables	3,026,970	2,766,098
Less: Provision for bad debts	<u>(53,025)</u>	<u>(53,124)</u>
	<u>2,973,945</u>	<u>2,712,974</u>

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

The ageing of other receivables is analysed as follows:

	31 December 2020	31 December 2019
Within 1 year	2,708,730	2,643,584
1 to 2 years	222,785	69,490
2 to 3 years	50,457	16,555
3 to 5 years	30,867	25,773
Over 5 years	<u>14,131</u>	<u>10,696</u>
	<u>3,026,970</u>	<u>2,766,098</u>

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

	Stage 1		Stage 2		Stage 3		Sub-total Provision for bad debts
	12-month ECL (Grouping)	Provision for bad debts	12-month ECL (Individual)	Provision for bad debts	Lifetime ECL (Credit impaired)	Provision for bad debts	
31 December 2019	2,701,638	49,767	61,103	-	3,357	3,357	53,124
Transfer to Stage 3	(5,991)	(2,396)	-	-	5,991	2,396	-
Net increase/(decrease) in the current year	288,006	613	(23,362)	-	(3,772)	(107)	506
Including: Write-off in the current year	-	-	-	-	(3,772)	(3,772)	(3,772)
Derecognition	-	-	-	-	-	-	-
Differences on translation of foreign currency financial statements	-	(535)	-	-	-	(70)	(605)
31 December 2020	<u>2,983,653</u>	<u>47,449</u>	<u>37,741</u>	<u>-</u>	<u>5,576</u>	<u>5,576</u>	<u>53,025</u>

As at 31 December 2020 and 31 December 2019, the Group had no other receivables at Stage 2.

MIDEA GROUP CO., LTD.

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

(5) Other receivables (Cont'd)

(c) As at 31 December 2020 and 31 December 2019, other receivables of the Group at Stage 1 and Stage 3 were analysed as follows:

(i) As at 31 December 2020, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 1	<u>37,741</u>	<u>0%</u>	<u>-</u>	Relatively low bad debt risks
	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 3	<u>5,576</u>	<u>100.00%</u>	<u>(5,576)</u>	The debtor encountered financial distress, etc.

As at 31 December 2019, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 1	<u>61,103</u>	<u>0%</u>	<u>-</u>	Relatively low bad debt risks
	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 3	<u>3,357</u>	<u>100.00%</u>	<u>(3,357)</u>	The debtor encountered financial distress, etc.

(ii) As at 31 December 2020 and 31 December 2019, other receivables of which provision for bad debts was provided on the grouping basis were all at Stage 1, which were analysed as follows:

	31 December 2020			31 December 2019		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	Provision ratio	Amount	Amount	Provision ratio
Security deposit/guarantee payables grouping	<u>2,983,653</u>	<u>(47,449)</u>	<u>1.59%</u>	<u>2,701,638</u>	<u>(49,767)</u>	<u>1.84%</u>

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

(5) Other receivables (Cont'd)

(c) As at 31 December 2020 and 31 December 2019, other receivables of the Group at Stage 1 and Stage 3 were analysed as follows: (Cont'd)

(iii) The provision for bad debts in the current year amounted to RMB 19,151,000 (2019: RMB 19,276,000). The provision for bad debts reversed in the current year amounted to RMB 14,873,000 (2019: RMB 8,481,000). The provision for bad debts written off in the current year amounted to RMB 3,772,000 (2019: RMB 475,000).

(d) As at 31 December 2020, the five largest other receivables aggregated by debtor were summarised and analysed as follows:

	Amount	Provision for bad debts	% of total balance
Total amount of the five largest other receivables	<u>189,911</u>	<u>(3,559)</u>	<u>6.27%</u>

(e) As at 31 December 2020, the Group had no significant government grants recognised at amounts receivable.

(6) Receivables financing

	31 December 2020	31 December 2019
Receivables financing	<u>13,901,856</u>	<u>7,565,776</u>

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

No provision for bank acceptance notes was individually provided. As at 31 December 2020 and 31 December 2019, the Group measured provision for bad debts based on the lifetime ECL and expected that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.

As at 31 December 2020, the Group's notes receivable and accounts receivable transferred, endorsed or discounted but not matured presented in receivables financing were as follows:

	Derecognised	Not derecognised
Receivables financing	<u>13,318,731</u>	<u>3,728,875</u>

MIDEA GROUP CO., LTD.

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

(7) Advances to suppliers

	31 December 2020	31 December 2019
Prepayments for raw materials and others	<u>2,763,710</u>	<u>2,246,177</u>

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

	31 December 2020		31 December 2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	2,562,904	92.73%	2,176,110	96.88%
1 to 2 years	163,765	5.93%	26,925	1.20%
2 to 3 years	17,579	0.64%	22,895	1.02%
Over 3 years	19,462	0.70%	20,247	0.90%
	<u>2,763,710</u>	<u>100.00%</u>	<u>2,246,177</u>	<u>100.00%</u>

As at 31 December 2020, advances to suppliers over 1 year with a carrying amount of RMB 200,806,000 (31 December 2019: RMB 70,067,000) were mainly unsettled prepayments for raw materials.

As at 31 December 2020, the five largest advances to suppliers aggregated by debtor were summarised and analysed as follows:

	Amount	% of total balance
Total amount of the five largest advances to suppliers	<u>708,564</u>	<u>25.64%</u>

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

(8) Contract assets

	31 December 2020	1 January 2020	31 December 2019
Contract assets	3,289,783	4,009,176	—
Less: Provision for impairment of contract assets	<u>(52,935)</u>	-	—
Total	<u>3,236,848</u>	<u>4,009,176</u>	<u>—</u>

For contract assets, the Group measures the loss provision based on the lifetime ECL regardless of whether there exists a significant financing component. As at 31 December 2020, the Group's contract assets were not overdue, and the provision for impairment was made on the grouping basis.

	Book balance	Lifetime ECL rate	Provision for impairment
Domestic business grouping	749,521	5.23%	(39,218)
Overseas business grouping	<u>2,540,262</u>	0.54%	<u>(13,717)</u>
	<u>3,289,783</u>		<u>(52,935)</u>

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

(9) Loans and advances

(a) By individual and corporation:

	31 December 2020	31 December 2019
Loans and advances measured at amortised cost		
Loans and advances to individuals	2,235,275	1,110,127
Loans and advances to corporations	15,660,149	10,708,289
Including: Loans	10,133,447	9,558,953
Discounted bills	5,526,702	1,149,336
	17,895,424	11,818,416
Less: Provision for bad debts	(312,854)	(158,919)
	<u>17,582,570</u>	<u>11,659,497</u>

As at 31 December 2020, loans and advances over 1 year amounted to RMB 1,113,501,000 (31 December 2019: RMB 790,101,000).

(b) By type of collateral held

	31 December 2020	31 December 2019
Unsecured loans	1,645,282	1,075,217
Guaranteed loans	885,659	1,476,273
Pledged loans	15,364,483	9,266,926
	17,895,424	11,818,416
Less: Provision for bad debts	(312,854)	(158,919)
	<u>17,582,570</u>	<u>11,659,497</u>

(c) The provision for bad debts in the current year amounted to RMB 169,043,000 (2019: RMB 68,617,000), the provision for bad debts written off in the current year amounted to RMB 1,786,000 (2019: RMB 10,826,000) and the provision for bad debts reversed in the current year amounted to RMB 13,322,000 (2019: RMB 52,878,000) (Note 4(23)).

(d) As at 31 December 2020, the Group's loans and advances for which the provision for bad debts was provided on the individual basis amounted to RMB 5,347,295,000, of which the provision for bad debts amounted to RMB 123,882,000.

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

(10) Inventories

(a) Inventories are summarised by category as follows:

	31 December 2020			1 January 2020			31 December 2019		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount
Finished goods	21,718,749	(372,474)	21,346,275	22,046,730	(407,598)	21,639,132	22,046,730	(407,598)	21,639,132
Raw materials	7,402,034	(70,221)	7,331,813	5,009,197	(67,875)	4,941,322	5,009,197	(67,875)	4,941,322
Work in progress	1,875,881	-	1,875,881	1,596,042	-	1,596,042	1,596,042	-	1,596,042
Consigned processing materials, etc.	522,560	-	522,560	257,727	-	257,727	257,727	-	257,727
Projects completed but unsettled	—	—	—	—	—	—	4,009,176	-	4,009,176
	<u>31,519,224</u>	<u>(442,695)</u>	<u>31,076,529</u>	<u>28,909,696</u>	<u>(475,473)</u>	<u>28,434,223</u>	<u>32,918,872</u>	<u>(475,473)</u>	<u>32,443,399</u>

(b) Analysis of provision for decline in the value of inventories is as follows:

	31 December 2019	Changes in accounting policies	1 January 2020	Increase in the current year Provision	Decrease in the current year Reversal or write-off	Difference on translation of foreign currency financial statements	31 December 2020
Finished goods	407,598	-	407,598	301,876	(315,860)	(21,140)	372,474
Raw materials	67,875	-	67,875	69,089	(65,860)	(883)	70,221
	<u>475,473</u>	<u>-</u>	<u>475,473</u>	<u>370,965</u>	<u>(381,720)</u>	<u>(22,023)</u>	<u>442,695</u>

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

(10) Inventories (Cont'd)

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

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

(11) Other current assets

	31 December 2020	31 December 2019
Structural deposits (a)	-	60,038,855
Monetary investment products (b)	25,542,595	-
Input VAT to be deducted	4,336,260	3,159,794
Prepaid expenses	786,140	875,451
Others	2,414,923	936,927
	<u>33,079,918</u>	<u>65,011,027</u>

(a) As at 31 December 2019, structural deposits were deposits with financial institutions due within 1 year, which were mainly measured at fair value through profit or loss.

(b) As at 31 December 2020, monetary investment products were fixed income products with financial institutions due within 1 year, which were mainly measured at amortised cost.

(12) Other debt investments

	31 December 2020	31 December 2019
Fair value through other comprehensive income		
- Transferable certificate of deposit	<u>21,456,155</u>	<u>-</u>

As at 31 December 2020, the cost of the Group's transferable certificate of deposit approximated its fair value.

As at 31 December 2020, the Group expected that there has no significant increase in credit risk of transferable certificate of deposit since initial recognition and made provision for loss based on 12-month ECL. The Group considered that there was no significant credit risk associated with transferable certificate of deposit and did not expect that there would be any significant losses from non-performance by these banks.

