

Midea Group Co., Ltd.

Semi-Annual Report 2021



August 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.

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

All directors of the Company attended the Board meeting to review this report.

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.

The Company plans not to distribute cash dividends or bonus shares or convert capital reserves into share capital.

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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Documents Available for Reference

- 1. The original of The Semi-Annual Report 2021 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 head of the accounting department;**
- 3. The originals of all company documents and announcements that are disclosed to the public via newspaper designated for information disclosure during the Reporting Period; and**
- 4. The electronic version of The Semi-Annual Report 2021 that is released on <http://www.cninfo.com.cn>.**

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
Hiconics	Hiconics Eco-energy Technology Co., Ltd.
WDM	Beijing