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4 Notes to the consolidated financial statements (Cont'd)**(13) Long-term receivables**

	31 December 2020	31 December 2019
Long-term receivables	981,623	1,208,079
Less: Provision for bad debts	-	-
	<u>981,623</u>	<u>1,208,079</u>

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

(14) Long-term equity investments

Long-term equity investments are classified as follows:

	31 December 2020	31 December 2019
Investments in associates (a)	2,901,337	2,790,806
Less: Provision for impairment of long-term equity investments	-	-
	<u>2,901,337</u>	<u>2,790,806</u>

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

(15) Other non-current financial assets

	31 December 2020	31 December 2019
Measured at fair value		
- Equity of unlisted companies, etc.	3,360,849	1,750,107
Less: Provision for impairment of other non-current financial assets	-	-
	<u>3,360,849</u>	<u>1,750,107</u>

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

(16) Fixed assets

	Buildings	Overseas land	Machinery and equipment	Motor vehicles	Electronic equipment and others	Total
Cost						
31 December 2019	17,900,603	1,296,493	19,702,128	707,703	4,510,738	44,117,665
Increase in the current year						
Purchase	160,770	109,950	1,530,408	22,849	780,575	2,604,552
Transfer from						
construction in progress	509,876	-	84,865	2,577	33,389	630,707
Increase by business						
combinations	547,527	-	485,357	153,797	13,835	1,200,516
Others	55,728	-	-	-	-	55,728
Decrease in the current year						
Disposal and retirement	(55,749)	(2,214)	(762,320)	(54,391)	(319,979)	(1,194,953)
Others	(49,106)	-	(26,625)	(18,748)	(172)	(94,651)
Differences on translation of foreign currency financial statements	(57,387)	(9,790)	(121,971)	(1,036)	(15,000)	(205,184)
31 December 2020	19,012,262	1,394,439	20,891,842	812,751	5,003,386	47,114,680
Accumulated depreciation						
31 December 2019	7,362,635	-	11,405,514	509,473	3,135,874	22,413,496
Increase in the current year						
Provision	909,579	-	1,640,339	104,194	755,409	3,409,521
Others	15,506	-	-	-	-	15,506
Decrease in the current year						
Disposal and retirement	(37,184)	-	(527,487)	(52,022)	(292,352)	(909,045)
Others	(38,542)	-	(832)	(937)	(9)	(40,320)
Differences on translation of foreign currency financial statements	(32,913)	-	(55,169)	(574)	(13,809)	(102,465)
31 December 2020	8,179,081	-	12,462,365	560,134	3,585,113	24,786,693
Provision for impairment						
31 December 2019	6,746	5,907	17,713	210	8,911	39,487
Increase in the current year						
Provision	620	-	20,425	32,965	-	54,010
Decrease in the current year						
Disposal and retirement	-	-	(4,513)	-	(45)	(4,558)
Differences on translation of foreign currency financial statements	(35)	(15)	(24)	(4)	(88)	(166)
31 December 2020	7,331	5,892	33,601	33,171	8,778	88,773
Carrying amount						
31 December 2020	10,825,850	1,388,547	8,395,876	219,446	1,409,495	22,239,214
31 December 2019	10,531,222	1,290,586	8,278,901	198,020	1,365,953	21,664,682

- (a) In 2020, the depreciation of fixed assets amounted to RMB 3,409,521,000 (2019: RMB 3,355,820,000) and was included in the income statement.
- (b) As at 31 December 2020, the Company was still in the course of obtaining the ownership certificate for the fixed asset with a carrying amount of RMB 123,789,000 (31 December 2019: RMB 219,475,000).

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

(17) Construction in progress

	31 December 2020			31 December 2019		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Indian Science Park	364,554	-	364,554	274,429	-	274,429
Midea Headquarters A04		-				
Land Parcel Project	197,540		197,540	85,493	-	85,493
Other projects	964,524	(49,316)	915,208	834,728	-	834,728
	<u>1,526,618</u>	<u>(49,316)</u>	<u>1,477,302</u>	<u>1,194,650</u>	<u>-</u>	<u>1,194,650</u>

(a) Movements of significant projects of construction in progress

	31 December 2019	Increase in the current year	Transfer to fixed assets in the current year	Other decreases	Difference on translation of foreign currency financial statements	31 December 2020	Source of funds
	Book balance					Book balance	
Indian Science Park	274,429	263,096	(142,977)	-	(29,994)	364,554	Self-financing
Midea Headquarters A04							
Land Parcel Project	85,493	112,047	-	-	-	197,540	Self-financing
Other projects(a)	834,728	703,597	(487,730)	(79,856)	(6,215)	964,524	Loan/Self-financing
	<u>1,194,650</u>	<u>1,078,740</u>	<u>(630,707)</u>	<u>(79,856)</u>	<u>(36,209)</u>	<u>1,526,618</u>	

- (a) In 2020, Accumulative amount of capitalised borrowing costs was RMB 155,000, and the capitalisation rate of borrowing costs in the current year was 6.08%
- (b) As at 31 December 2020, the cost of construction in progress matched the budget amount, and the projects were carried out on schedule.

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

(18) Intangible assets

	Land use rights	Patents and non-patent technologies	Trademark rights	Trademark use rights	Others	Total
Cost						
31 December 2019	4,655,273	2,088,792	4,993,393	2,689,087	5,021,178	19,447,723
Increase in the current year						
Purchase	21,540	27,320	-	-	313,132	361,992
Increase by business combinations	208,259	105,087	150,300	-	223,986	687,632
Others	11,887	6,291	23	-	149,720	167,921
Decrease in the current year						
Disposal	(55,756)	(43,458)	(1,733)	-	(281,740)	(382,687)
Other decreases	(7,901)	-	-	-	-	(7,901)
Differences on translation of foreign currency financial statements						
	(5,461)	7,147	117,133	(42,280)	55,345	131,884
31 December 2020	4,827,841	2,191,179	5,259,116	2,646,807	5,481,621	20,406,564
Accumulated amortisation						
31 December 2019	912,013	578,738	108,928	238,714	2,112,508	3,950,901
Increase in the current year						
Provision	94,467	228,593	4,507	92,218	663,899	1,083,684
Others	1,778	-	-	-	-	1,778
Decrease in the current year						
Disposal	(6,131)	(25,881)	-	-	(229,728)	(261,740)
Others	(1,482)	-	-	-	-	(1,482)
Differences on translation of foreign currency financial statements						
	(134)	(6,023)	(169)	(940)	24,768	17,502
31 December 2020	1,000,511	775,427	113,266	329,992	2,571,447	4,790,643
Provision for impairment						
31 December 2019	-	11,412	-	-	1,231	12,643
Increase in the current year						
Provision	-	120,819	-	-	76,557	197,376
Decrease in the current year						
Disposal	-	(11,719)	-	-	-	(11,719)
Differences on translation of foreign currency financial statements						
	-	(5,903)	-	-	1,131	(4,772)
31 December 2020	-	114,609	-	-	78,919	193,528
Carrying amount						
31 December 2020	3,827,330	1,301,143	5,145,850	2,316,815	2,831,255	15,422,393
31 December 2019	3,743,260	1,498,642	4,884,465	2,450,373	2,907,439	15,484,179

(a) In 2020, the amortisation of intangible assets amounted to RMB 1,083,684,000 (2019: RMB 1,243,970,000) and was included in the income statement in full amount.

(b) As at 31 December 2020, the Group had no certificates of land use rights that were still in process.

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

(19) Goodwill

The Group's goodwill had been allocated to the asset group and asset groups at the acquisition date, without any change of goodwill allocation in 2020, and the allocation is as follows:

	31 December 2020	31 December 2019
Goodwill -		
KUKA Group	22,836,294	22,240,132
TLSC Group	2,944,486	2,984,110
Little Swan	1,361,306	1,361,306
Others	2,931,654	2,173,765
	<u>30,073,740</u>	<u>28,759,313</u>
Less: Provision for impairment	<u>(516,522)</u>	<u>(552,248)</u>
	<u>29,557,218</u>	<u>28,207,065</u>

When making an impairment testing of goodwill for assets, the Group compares the carrying amounts of related asset group and asset groups (including goodwill) with their recoverable amounts. If the recoverable amount is lower than the carrying amount, the difference shall be included in profit or loss for the current period. The Group's goodwill allocation was unchanged in 2020.

As at 31 December 2020, the recoverable amount of asset group and asset groups with goodwill is calculated using discounted future cash flows determined according to the budget approved by management (the budget period is 5 to 6 years). The future cash flows beyond the budget period are calculated based on the estimated perpetual annual growth rates. The perpetual annual growth rates (mainly 1%-2%) applied by management are consistent with the estimates of the industry, and do not exceed the long-term average growth rates of each product. Management determines expected revenue growth rates (mainly 2.00%-15.87%) and EBITDA margins (mainly 3.05%-11.47%) based on past experience and forecast on future market development. The discount rates (mainly 9.48%-14.49%) used by management are the pre-tax rates that are able to reflect the risks specific to the related asset group and asset groups. Management analyses the recoverable amount of each asset group and asset groups based on these assumptions and considers that no further provision for impairment is necessary for the goodwill.

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

(20) Long-term prepaid expenses

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

(21) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	31 December 2020		31 December 2019	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	2,825,364	693,098	1,457,853	416,248
Provision for asset impairment	2,023,621	409,576	1,489,044	291,763
Employee benefits payable	1,821,805	426,845	1,394,921	337,172
Other current liabilities	29,914,787	5,305,009	24,574,237	4,767,558
Others	6,615,646	1,700,311	6,408,056	1,484,817
	<u>43,201,223</u>	<u>8,534,839</u>	<u>35,324,111</u>	<u>7,297,558</u>
Including:				
Expected to be recovered within 1 year (inclusive)		6,415,757		6,073,311
Expected to be recovered after 1 year		<u>2,119,082</u>		<u>1,224,247</u>
		<u>8,534,839</u>		<u>7,297,558</u>

(b) Deferred tax liabilities before offsetting

	31 December 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value	1,495,449	205,628	827,153	162,129
Business combination involving enterprise not under common control	11,673,627	3,415,470	11,785,555	3,474,098
Others	11,296,707	2,929,060	9,644,666	2,448,340
	<u>24,465,783</u>	<u>6,550,158</u>	<u>22,257,374</u>	<u>6,084,567</u>
Including:				
Expected to be recovered within 1 year (inclusive)		1,026,806		1,145,971
Expected to be recovered after 1 year		<u>5,523,352</u>		<u>4,938,596</u>
		<u>6,550,158</u>		<u>6,084,567</u>

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

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

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

	31 December 2020 Balance after offsetting	31 December 2019 Balance after offsetting
Deferred tax assets	7,208,635	5,768,993
Deferred tax liabilities	5,223,954	4,556,002

(22) Other non-current assets

	31 December 2020	31 December 2019
Structural deposits (a)	-	4,355,799
Monetary investment products (b)	10,128,172	-
Others	1,127,707	591,804
	<u>11,255,879</u>	<u>4,947,603</u>

(a) As at 31 December 2019, structural deposits were deposits with financial institutions due over 1 year, which were mainly measured at fair value through profit or loss.

(b) As at 31 December 2020, monetary investment products were fixed income products with financial institutions due over 1 year, which were mainly measured at amortised cost.

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

(23) Asset impairment and provision for loss

	31 December 2019	Changes in accounting policies	1 January 2020	Increase in the current year	Decrease in the current year		Difference on translation of foreign currency financial statements	31 December 2020
					Reversal	Charge-off/ Written-off		
Provision for bad debts	1,179,868	—	1,179,868	356,979	(109,374)	(120,451)	(64,223)	1,242,799
Including: Provision for bad debts of accounts receivable	967,825	—	967,825	168,438	(81,179)	(114,893)	(63,618)	876,573
Provision for bad debts of loans and advances	158,919	—	158,919	169,043	(13,322)	(1,786)	-	312,854
Provision for bad debts of notes receivable	-	—	-	347	-	-	-	347
Provision for bad debts of other receivables	53,124	—	53,124	19,151	(14,873)	(3,772)	(605)	53,025
Provision for decline in the value of inventories	475,473	—	475,473	370,965	(15,270)	(366,450)	(22,023)	442,695
Provision for impairment of fixed assets	39,487	—	39,487	54,010	-	(4,558)	(166)	88,773
Provision for impairment of intangible assets	12,643	—	12,643	197,376	-	(11,719)	(4,772)	193,528
Provision for impairment of contract assets	—	-	-	52,153	-	-	782	52,935
Provision for impairment of investment properties	12,576	—	12,576	-	-	-	-	12,576
Provision for impairment of construction in progress	-	—	-	45,975	-	-	3,341	49,316
Provision for impairment of goodwill	552,248	—	552,248	-	-	-	(35,726)	516,522
	<u>2,272,295</u>	<u>-</u>	<u>2,272,295</u>	<u>1,077,458</u>	<u>(124,644)</u>	<u>(503,178)</u>	<u>(122,787)</u>	<u>2,599,144</u>

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4 Notes to the consolidated financial statements (Cont'd)**(24) Assets with use rights restricted**

As at 31 December 2020, assets with use rights restricted were as follows:

	31 December 2020	31 December 2019
Cash at bank and on hand		
Including: Cash at bank (Note 4(1))	37,067,298	39,491,676
Other cash balances		
(Note 4(1))	688,481	153,022
Legal reserves with the		
Central Bank (Note 4(1))	1,707,645	433,149
Deposits with banks and		
other financial		
institutions (Note 4(1))	17,500,000	-
	<u>56,963,424</u>	<u>40,077,847</u>

(25) Short-term borrowings

	31 December 2020	31 December 2019
Unsecured borrowings	2,281,509	5,665,756
Guaranteed borrowings	7,402,260	36,082
Pledged borrowings	192,569	-
Mortgage borrowings	67,591	-
	<u>9,943,929</u>	<u>5,701,838</u>

As at 31 December 2020, the annual interest rate range of short-term borrowings was 0.90% to 9.40% (31 December 2019: 0.57% to 9.40%).

(26) Notes payable

	31 December 2020	31 December 2019
Bank acceptance notes	28,233,818	23,891,600
Trade acceptance notes	16,121	-
	<u>28,249,939</u>	<u>23,891,600</u>

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

(27) Accounts payable

	31 December 2020	31 December 2019
Materials cost payable	49,451,076	39,528,815
Others	4,479,185	3,006,962
	<u>53,930,261</u>	<u>42,535,777</u>

As at 31 December 2020, accounts payable over 1 year with a carrying amount of RMB 985,248,000 (31 December 2019: RMB 886,355,000) were mainly unsettled accounts payable for materials.

(28) Advances from customers

	31 December 2020	1 January 2020	31 December 2019
Advances on sales	-	-	14,054,839
Settled but not completed	-	-	2,177,015
	<u>-</u>	<u>-</u>	<u>16,231,854</u>

(29) Contract liabilities

	31 December 2020	1 January 2020	31 December 2019
Advances on sales and services	16,511,435	16,259,544	—
Advances for construction projects	1,889,487	2,177,015	—
	<u>18,400,922</u>	<u>18,436,559</u>	<u>—</u>

More than 90% of contract liabilities included in the carrying amount as at 1 January 2020 were transferred to revenue in 2020.

As mentioned in Note 5(1), due to business combinations involving enterprises not under common control in the current year, the amount of contract liabilities increased by RMB 491,780,000.

(30) Employee benefits payable

	31 December 2020	31 December 2019
Short-term employee benefits payable (a)	6,666,830	6,118,722
Others	287,992	317,387
	<u>6,954,822</u>	<u>6,436,109</u>

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

(30) Employee benefits payable (Cont'd)

(a) Short-term employee benefits

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Wages and salaries, bonus, allowances and subsidies	5,714,684	23,936,384	(23,469,332)	6,181,736
Staff welfare	255,901	1,118,803	(1,032,894)	341,810
Social security contributions	89,603	2,037,550	(2,053,335)	73,818
Including: Medical insurance	87,173	1,958,163	(1,973,697)	71,639
Work injury insurance	1,303	14,743	(14,990)	1,056
Maternity insurance	1,127	64,644	(64,648)	1,123
Housing funds	28,445	463,190	(468,098)	23,537
Labour union funds and employee education funds	20,361	107,501	(110,349)	17,513
Other short-term employee benefits	9,728	509,454	(490,766)	28,416
	<u>6,118,722</u>	<u>28,172,882</u>	<u>(27,624,774)</u>	<u>6,666,830</u>

(31) Taxes payable

	31 December 2020	31 December 2019
Enterprise income tax payable	3,121,236	2,985,670
Unpaid VAT	1,013,378	900,204
Others	1,623,444	1,210,393
	<u>5,758,058</u>	<u>5,096,267</u>

(32) Other payables

	31 December 2020	31 December 2019
Other payables	<u>4,501,391</u>	<u>3,800,568</u>

(a) Other payables are mainly restricted share repurchase obligation, deposit and security deposit payable, reimbursed logistics expense, manufacturing equipment expense, dividend payable, etc.

(b) As at 31 December 2020, other payables with ageing over 1 year with a carrying amount of RMB 1,392,059,000 (31 December 2019: RMB 765,092,000) were mainly those recognised for performing equity incentive plan and deposit and security deposit payable, which were unsettled since related projects were uncompleted.

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

(33) Current portion of non-current liabilities

	31 December 2020	31 December 2019
Current portion of long-term borrowings (Note 4(35))	6,284,643	1,230,966
Current portion of long-term payables	25,538	39,426
Current portion of equity purchase payables	-	189,725
	<u>6,310,181</u>	<u>1,460,117</u>

(34) Other current liabilities

	31 December 2020	1 January 2020	31 December 2019
Accrued sale rebates	31,192,652	26,175,014	26,175,014
Short-term financing bonds payable (a)	3,030,785	-	-
Others	15,628,802	10,695,058	12,899,763
	<u>49,852,239</u>	<u>36,870,072</u>	<u>39,074,777</u>

(a) As at 31 December 2020, short-term financing bonds payable represented super short-term financing bonds with a total face value of RMB 3,000,000,000 issued by the Company, with a term of 240 days, and a coupon rate of 1.65%.

(35) Long-term borrowings

	31 December 2020	31 December 2019
Mortgage borrowings (a)	29,673,661	28,892,783
Guaranteed borrowings (b)	7,785,898	6,569,414
Unsecured borrowings	11,633,434	7,067,146
Pledged borrowings	18,937	-
	<u>49,111,930</u>	<u>42,529,343</u>
Less: Current portion of mortgage borrowings (Note 4(33))	(48,962)	(39,078)
Current portion of guaranteed borrowings (Note 4(33))	(2,174,775)	-
Current portion of unsecured borrowings (Note 4(33))	(4,054,593)	(1,191,888)
Current portion of pledged borrowings (Note 4(33))	(6,313)	-
	<u>42,827,287</u>	<u>41,298,377</u>

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

(35) Long-term borrowings (Cont'd)

- (a) As at 31 December 2020, bank mortgage borrowings were mainly mortgage borrowings with a cost of EUR 3,691,857,000, equivalent to RMB 29,627,150,000 (31 December 2019: a cost of EUR 3,696,857,000, equivalent to RMB 28,892,783,000) and were pledged by 81.04% equity of KUKA Group, which was acquired by the subsidiary of the Company. Interest is paid on a semi-annual basis, and the borrowings are due in August 2022.
- (b) As at 31 December 2020, bank guaranteed borrowings mainly included: (i) guaranteed borrowings with a cost of EUR 271,000,000, equivalent to RMB 2,174,775,000 (31 December 2019: a cost of EUR 271,000,000, equivalent to RMB 2,118,000,000) guaranteed by the Company, with interest paid every 3 months, which will be due in April 2021; (ii) guaranteed borrowings with a cost of JPY 69,460,000,000, equivalent to RMB 4,392,373,000 (31 December 2019: a cost of JPY 69,460,000,000, equivalent to RMB 4,451,414,000) guaranteed by the Company, with interest paid on a monthly basis, which will be due in May 2024.
- (c) As at 31 December 2020, the annual interest rate range of long-term borrowings was 0.49% to 6.08% (31 December 2019: 0.5% to 5.5%).

(36) Long-term employee benefits payable

	31 December 2020	31 December 2019
Supplementary retirement benefits (a)	2,014,651	2,267,015
Others	145,024	151,548
	<u>2,159,675</u>	<u>2,418,563</u>

(a) Supplementary retirement benefits

Supplementary retirement benefits obligation of the Group recognised on the balance sheet date is calculated using the projected unit credit method, and reviewed by external independent actuary institution.

(i) The Group's supplementary retirement benefits liabilities:

	31 December 2020	31 December 2019
Defined benefit obligation	3,850,400	3,896,591
Less: Fair value of planned assets	<u>(1,835,749)</u>	<u>(1,629,576)</u>
Liabilities of defined benefit obligation	<u>2,014,651</u>	<u>2,267,015</u>

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

(36) Long-term employee benefits payable (Cont'd)

(a) Supplementary retirement benefits (Cont'd)

(ii) The actuarial assumptions used to determine the present value of defined benefit obligation

31 December 2020

Discount rate	0.00%-6.00%
Inflation rate	1.00%
Salary growth rate	0.00%-8.10%
Pension dynamics	0.00%-3.65%
Retirement rate	0.00%-12.57%
Changes in cost of medical services	6.50%

(37) Other non-current liabilities

Other non-current liabilities are mainly equity purchase payables.

(38) Share capital

	Movements in the current year						31 December 2020
	31 December 2019	Share-based payment incentive plan (a)	Desterilisation	Additional issuance	Repurchases and write-offs	Sub-total	
RMB-denominated ordinary shares - RMB-denominated ordinary shares subject to trading restriction	165,403	33,245	(10,060)	-	(5,725)	17,460	182,863
RMB-denominated ordinary shares not subject to trading restriction	6,806,497	30,556	10,060	-	-	40,616	6,847,113
	<u>6,971,900</u>	<u>63,801</u>	<u>-</u>	<u>-</u>	<u>(5,725)</u>	<u>58,076</u>	<u>7,029,976</u>

	Movements in the current year						31 December 2019
	31 December 2018	Share-based payment incentive plan (a)	Desterilisation	Additional issuance	Repurchases and write-offs	Sub-total	
RMB-denominated ordinary shares - RMB-denominated ordinary shares subject to trading restriction	147,175	30,980	(8,298)	2,379	(6,833)	18,228	165,403
RMB-denominated ordinary shares not subject to trading restriction	6,515,856	56,170	8,298	321,278	(95,105)	290,641	6,806,497
	<u>6,663,031</u>	<u>87,150</u>	<u>-</u>	<u>323,657</u>	<u>(101,938)</u>	<u>308,869</u>	<u>6,971,900</u>

(a) In 2020, the share-based payment incentive plan increased the share capital by 63,801,000 shares (2019: 87,150,000 shares).

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

(39) Treasury stock

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Treasury stock used for share-based payment incentive plan	3,759,732	2,798,468	(463,853)	6,094,347
	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Treasury stock used for share-based payment incentive plan	918,171	3,157,236	(315,675)	3,759,732
Repurchased shares that have not yet been written off	4,000,256	-	(4,000,256)	-
	<u>4,918,427</u>	<u>3,157,236</u>	<u>(4,315,931)</u>	<u>3,759,732</u>

In 2020, the Group's repurchased treasury stock amounted to RMB 2,798,468,000, and the restricted shares and employee stock ownership plans granted in 2020 were approximately RMB 2,012,093,000. As at 31 December 2020, treasury stock mainly comprised treasury stock of RMB 2,185,356,000 used for share-based payment incentive plan and restricted shares amounting to RMB 3,908,991,000 that have not met unlock condition, amounting to RMB 6,094,347,000 in total (31 December 2019: RMB 3,759,732,000).

(40) Capital surplus

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Share premium (a)	15,683,499	2,694,886	(193,357)	18,185,028
Share-based payment incentive plan (b)	1,443,942	1,022,236	(1,051,336)	1,414,842
Others (c)	2,512,872	513,951	(138,588)	2,888,235
	<u>19,640,313</u>	<u>4,231,073</u>	<u>(1,383,281)</u>	<u>22,488,105</u>
	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Share premium	14,478,244	5,260,907	(4,055,652)	15,683,499
Share-based payment incentive plan	1,299,655	733,330	(589,043)	1,443,942
Others	2,673,408	10,806	(171,342)	2,512,872
	<u>18,451,307</u>	<u>6,005,043</u>	<u>(4,816,037)</u>	<u>19,640,313</u>

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

(40) Capital surplus (Cont'd)

- (a) The increase in share premium arose from the exercise of share options with the amount of RMB 2,157,530,000, the unlocking of restricted shares with the amount of RMB 537,356,000; the decrease in share premium arose from the repurchase of restricted shares with the amount of RMB 193,357,000.
- (b) The increase of share-based payment incentive plan arose from expenses attributable to shareholders' equity of the parent company in the share-based payment incentive plan with the amount of RMB 1,022,236,000, while the decrease arose from the transfer of RMB 1,051,336,000 to share premium due to exercise of share-based payment incentive plan.
- (c) Other increases in the capital surplus were mainly due to the Group's purchase of equity held by the minority shareholders of subsidiaries, including Clivet, Annto Logistics, etc.

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

(41) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2020				
	31 December 2019	Attributable to the parent company after tax	31 December 2020	Amount arising before income tax	Less: Reclassification of other comprehensive income to profit or loss	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive income items which will not be reclassified to profit or loss								
Changes arising from remeasurement of defined benefit plan	(92,685)	111,895	19,210	102,595	-	8,909	111,895	(391)
Changes in fair value of investments in other equity instruments	-	493	493	(5,132)	-	(594)	493	(6,219)
Other comprehensive income items which will be reclassified to profit or loss								
Other comprehensive income that will be transferred subsequently to profit or loss under the equity method	(65,736)	(20,445)	(86,181)	(20,445)	-	-	(20,445)	-
Effective portion of gains or losses on hedging instruments in a cash flow hedge	12,620	298,721	311,341	348,437	(13,175)	(33,459)	298,721	3,082
Differences on translation of foreign currency financial statements	(565,753)	(1,228,113)	(1,793,866)	(1,564,945)	-	-	(1,228,113)	(336,832)
	<u>(711,554)</u>	<u>(837,449)</u>	<u>(1,549,003)</u>	<u>(1,139,490)</u>	<u>(13,175)</u>	<u>(25,144)</u>	<u>(837,449)</u>	<u>(340,360)</u>

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2019					
	31 December 2018	Changes in accounting policies	1 January 2019	Attributable to the parent company after tax	31 December 2019	Amount arising before income tax	Less: Reclassification of other comprehensive income to profit or loss	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive income items which will not be reclassified to profit or loss										
Changes arising from remeasurement of defined benefit plan	50,068	-	50,068	(142,753)	(92,685)	(160,406)	-	10,017	(142,753)	(7,636)
Other comprehensive income items which will be reclassified to profit or loss										
Other comprehensive income that will be transferred subsequently to profit or loss under the equity method	(59,146)	-	(59,146)	(6,590)	(65,736)	(6,580)	-	-	(6,590)	10
Gains or losses arising from changes in fair value of available-for-sale financial assets	(337,447)	337,447	-	-	-	-	-	-	-	-
Effective portion of gains or losses on hedging instruments in a cash flow hedge	(101,270)	-	(101,270)	113,890	12,620	13,175	107,675	(2,511)	113,890	4,449
Differences on translation of foreign currency financial statements	(884,358)	-	(884,358)	318,605	(565,753)	386,670	-	-	318,605	68,065
	<u>(1,332,153)</u>	<u>337,447</u>	<u>(994,706)</u>	<u>283,152</u>	<u>(711,554)</u>	<u>232,859</u>	<u>107,675</u>	<u>7,506</u>	<u>283,152</u>	<u>64,888</u>

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

(42) Surplus reserve

	31 December 2019	Increase in the current year	31 December 2020
Statutory surplus reserve	<u>6,447,658</u>	<u>1,518,704</u>	<u>7,966,362</u>

	31 December 2018	Increase in the current year	31 December 2019
Statutory surplus reserve	<u>5,079,096</u>	<u>1,368,562</u>	<u>6,447,658</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 losses or increase the share capital after approval from the appropriate authorities. According to a resolution at the Board of Directors' meeting, the Company appropriated 10% of net profit for the year, amounting to RMB 1,518,704,000 (2019: 10% of net profit, amounting to RMB 1,368,562,000) to the statutory surplus reserve in 2020.

(43) Undistributed profits

	2020	2019
Undistributed profits at the beginning of the year	72,713,631	58,424,868
Add: Net profit attributable to shareholders of the parent company for the current year	27,222,969	24,211,222
Less: Ordinary share dividends payable (a)	(11,122,406)	(8,553,897)
Appropriation to general risk reserve (b)	(221,037)	-
Appropriation to statutory surplus reserve (Note 4 (42))	(1,518,704)	(1,368,562)
Undistributed profits at the end of the year	<u>87,074,453</u>	<u>72,713,631</u>

(a) Ordinary share dividends distributed in the current year

In accordance with the resolution at the Board of Shareholders' meeting, dated 22 May 2020, the Company distributed a cash dividend to the shareholders at RMB 1.60 per share, amounting to approximately RMB 11,131,490,000 calculated by 6,957,181,058 issued shares less those repurchased; 5,725,000 repurchased incentive shares in the restricted shares incentive plan were written off (Note 4(38)), and cash dividend amounting to RMB 9,084,000 was cancelled. The actual cash dividend distributed in the current year amounted to RMB 11,122,406,000.

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

(43) Undistributed profits (Cont'd)

(b) General risk reserve

In 2020, according to the *Notice on Strengthening the Supervision and Administration of Commercial Factoring Enterprises* issued by China Banking and Insurance Regulatory Commission and the *Administrative Measures for the Provision of Reserves of Financial Enterprises* issued by the Ministry of Finance, certain subsidiaries of the Group provided general risk reserve amounting to RMB 221,037,000 (2019: Nil).

(44) Revenue and cost of sales

	2020	2019
Revenue from main operations	261,474,699	257,059,725
Other operating income	22,746,550	21,156,292
	<u>284,221,249</u>	<u>278,216,017</u>
	2020	2019
Cost of sales from main operations	192,791,358	179,314,385
Cost of sales from other operations	20,048,234	18,599,543
	<u>212,839,592</u>	<u>197,913,928</u>

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

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

(a) Revenue and cost of sales from main operations

	2020		2019	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
HVAC	121,215,043	91,925,363	119,607,379	81,626,941
Consumer appliances	113,890,764	79,112,626	109,486,791	75,014,044
Robotics and automation system	21,588,782	17,297,837	25,191,964	19,953,437
Others	4,780,110	4,455,532	2,773,591	2,719,963
	<u>261,474,699</u>	<u>192,791,358</u>	<u>257,059,725</u>	<u>179,314,385</u>

In 2020, cost of sales from main operations was mainly material costs and labour costs, which accounted for over 80% of total cost of sales from main operations (2019: over 80%).

(b) Revenue and cost of sales from other operations

	2020		2019	
	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	20,190,867	19,378,005	18,933,525	17,997,520
Others	2,555,683	670,229	2,222,767	602,023
	<u>22,746,550</u>	<u>20,048,234</u>	<u>21,156,292</u>	<u>18,599,543</u>

In 2020, cost of sales from other operations was mainly material costs, which accounted for over 80% of total cost of sales from other operations (2019: over 80%).

(c) In 2020, among the Group's revenue from main operations, the amount recognised at a point in time accounted for above 90% and the amount recognised within a certain period of time mainly included revenue from main operations of robotics and automation system segment. The Group's revenue from other operations was recognised at a point in time.

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4 Notes to the consolidated financial statements (Cont'd)**(45) Interest income and interest costs**

The Group's interest income and expenses arising from financial business are presented as follows:

	2020	2019
Interest income from loans and advances	1,229,255	1,058,536
Including: Interest income from loans and advances to corporations and individuals	1,072,209	730,885
Interest income from note discounting	157,046	327,651
Interest income from deposits with banks, other financial institutions and the Central Bank	258,956	104,644
Interest income	1,488,211	1,163,180
Interest costs	(105,168)	(122,618)
	<u>1,383,043</u>	<u>1,040,562</u>

(46) Taxes and surcharges

	2020	2019
City maintenance and construction tax	642,902	699,256
Educational surcharge	470,229	508,523
Others	420,515	512,837
	<u>1,533,646</u>	<u>1,720,616</u>

(47) Selling and distribution expenses

	2020	2019
Selling and distribution expenses	<u>27,522,276</u>	<u>34,611,231</u>

In 2020, selling and distribution expenses were mainly maintenance expenses, advertisement and promotion fee, employee benefits, rental expenses and transportation and storage fee, which accounted for over 70% of total selling and distribution expenses (2019: over 70%).

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

(48) General and administrative expenses

	2020	2019
General and administrative expenses	<u>9,264,148</u>	<u>9,531,361</u>

In 2020, general and administrative expenses were mainly employee benefits, depreciation and amortisation expenses, technical maintenance expenses, administrative office expenses and rental expenses and property management expenses, which accounted for over 70% of total general and administrative expenses (2019: over 70%).

(49) R&D expenses

	2020	2019
R&D expenses	<u>10,118,667</u>	<u>9,638,137</u>

In 2020, R&D expenses were mainly employee benefits, depreciation and amortisation expenses, trial products and material inputs expenses, which accounted for over 80% of total R&D expenses (2019: over 80%).

(50) Financial income

The Group's financial income, other than those arising from financial business (Note 4(45)), are presented as follows:

	2020	2019
Interest expenses	(1,305,591)	(880,703)
Less: Interest income	3,663,028	3,807,136
Exchange gains or losses	446,352	(531,088)
Others	<u>(165,757)</u>	<u>(163,709)</u>
	<u>2,638,032</u>	<u>2,231,636</u>

(51) Asset impairment losses

	2020	2019
Losses on decline in the value of inventories (Note 4(10))	355,695	311,195
Impairment losses on contract assets (Note 4(8))	52,153	—
Impairment losses on fixed assets (Note 4(16))	54,010	8,466
Impairment losses on intangible assets (Note 4(18))	197,376	-
Impairment losses on construction in progress (Note 4(17))	45,975	-
Impairment loss on goodwill (Note 4(19))	-	552,248
	<u>705,209</u>	<u>871,909</u>

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

(52) Credit impairment losses

	2020	2019
Losses on bad debts of accounts receivable (Note 4(4))	87,259	69,912
Losses on bad debts of other receivables (Note 4(5))	4,278	10,795
Losses on bad debts of notes receivable (Note 4(3))	347	-
Impairment losses on loans and advances (Note 4(9))	155,721	15,739
	<u>247,605</u>	<u>96,446</u>

(53) Gains on changes in fair value

	2020	2019
Derivative financial assets and liabilities	86,950	707,527
Other financial assets	1,676,000	653,636
	<u>1,762,950</u>	<u>1,361,163</u>

(54) Investment income

	2020	2019
Investment income from wealth management products	-	91,359
Investment income from holding of financial assets held for trading	1,598,107	-
Investment income from disposal of financial assets held for trading	295,802	-
Investment income/(loss) from disposal of derivative financial assets and liabilities	122,576	(357,265)
Investment income from associates	402,528	506,225
Profit or loss arising from derecognition of financial assets measured at amortised cost	-	(709)
Others	(56,551)	(75,478)
	<u>2,362,462</u>	<u>164,132</u>

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

(55) Losses on disposal of assets

	2020	2019
Gains on disposal of non-current assets	26,876	48,152
Losses on disposal of non-current assets	(87,399)	(179,283)
	<u>(60,523)</u>	<u>(131,131)</u>

MIDEA GROUP CO., LTD.

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

(56)	Other income			Assets related/ Income related
		2020	2019	
	Special subsidy	<u>1,424,090</u>	<u>1,194,665</u>	Income related
(57)	Income tax expenses			
			2020	2019
	Current income tax calculated based on tax law and related regulations		4,928,687	5,865,722
	Deferred income tax		<u>(771,690)</u>	<u>(1,213,752)</u>
			<u>4,156,997</u>	<u>4,651,970</u>

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

		2020	2019
	Total profit	<u>31,663,539</u>	<u>29,929,114</u>
	Income tax calculated at tax rate of 25%	7,915,885	7,482,279
	Effect of different tax rates applicable to subsidiaries	(3,314,153)	(2,418,377)
	Effect of income tax annual filing for prior periods	(241,941)	(132,198)
	Income not subject to tax	(163,339)	(225,015)
	Costs, expenses and losses not deductible for tax purposes	459,501	435,334
	Utilisation of previous temporary differences or deductible losses for which no deferred tax assets were recognised in prior periods	(33,534)	(52,064)
	Others	<u>(465,422)</u>	<u>(437,989)</u>
	Income tax expenses	<u>4,156,997</u>	<u>4,651,970</u>

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

(58) Calculation of basic and diluted earnings per share

(a) Basic earnings per share

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

	Unit	2020	2019
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	27,222,969	24,211,222
Less: Dividends payable to restricted shares	RMB'000	<u>(64,930)</u>	<u>(41,095)</u>
		27,158,039	24,170,127
Weighted average number of outstanding ordinary shares	Thousands shares	<u>6,908,891</u>	<u>6,707,294</u>
	RMB		
Basic earnings per share	Yuan/share	<u>3.93</u>	<u>3.60</u>
Including:			
- Basic earnings per share from continuing operations:		3.93	3.60
- Basic earnings per share for discontinued operations:		<u>-</u>	<u>-</u>

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

(58) Calculation of basic and diluted earnings per share (Cont'd)

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

	Unit	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Company	RMB'000	<u>27,222,969</u>	<u>24,211,222</u>
Weighted average number of outstanding ordinary shares	Thousands shares	6,908,891	6,707,294
Weighted average number of ordinary shares increased from share-based payment	Thousands shares	<u>63,495</u>	<u>64,256</u>
Weighted average number of diluted outstanding ordinary shares	Thousands shares	<u>6,972,386</u>	<u>6,771,550</u>
Diluted earnings per share	RMB Yuan/share	<u>3.90</u>	<u>3.58</u>

(59) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	2020	2019
Other income	1,522,883	1,218,555
Revenue from other operations	2,450,466	2,116,396
Non-operating income	383,436	612,867
Financial income - interest income	441,016	339,475
Others	<u>153,073</u>	<u>721,528</u>
	<u>4,950,874</u>	<u>5,008,821</u>

(b) Cash paid relating to other operating activities

	2020	2019
Selling and distribution expenses (excluding employee benefits and taxes and surcharges)	22,851,294	30,246,514
General and administrative expenses and R&D expenses (excluding employee benefits and taxes and surcharges)	10,305,790	9,601,758
Others	<u>1,276,110</u>	<u>1,283,489</u>
	<u>34,433,194</u>	<u>41,131,761</u>

MIDEA GROUP CO., LTD.

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

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

(c) Supplementary information to the cash flow statement

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

	2020	2019
Net profit	27,506,542	25,277,144
Add: Asset impairment losses	705,209	871,909
Credit impairment losses	247,605	96,446
Depreciation and amortisation	5,020,256	5,168,262
Losses on disposal of assets	60,523	131,131
Gains on changes in fair value	(1,762,950)	(1,361,163)
Financial income	(1,714,530)	(2,847,411)
Investment income	(2,362,462)	(164,132)
Increase in deferred tax assets	(1,424,584)	(1,347,604)
Increase in deferred tax liabilities	625,273	149,942
Increase in inventories	(1,803,072)	(2,670,712)
Increase in operating receivables	(16,538,695)	(1,445,679)
Increase in operating payables	19,916,109	15,916,673
Share-based payments and others	1,081,893	815,598
Net cash flows from operating activities	<u>29,557,117</u>	<u>38,590,404</u>
Net increase/(decrease) in cash and cash equivalents:		
Cash and cash equivalents at the end of the year	23,548,508	30,441,760
Less: Cash and cash equivalents at the beginning of the year	<u>(30,441,760)</u>	<u>(17,952,282)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(6,893,252)</u>	<u>12,489,478</u>

(d) Composition of cash and cash equivalents

	31 December 2020	31 December 2019
Cash on hand	2,538	3,128
Cash at bank that can be readily drawn on demand	14,185,834	9,521,001
Deposits with the Central Bank that can be readily drawn on demand	344,860	355,471
Deposits with banks and other financial institutions that can be readily drawn on demand	<u>9,015,276</u>	<u>20,562,160</u>
Cash and cash equivalents at the end of the year	<u>23,548,508</u>	<u>30,441,760</u>

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

(60) Monetary items denominated in foreign currencies

	31 December 2020		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand			
USD	606,052	6.5249	3,954,427
JPY	12,604,953	0.0632	796,633
HKD	2,415,846	0.8416	2,033,176
EUR	118,549	8.0250	951,354
BRL	285,067	1.2556	357,930
VND	508,313,333	0.0003	152,494
Other currencies	Not applicable	Not applicable	1,422,214
Sub-total			<u>9,668,228</u>
Accounts receivable			
USD	1,275,071	6.5249	8,319,713
JPY	12,798,608	0.0632	808,872
HKD	11,535	0.8416	9,708
EUR	361,026	8.0250	2,897,230
BRL	677,500	1.2556	850,669
VND	2,435,706,667	0.0003	730,712
Other currencies	Not applicable	Not applicable	2,034,429
Sub-total			<u>15,651,333</u>
Other receivables			
USD	144,189	6.5249	940,820
JPY	1,329,367	0.0632	84,016
HKD	10,903	0.8416	9,176
EUR	55,540	8.0250	445,707
BRL	179,288	1.2556	225,114
Other currencies	Not applicable	Not applicable	253,468
Sub-total			<u>1,958,301</u>
Total			<u>27,277,862</u>

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

(60) Monetary items dominated in foreign currencies (Cont'd)

	31 December 2020		
	Foreign currency balance	Exchange rate	RMB balance
Short-term borrowings			
USD	280,000	6.5249	1,826,972
EUR	154,489	8.0250	1,239,777
BRL	105,884	1.2556	132,948
Other currencies	Not applicable	Not applicable	122,280
Sub-total			<u>3,321,977</u>
Accounts payable			
USD	280,661	6.5249	1,831,288
JPY	5,637,532	0.0632	356,292
HKD	14,244	0.8416	11,988
EUR	156,419	8.0250	1,255,266
BRL	222,265	1.2556	279,076
Other currencies	Not applicable	Not applicable	1,656,574
Sub-total			<u>5,390,484</u>
Other payables			
USD	12,737	6.5249	83,109
JPY	7,245,791	0.0632	457,934
HKD	7,272	0.8416	6,120
EUR	1,182	8.0250	9,485
Other currencies	Not applicable	Not applicable	173,688
Sub-total			<u>730,336</u>
Current portion of non-current liabilities			
USD	3,769	6.5249	24,593
EUR	276,000	8.0250	2,214,900
Other currencies	Not applicable	Not applicable	22,833
Sub-total			<u>2,262,326</u>
Long-term borrowings			
USD	140,061	6.5249	913,886
EUR	3,944,261	8.0250	31,652,691
JPY	69,460,000	0.0632	4,392,373
Other currencies	Not applicable	Not applicable	3,039
Sub-total			<u>36,961,989</u>
Total			<u>48,667,112</u>

Monetary items denominated in foreign currencies above present all foreign currencies except RMB.

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

(60) Monetary items dominated in foreign currency (Cont'd)

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

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

(60) Monetary items dominated in foreign currency (Cont'd)

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

Monetary items denominated in foreign currencies above present all foreign currencies except RMB.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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5 Changes of consolidation scope

(1) Business combinations involving enterprises not under common control

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

GD Midea Heating & Ventilating Equipment Co., Ltd., a wholly-owned subsidiary of the Company, acquired Hiconics Eco-energy in May 2020. Hainan Midea Building Co., Ltd., a wholly-owned subsidiary of the Company, acquired WINONE ELEVATOR and Foshan Longyue Investment Co., Ltd. in December 2020.

The acquisition has no significant impact on the Group's consolidated financial statements.

(2) Changes of consolidation scope due to other reasons

(a) Increase of consolidation scope

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

Foshan Shunde Midea Household Appliances Industry Co., Ltd., a wholly-owned subsidiary of the Company, established Chongqing Midea Commercial Factoring Co., Ltd. in March 2020, holding 100% of its shares.

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

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

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Shanghai Kaizhao Commercial and Trading Co., Ltd. in August 2020, holding 95% and 5% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Guangdong MeiKong Intelligent Building Co., Ltd. in August 2020, holding 95% and 5% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Midea Smart Life (Shanghai) Technology Co., Ltd. in September 2020, holding 90% and 10% of the shares respectively.

The Company established Midea (Shanghai) Supply Chain Technology Co., Ltd. in September 2020, holding 100% of its shares.

KUKA Systems GmbH, the Company's holding subsidiary, spun off KUKA Assembly & Test GmbH in September 2020, holding 100% of its shares.

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5 Changes of consolidation scope (Cont'd)

(2) Changes in consolidation scope due to other reasons (Cont'd)

(a) Increase of consolidation scope (Cont'd)

Chongqing Midea General Refrigeration Equipment Co., Ltd., the Company's holding subsidiary, established Meitong Energy Technology (Chongqing) Co., Ltd. in October 2020, holding 100% of its shares.

The Company established Maytech Technology Co., LTD. in October 2020, holding 100% of its shares.

GD Midea Heating & Ventilating Equipment Co., Ltd. and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Hainan Midea Building Co., Ltd. in November 2020, holding 95% and 5% of the shares respectively.

Midea Group (Shanghai) Co., Ltd. and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Shanghai M-BMS Intelligent Construction Co., Ltd. in November 2020, holding 95% and 5% of the shares respectively.

KUKA Group, the Company's holding subsidiary, established KUKA Real Estate Management GmbH. in November 2020, holding 100% of its shares.

Midea Electrics Netherlands B.V. and Midea Electric Trading (Singapore) Co., Pte. Ltd., the Company's wholly-owned subsidiaries, established Midea (Egypt) Kitchen & Water Heater Appliance Co., Ltd. in November 2020, holding 99% and 1% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Hainan Midea United Supplies Co., Ltd. in December 2020, holding 95% and 5% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Midea Group Wuhan Heating Ventilation Equipment Co., Ltd. in December 2020, holding 95% and 5% of the shares respectively.

Midea Group (Shanghai) Co., Ltd. and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Hainan Xingchenghai Electric Appliance Co., Ltd. in December 2020, holding 95% and 5% of the shares respectively.

Midea Group (Shanghai) Co., Ltd. and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Hainan Midea Kitch Co., Ltd. in December 2020, holding 95% and 5% of the shares respectively.

Wuxi Little Swan Electric Co., Ltd. and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Hubei Midea Laundry Appliance Co., Ltd. in December 2020, holding 95% and 5% of the shares respectively.

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5 Changes of consolidation scope (Cont'd)

(2) Changes in consolidation scope due to other reasons (Cont'd)

(a) Increase of consolidation scope (Cont'd)

WINONE ELEVATOR COMPANY LIMITED, the Company's holding subsidiary, established Guangdong Ling Mei Technology Co., Ltd. in December 2020, holding 100% of its shares.

The Company established Guangdong Midea Electromechanical Technology Co., Ltd. in December 2020, holding 100% of its shares.

KUKA Group, the Company's holding subsidiary, established KUKA Real Estate GmbH & Co. KG. in December 2020, holding 100% of its shares.

(b) Decrease of consolidation scope

Decrease of consolidation scope in the current year mainly includes deregistration of subsidiaries. Details are as follows:

Name of company	Disposal method of the equity	Disposal time-point of the equity
Wuhu Midea Washing Appliances Trade Co., Ltd.	Deregistration	January 2020
GD Midea Carfitaly Coffee Machine Manufacturing Co., Ltd.	Deregistration	March 2020
Reis SCI i. L., Pontault Combault	Deregistration	March 2020
Guangdong De Yi Jie Appliances Co., Ltd.	Change of equity	August 2020
Shandong Chang Dee Technology Development Co., Ltd.	Change of equity	August 2020
Wuhan Changdi Technology Co., Ltd.	Change of equity	August 2020
Shijiazhuang Chang Dee Technology Co., Ltd.	Change of equity	September 2020
Hangzhou Chang Dee Technology Development Co., Ltd.	Change of equity	September 2020
KUKU Industries Italia i. L., Bellusco	Deregistration	September 2020
Foshan Welling Materials Supply Co., Ltd.	Deregistration	October 2020
Hiconics Ruima Motor (Ningbo) Co., Ltd.	Change of equity	November 2020
Guizhou Chang Dee Technology Co., Ltd.	Change of equity	November 2020
Wuxi Little Swan Company Limited	Deregistration	December 2020

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6 Interests in other entities

(1) Interests in subsidiaries

(a) Composition of significant subsidiaries

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
GD Midea Air-Conditioning Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture and sales of air conditioner	73%	7%	Business combinations involving enterprises not under common control
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture and sales of air conditioner	73%	7%	Business combinations involving enterprises not under common control
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	Wuhan, PRC	Wuhan, PRC	Manufacture of air conditioner	73%	7%	Establishment
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of air conditioner	87%	13%	Establishment
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	Chongqing, PRC	Chongqing, PRC	Manufacture and sales of air conditioner	95%	5%	Establishment
GD Midea Heating & Ventilating Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of air conditioner	90%	10%	Establishment
Zhejiang Meizhi Compressor Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Manufacture of air conditioner	100%	-	Establishment
Hefei Midea Refrigerator Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of refrigerator	75%	25%	Business combinations involving enterprises not under common control
Hefei Hualing Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of refrigerator	75%	25%	Business combinations involving enterprises not under common control
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	-	100%	Establishment
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	-	100%	Establishment
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	90%	10%	Business combinations involving enterprises under common control
Wuxi Little Swan Electric Co., Ltd.	Wuxi, PRC	Wuxi, PRC	Manufacture of washing machine	100%	-	Establishment
Midea Electric Trading (Singapore) Co., Pte. Ltd.	Singapore	Singapore	Export trade	-	100%	Establishment

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6 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

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

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
Midea Group Finance Co., Ltd.	Foshan, PRC	Foshan, PRC	Financial industry	95%	5%	Establishment Business combinations involving enterprises not under common control
Midea Microfinance Loan Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Petty loan	5%	95%	Business combinations involving enterprises not under common control
Mecca International (BVI) Limited	British Virgin Islands	British Virgin Islands	Investment holding	-	100%	Establishment
Midea International Corporation Company Limited	Hong Kong	Hong Kong	Investment holding	100%	-	Establishment
Wuhu Midea Life Appliances Mfg Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	100%	-	Establishment
Midea Electric Netherlands (I) B.V.	Netherlands	Netherlands	Investment holding	-	100%	Establishment Business combinations involving enterprises not under common control
Toshiba Consumer Marketing Corporation	Japan	Japan	Manufacture of home appliances	-	100%	Business combinations involving enterprises not under common control
TLSC	Japan	Japan	Manufacture of home appliances	-	100%	Business combinations involving enterprises not under common control
KUKA	Germany	Germany	Manufacture and sales of robots	-	95%	Business combinations involving enterprises not under common control
Ningbo Midea United Materials Supply Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Wholesale and retail	100%	-	Establishment
Chongqing Midea Commercial Factoring Co., Ltd.	Chongqing, PRC	Chongqing, PRC	Factoring	-	100%	Establishment
Tianjin Midea Commercial Factoring Co., Ltd.	Tianjin, PRC	Tianjin, PRC	Factoring	-	100%	Establishment
Midea Innovation Investment Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Investment holding	85%	15%	Establishment

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6 Interests in other entities (Cont'd)

(2) Interest in associates

The Group's associates have no significant influence on the Group and are summarised as follows:

	2020	2019
Aggregated carrying amount of investments	<u>2,901,337</u>	<u>2,790,806</u>
Aggregate of the following items in proportion		
Net profit (i)	402,528	506,225
Other comprehensive income (i)	<u>(20,445)</u>	<u>(9,378)</u>
Total comprehensive income	<u>382,083</u>	<u>496,847</u>

(i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in associates and the unification of accounting policies adopted by the associates to those adopted by the Company.

7 Segment information

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

The Group identified 4 reportable segments as follows:

- Heating & ventilation, as well as air-conditioner
- Consumer appliances
- Robotics and automation system
- Others

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

The assets are allocated based on the operations of the segments and the physical locations of the assets. The liabilities are allocated based on the operations of the segments. 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 costs, fee and commission expenses, taxes and surcharges, selling and distribution expenses, general and administrative expenses, R&D expenses and financial income.

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8 Segment reporting

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

Segment information as at and for the year ended 31 December 2020 is as follows:

	Heating & ventilation, as well as air- conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Elimination	Total
Revenue from external customers	137,750,899	120,229,314	21,743,789	5,985,727	-	285,709,729
Inter-segment revenue	2,969,649	417,949	174,762	7,504,091	(11,066,451)	-
Operating expenses	(127,623,183)	(107,643,923)	(23,045,690)	(11,197,652)	10,758,011	(258,752,437)
Segment profit	13,097,365	13,003,340	(1,127,139)	2,292,166	(308,440)	26,957,292
Other profit or loss						4,706,247
Total profit						<u>31,663,539</u>
Total assets	141,224,648	126,922,410	34,082,837	174,557,282	(116,404,574)	360,382,603
Total liabilities	100,386,504	100,604,599	24,094,633	150,399,172	(139,339,405)	236,145,503
Long-term equity investment in associates	240,925	124,128	31,877	2,504,407	-	2,901,337
Investment income from associates	115,265	12,692	(19,464)	294,035	-	402,528
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	2,958,978	1,558,622	1,872,743	352,374	-	6,742,717
Asset impairment losses	22,389	252,621	424,710	5,489	-	705,209
(Reversal of)/losses on credit impairment	(11,271)	(79,131)	25,641	311,653	713	247,605
Depreciation and amortisation	1,660,118	1,629,611	1,104,376	626,151	-	5,020,256

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8 Segment reporting (Cont'd)

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

Segment information as at and for the year ended 31 December 2019 is as follows:

	Heating & ventilation, as well as air- conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Elimination	Total
Revenue from external customers	135,470,711	114,367,462	25,356,999	4,185,334	-	279,380,506
Inter-segment revenue	2,227,043	756,506	163,663	7,408,736	(10,555,948)	-
Operating expenses	(124,219,498)	(101,665,999)	(25,955,822)	(9,771,544)	10,294,975	(251,317,888)
Segment profit	13,478,256	13,457,969	(435,160)	1,822,526	(260,973)	28,062,618
Other profit or loss						1,866,496
Total profit						<u>29,929,114</u>
Total assets	121,176,656	103,888,887	37,236,774	121,317,404	(81,664,302)	301,955,419
Total liabilities	81,518,812	74,715,832	27,386,386	99,888,660	(89,050,368)	194,459,322
Long-term equity investment in associates	210,811	91,779	83,964	2,404,252	-	2,790,806
Investment income from associates	160,908	4,035	(25,831)	367,113	-	506,225
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	2,221,732	1,205,818	847,053	242,998	-	4,517,601
Asset impairment losses	64,814	245,923	560,382	790	-	871,909
Losses on/(Reversal of) credit impairment	102,545	54,637	(75,990)	100,895	(85,641)	96,446
Depreciation and amortisation	1,780,289	1,565,812	1,157,866	664,295	-	5,168,262

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(b) Geographical area information

The Group's revenue from external customers domestically and in foreign countries or geographical areas, and the total non-current assets other than long-term equity investments, financial assets, goodwill and deferred tax assets located domestically and in foreign countries or geographical areas (including Germany, Hong Kong, Macau, Singapore, Japan, Italy, South America, etc.) are as follows:

Revenue from external customers	2020	2019
Domestic	164,628,321	162,596,802
In other countries/geographical areas	121,081,408	116,783,704
	<u>285,709,729</u>	<u>279,380,506</u>
Total non-current assets	31 December 2020	31 December 2019
Domestic	24,258,048	22,206,308
In other countries/geographical areas	17,715,088	18,395,469
	<u>41,973,136</u>	<u>40,601,777</u>

In 2020 and 2019, revenue from each individual customer is lower than 10% of the Group's total revenue.

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 2020 and 31 December 2019
Midea Holding Co., Ltd.	<u>330,000</u>

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

(1) Information of the parent company (Cont'd)

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

	31 December 2020			31 December 2019		
	Shareholding (%)		Voting rights (%)	Shareholding (%)		Voting rights (%)
	Direct	Indirect		Direct	Indirect	
Midea Holding Co., Ltd.	30.86%	-	30.86%	31.73%	-	31.73%

(2) Information of the Company's subsidiaries

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

(3) Information of other related parties

Name of other related parties	Relationship
Guangdong Wellkey Electrician Material Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholder
Anhui Wellkey Electrician Material Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholder
Guangdong Infore Material-Tech Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholder
Orinko New Material Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholder
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Under the common control of the Company's ultimate controlling shareholder
Foshan Micro Midea Filter Mfg. Co., Ltd.	Associates of the Company
Guangdong Shunde Rural Commercial Bank Co., Ltd.	Associates of the Company

(4) Information of related party transactions

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

(a) Purchase of goods:

Related parties	Content of related party transactions	Pricing policies of related party transactions	2020	2019
Guangdong Wellkey Electrician Material Co., Ltd.	Purchase of goods	Agreed price	708,793	851,608
Foshan Micro Midea Filter Mfg. Co., Ltd.	Purchase of goods	Agreed price	312,860	298,143
Anhui Wellkey Electrician Material Co., Ltd.	Purchase of goods	Agreed price	242,408	312,038
Orinko New Material Co., Ltd.	Purchase of goods	Agreed price	1,238,817	1,159,702
			<u>2,502,878</u>	<u>2,621,491</u>

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9 Related parties and significant related party transactions (Cont'd)**(4) Information of related party transactions (Cont'd)****(b) Sales of goods**

Related parties	Content of related party transactions	Pricing policies of related party transactions	2020	2019
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Sales of goods	Agreed price	<u>198,903</u>	<u>105,382</u>

(c) Investment income and interest income

	2020	2019
Guangdong Shunde Rural Commercial Bank Co., Ltd.	<u>130,457</u>	<u>78,696</u>

(d) Remuneration of key management

	2020	2019
Remuneration of key management	<u>76,940</u>	<u>57,800</u>

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9 Related parties and significant related party transactions (Cont'd)**(5) Receivables from and payables to related parties**

Receivables from related parties:

Items	Related parties	31 December 2020	31 December 2019
Cash at bank and on hand, and other debt investments	Guangdong Shunde Rural Commercial Bank Co., Ltd.	<u>3,653,592</u>	<u>3,058,300</u>

Payables to related parties:

Items	Related parties	31 December 2020	31 December 2019
Accounts payable	Guangdong Wellkey Electrician Material Co., Ltd.	133,290	201,956
	Foshan Micro Midea Filter Mfg. Co., Ltd.	62,837	68,258
	Anhui Wellkey Electrician Material Co., Ltd.	53,889	60,373
	Orinko New Material Co., Ltd.	<u>218,888</u>	<u>80,121</u>
	Sub-total		<u>468,904</u>
Notes payable	Guangdong Wellkey Electrician Material Co., Ltd.	<u>52,246</u>	-
	Total	<u>521,150</u>	<u>410,708</u>

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10 Share-based payment

(1) Share option incentive plan

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

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

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

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

(b) Movements in share options during the year

	2020 (Share in thousands)
Share options issued at the beginning of the year	182,905
Share options granted during the year	65,180
Share options exercised during the year	(63,801)
Share options lapsed during the year	(16,053)
Share options issued at the end of the year	<u>168,231</u>

As at 31 December 2020, the residual contractual maturity date of the Third Share Option Incentive Plan is on 27 June 2021. The residual contractual maturity date of the Fourth Share Option Incentive Plan is on 11 May 2021. The residual contractual maturity date of the Fifth Share Option Incentive Plan is on 6 May 2024. The residual contractual maturity date of the Fifth Reserved Share Option Incentive Plan is on 10 March 2025. The residual contractual maturity date of the Sixth Share Option Incentive Plan is 29 May 2025. The residual contractual maturity date of the Seventh Share Option Incentive Plan is 4 June 2024.

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10 Share-based payment (Cont'd)

(2) Restricted share plan

(a) Pursuant to the restricted shares incentive plan for 2020 approved at the 2019 annual shareholders' meeting in 2020 (the "Restricted Shares Incentive Plan for 2020"), the Company granted 33,245,000 restricted shares with exercise price of RMB 24.42 to 506 employees. Under the circumstance that the Company meets expected performance, 1/3 of the total restricted shares granted will be unlocked after 1 year, 2 years and 3 years respectively, since 5 June 2020. The listing date for the granted restricted shares of this plan is 14 July 2020.

(b) Movements in restricted shares during the year

	2020 (Share in thousands)
Restricted shares issued at the beginning of the year	57,139
Restricted shares granted during the year	33,245
Restricted shares unlocked during the year	(10,577)
Restricted shares lapsed during the year	(5,725)
Restricted shares issued at the end of the year	<u>74,082</u>

(3) Employee stock ownership plan

Pursuant to the sixth stock ownership plan of the Midea Global Partner Plan (the "Sixth Global Partner Plan") approved at the shareholders' meeting for the year ended 31 December 2019 held during the year 2020, the Company would purchase a total of 3,537,663 shares of Midea Group from the secondary market, with an average purchase price of RMB 52.04 per share and the purchase fund was the special fund of approximately RMB 184,100,000 accrued by the Company. The Company then entrusted China International Capital Corporation Limited ("CICC") to provide an asset management plan. The lock-up period of shares under this plan is from 14 July 2020 to 13 July 2021.

Pursuant to the second stock ownership plan of the Midea Business Partner Plan (the "Third Business Partner Plan") approved at the shareholders' meeting for the year ended 31 December 2019 held during the year 2020. The Company would purchase a total of 1,873,559 shares of Midea Group from the secondary market, with an average purchase price of RMB 52.04 per share. The purchase fund was the special fund and part of performance bonus for management of RMB 97,500,000 in total accrued by the Company. The Company then entrusted CICC to provide an asset management plan. The lock-up period of shares under this plan is from 17 July 2020 to 16 July 2021.

(4) The total expenses due to the above share-based payment incentive plan, which were granted, recognised for the year ended 31 December 2020 were RMB 1,077,550,000 (2019: RMB 815,598,000). As at 31 December 2020, the balance relating to the share-based payment incentive plan and accrued from capital surplus was RMB 1,414,842,000 (31 December 2019: RMB 1,443,942,000).

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11 Contingencies

As at 31 December 2020, the amount in tax disputes involving Brazilian subsidiary with 51% interests held by the Company is about BRL 670 million (equivalent to RMB 841 million) (Some cases have lasted for more than 10 years. The above amount includes the principal and interest). As at 31 December 2020, relevant cases are still at court. Original shareholders of Brazilian subsidiary have agreed to compensate the Company according to verdict results of the above tax disputes. The maximum compensation amount is about BRL 157 million (equivalent to RMB 197 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 tax violation.

12 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	31 December 2020	31 December 2019
Buildings, machinery and equipment	<u>2,896,245</u>	<u>1,433,420</u>

(2) Operating lease commitments

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

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13 Events after the balance sheet date

(1) Business acquisition

On 2 February 2021, the Group acquired 29.09% equity of Beijing Wandong Medical Technology Co., Ltd. by agreement, with a purchase price of approximately RMB 2,297 million. As at the date on which the financial statements were authorised for issue, the acquisition had not been completed yet.

(2) Repurchased shares

Pursuant to the *Proposal on the Scheme for the Repurchase of Certain Social Public Shares* approved at the twenty-ninth meeting of the third Board of Directors dated 23 February 2021, the Company is allowed to use its own funds to repurchase some of the Company's shares through centralised price bidding, with number of shares to be repurchased ranging from 50 million to 100 million and purchase price not exceeding RMB 140 per share. The scheme is to be implemented within 12 months from the date of approval by the Board of Directors. As at the date on which the financial statements were authorised for issue, the Group has repurchased 100 million shares, and purchase price was RMB 8.7 billion.

(3) Overview of profit distribution

On 28 April 2021, on the basis of the total shares 6,916,495,109 to be distributed (total existing 7,047,686,070 shares net of repurchased 131,190,961 shares) of the Company, the Board of Directors proposed a distribution of cash dividends of approximately RMB 11,066,392,000 at RMB 16 every 10 shares (including tax). Such proposal is pending for approval at the shareholders' meeting. The distribution of cash dividends proposed after 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:

- Market risk (mainly including foreign exchange risk, interest rate risk and price risk)
- Credit risk
- Liquidity risk

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

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

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14 Financial risk (Cont'd)

(1) Market risk

(a) Foreign exchange risk

The Group mainly operates in China, Europe, America, Asia, South America and Africa for the manufacturing, sales, investments and financing activities. Any foreign currency denominated monetary assets and liabilities other than in RMB would subject the Group to foreign exchange exposure.

The Group's finance department at its headquarters has a professional team to manage foreign exchange risk, with approach of the natural hedge for settling currencies, signing forward foreign exchange hedging contracts and controlling the scale of foreign currency assets and liabilities, to minimise foreign exchange risk, and to reduce the impact of exchange rate fluctuations on business performance.

(b) Interest rate risk

The Group's interest rate risk arises from interest bearing borrowings including long-term borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2020, the Group's long-term interest bearing borrowings at floating rates amounting to RMB 933,886,000 (31 December 2019: RMB 971,090,000) (Note 4(35)).

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 costs with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk.

As at 31 December 2020, if the borrowing rate rises or falls 50 base points while other factors remain constant, the group's profit before tax would increase or decrease amounting to RMB 4,669,000.

(c) Other price risk

The Group's other price risk arises mainly from financial assets held for trading (Note 4(2)), other non-current financial assets (Note 4(15)) and investments in other equity instruments measured at fair value. As at 31 December 2020, if expected price of the investments held by the Group fluctuated, the Group's gains or losses on changes in fair value and other comprehensive income would be affected accordingly.

As at 31 December 2020, if the Group's expected price of equity instruments investment rises or falls by 10% while other factors remain constant, the Group would have an increase or decrease profit before tax amounting to RMB 567,581,000 (31 December 2019: RMB 283,746,000), and an increase or decrease other comprehensive income amounting to RMB 4,665,000 (31 December 2019: Nil).

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14 Financial risk (Cont'd)

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank and on hand, deposits with the Central Bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, receivables financing, loans and advances, other receivables, contract assets, other debt investments and derivative financial assets at fair value through profit or loss that are not included in the impairment assessment scope.

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

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

As at 31 December 2020, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2019: Nil).

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements. As at 31 December 2020, monetary assets held by the Group, including cash at bank and on hand, notes receivable, notes receivable included in loans and advances, notes receivable included in receivables financing, wealth management funds and structural deposits included in financial assets held for trading and monetary investments included in other current assets amounted to RMB 155,886,115,000.

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14 Financial risk (Cont'd)

(3) Liquidity risk (Cont'd)

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

	31 December 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings (including interest)	10,033,656	-	-	-	10,033,656
Customer deposits and deposits from banks and other financial institutions (including interest)	87,596	-	-	-	87,596
Notes payable	28,249,939	-	-	-	28,249,939
Accounts payable	53,930,261	-	-	-	53,930,261
Other payables	4,501,391	-	-	-	4,501,391
Derivative financial liabilities	161,225	-	-	-	161,225
Other current liabilities (including interest)	18,661,350	-	-	-	18,661,350
Current portion of non-current liabilities (including interest)	6,355,016	-	-	-	6,355,016
Long-term borrowings (including interest)	557,805	31,435,123	12,002,785	-	43,995,713
Long-term payables	-	8,870	4,390	-	13,260
Other non-current liabilities	-	-	692,986	-	692,986
	<u>122,538,239</u>	<u>31,443,993</u>	<u>12,700,161</u>	<u>-</u>	<u>166,682,393</u>
	31 December 2019				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings (including interest)	5,840,214	-	-	-	5,840,214
Customer deposits and deposits from banks and other financial institutions (including interest)	62,521	-	-	-	62,521
Notes payable	23,891,600	-	-	-	23,891,600
Accounts payable	42,535,777	-	-	-	42,535,777
Other payables	3,800,568	-	-	-	3,800,568
Derivative financial liabilities	27,100	-	-	-	27,100
Other current liabilities	12,899,763	-	-	-	12,899,763
Current portion of non-current liabilities (including interest)	1,471,468	-	-	-	1,471,468
Long-term borrowings (including interest)	512,262	4,425,755	37,467,552	-	42,405,569
Long-term payables	-	29,256	4,390	-	33,646
Other non-current liabilities	-	-	863,826	-	863,826
	<u>91,041,273</u>	<u>4,455,011</u>	<u>38,335,768</u>	<u>-</u>	<u>133,832,052</u>

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15 Fair value estimates

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

As at 31 December 2020, 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 measured at fair value -				
Financial assets held for trading	2,324,965	25,914,636	-	28,239,601
Derivative financial assets	-	420,494	-	420,494
Receivables financing	-	13,901,856	-	13,901,856
Other current assets - hedging instruments	-	767,934	-	767,934
Other debt investments	-	21,456,155	-	21,456,155
Investments in other equity instruments	-	-	46,651	46,651
Other non-current financial assets	-	-	3,360,849	3,360,849
Total assets	<u>2,324,965</u>	<u>62,461,075</u>	<u>3,407,500</u>	<u>68,193,540</u>
Financial liabilities measured at fair value -				
Derivative financial liabilities	-	161,225	-	161,225
Other financial liabilities - hedging instruments	-	19,511	-	19,511
Total liabilities	<u>-</u>	<u>180,736</u>	<u>-</u>	<u>180,736</u>

MIDEA GROUP CO., LTD.**SUPPLEMENTARY INFORMATION**

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

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

As at 31 December 2019, the assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

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

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

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

MIDEA GROUP CO., LTD.**SUPPLEMENTARY INFORMATION**

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

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

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

The changes in Level 3 financial assets are analysed below:

	Financial assets held for trading, investments in other equity instruments and other non- current financial assets
1 January 2020	1,750,107
Increase	1,872,884
Decrease	(63,570)
Transfer out of Level 3	(226,060)
Total gains of current period	
Investment income recognised in the income statement	181,583
Gains recognised in other comprehensive income	(107,444)
31 December 2020	<u>3,407,500</u>
	Financial assets held for trading and other non-current financial assets
1 January 2019	2,315,705
Increase	4,232,805
Decrease	(5,274,444)
Transfer out of Level 3	(56,340)
Total gains of current period	
Investment income recognised in the income statement	509,578
Gains recognised in other comprehensive income	22,803
31 December 2019	<u>1,750,107</u>

- (a) The fair value of this part of other non-current financial assets is measured using discounted cash flows approach. The judgement of Level 3 of the fair value hierarchy is based on the materiality of unobservable inputs towards calculation of whole fair value. Significant unobservable inputs mainly include the financial data of targeted company and risk adjusted discount rates.

Assets and liabilities subject to Level 2 fair value measurement are mainly structural deposits, receivables financing and forward exchange contracts and are evaluated by market approach and income approach.

MIDEA GROUP CO., LTD.

SUPPLEMENTARY INFORMATION

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

15 Fair value estimates (Cont'd)

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

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

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

16 Capital management

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

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

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

As at 31 December 2020 and 31 December 2019, the Group's gearing ratio was as follows:

	31 December 2020	31 December 2019
Total liabilities	236,145,503	194,459,322
Total assets	360,382,603	301,955,419
Gearing ratio	<u>65.53%</u>	<u>64.40%</u>

MIDEA GROUP CO., LTD.

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

17 Notes to the parent company's financial statements

(1) Other receivables

	31 December 2020	31 December 2019
Other receivables	28,332,268	18,377,123
Less: Provision for bad debts	<u>(13,598)</u>	<u>(7,258)</u>
	<u>28,318,670</u>	<u>18,369,865</u>

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

	31 December 2020	31 December 2019
Within 1 year	28,205,960	18,356,942
1 to 2 years	125,127	19,000
Over 2 years	1,181	1,181
	<u>28,332,268</u>	<u>18,377,123</u>

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

	Stage 1		Stage 3				
	12-month ECL (Grouping)	12-month ECL (Individual)	Lifetime ECL (Credit impaired)				Sub-total
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision for bad debts
31 December 2019	732,508	7,200	17,644,557	-	58	58	7,258
Transfer to Stage 3 in the current year	-	-	-	-	-	-	-
Net (decrease)/increase in the current year	(308,992)	6,340	10,264,137	-	-	-	6,340
Including: Written-off in the current year	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-
31 December 2020	<u>423,516</u>	<u>13,540</u>	<u>27,908,694</u>	<u>-</u>	<u>58</u>	<u>58</u>	<u>13,598</u>

As at 31 December 2020 and 31 December 2019, the Company did not have other receivables in Stage 2.

MIDEA GROUP CO., LTD.

SUPPLEMENTARY INFORMATION

(All amounts in RMB'000 Yuan unless otherwise stated)
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17 Notes to the parent company's financial statements (Cont'd)

(1) Other receivables (Cont'd)

(c) As at 31 December 2020 and 31 December 2019, other receivables of the Company at Stage 1 and Stage 3 were analysed as follows:

(i) As at 31 December 2020, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 1	27,908,694	0%	-	Relatively low expected loss risk
	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 3	58	100.00%	(58)	The debtor encountered financial distress, etc.

As at 31 December 2019, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 1	17,644,557	0%	-	Relatively low expected loss risk
	Carrying amount	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 3	58	100.00%	(58)	The debtor encountered financial distress, etc.

(ii) As at 31 December 2020 and 31 December 2019, other receivables of which provision for bad debts was calculated on grouping basis were all in Stage 1, which was analysed as follows:

	31 December 2020			31 December 2019		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	Provision ratio	Amount	Amount	Provision ratio
Security deposit/guarantee payables grouping	423,516	(13,540)	3.20%	732,508	(7,200)	0.98%

MIDEA GROUP CO., LTD.**SUPPLEMENTARY INFORMATION**

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

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

(1) Other receivables (Cont'd)

(d) As at 31 December 2020, the five largest other receivables aggregated by debtors were analysed as follows:

	Nature	Balance	Ageing	% of total balance	Provision for bad debts
Company A	Current accounts	23,260,000	Within 1 year	82.10%	-
Company B	Current accounts	2,141,890	Within 1 year	7.56%	-
Company C	Current accounts	952,572	Within 1 year	3.36%	-
Company D	Current accounts	787,000	Within 1 year	2.78%	-
Company E	Current accounts	230,309	Within 1 year	0.81%	-
		<u>27,371,771</u>		<u>96.61%</u>	<u>-</u>

(2) Long-term equity investments

Long-term equity investments are classified as follows:

	31 December 2020	31 December 2019
Subsidiaries (a)	53,320,578	51,025,905
Associates (b)	1,670,583	1,579,954
	<u>54,991,161</u>	<u>52,605,859</u>
Less: Provision for impairment	-	-
	<u>54,991,161</u>	<u>52,605,859</u>

MIDEA GROUP CO., LTD.

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(All amounts in RMB'000 Yuan unless otherwise stated)
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17 Notes to the parent company's financial statements (Cont'd)

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

(a) Subsidiaries

	Movements in the current year					31 December 2020	Provision for impairment loss Ending balance	Cash dividends attributable to the parent company declared in the current year
	31 December 2019	Increase in investment	Decrease in investment	Provision for impairment	Others			
Little Swan	20,117,836	-	-	-	76,404	20,194,240	-	-
Guangdong Midea Electric Co., Ltd.	5,000,000	-	-	-	-	5,000,000	-	-
Midea Group Finance Co., Ltd.	3,358,112	-	-	-	2,465	3,360,577	-	-
Foshan Shunde Midea Household Appliances Industry Co., Ltd.	2,949,000	-	-	-	-	2,949,000	-	-
Guangdong Midea Microwave Oven Manufacturing Co., Ltd.	1,880,041	-	-	-	-	1,880,041	-	-
GD Midea Air-Conditioning Equipment Co., Ltd.	1,662,637	-	-	-	129,533	1,792,170	-	405,835
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	1,109,106	-	-	-	37,036	1,146,142	-	-
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	1,071,459	-	-	-	4,794	1,076,253	-	1,499,310
Guangdong Midea Intelligent Technologies Co., Ltd.	1,051,011	-	-	-	2,473	1,053,484	-	-
Midea Group (Shanghai) Co., Ltd.	-	900,000	-	-	3,368	903,368	-	-
Hubei Midea Refrigerator Co., Ltd.	847,490	-	-	-	7,513	855,003	-	-
Anhui Meizhi Precision Manufacturing Co., Ltd.	823,738	-	-	-	3,865	827,603	-	-
GD Midea Heating & Ventilating Equipment Co., Ltd.	700,228	-	-	-	79,900	780,128	-	1,045,319
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	757,331	-	-	-	7,109	764,440	-	1,596,658
Annto Logistics Technology Co., Ltd.	485,328	245,631	-	-	11,725	742,684	-	157,417
Hefei Midea Refrigerator Co., Ltd.	512,920	-	-	-	19,128	532,048	-	-
Ningbo Midea United Materials Supply Co., Ltd.	495,419	-	-	-	2,448	497,867	-	656,827
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	352,041	-	-	-	20	352,061	-	-
Hefei Hualing Co., Ltd.	212,852	-	-	-	52,778	265,630	-	-
Midea International Corporation Company Limited	176,974	-	-	-	-	176,974	-	-
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	161,185	-	-	-	11,427	172,612	-	976,385
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	102,959	-	-	-	7,368	110,327	-	268,823
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	77,820	-	-	-	6,133	83,953	-	511,843
Zhejiang Meizhi Compressor Co., Ltd.	65,654	-	-	-	626	66,280	-	857,440
Wuhu Midea Life Appliances Mfg Co., Ltd.	56,223	-	-	-	-	56,223	-	-
Others	6,998,541	214,498	(13,000)	-	481,431	7,681,470	-	3,379,569
	<u>51,025,905</u>	<u>1,360,129</u>	<u>(13,000)</u>	<u>-</u>	<u>947,544</u>	<u>53,320,578</u>	<u>-</u>	<u>11,355,426</u>

MIDEA GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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17 Notes to the parent company's financial statements (Cont'd)

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

(b) Associates

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

(3) Operating revenue

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

(4) Investment income

	2020	2019
Income from long-term equity investments under cost method	11,355,426	9,637,326
Investment income from wealth management products purchased from financial institutions	-	91,359
Investment income from holding of financial assets held for trading	1,063,774	-
Investment income from associates	216,318	272,089
Others	(57,063)	383,692
	<u>12,578,455</u>	<u>10,384,466</u>

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

MIDEA GROUP CO., LTD.**SUPPLEMENTARY INFORMATION**

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

1 Details of non-recurring profit or loss

	2020	2019
Gains or losses on disposal of non-current assets	(52,424)	(131,131)
Except for the effective hedging activities related to the Company's ordinary activities, profit or loss arising from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, other non-current financial assets, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, other non-current financial assets.	2,204,165	676,430
Others (mainly including government grants, compensation income, penalty income and other non-operating income and expenses)	1,378,105	1,347,788
	<u>3,529,846</u>	<u>1,893,087</u>
Less: Effect of income tax	(765,871)	(394,095)
Effect of minority interests (after tax)	(155,659)	(12,162)
	<u>2,608,316</u>	<u>1,486,830</u>

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

Under the requirements of the *Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public - Non-recurring Profit or Loss [2008]* from CSRC, non-recurring profit or loss refers to that arises from transactions and events that are not directly relevant to ordinary activities, or that is relevant to ordinary activities, but is extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

MIDEA GROUP CO., LTD.**SUPPLEMENTARY INFORMATION**

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

[English translation for reference only]

2 Return on net assets and earnings per share

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

	Weighted average		Earnings per share (in RMB Yuan)			
	Return on net assets		Basic earnings per		Diluted earnings per	
	(%)		share		share	
	2020	2019	2020	2019	2020	2019
Net profit attributable to shareholders of the Company	24.95%	26.43%	3.93	3.60	3.90	3.58
Net profit attributable to shareholders of the Company net of non-recurring profit or loss	22.56%	24.80%	3.55	3.38	3.53	3.36

Section X Documents Available for Reference

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

Midea Group Co., Ltd.

Legal Representative: Fang Hongbo

30 April 2021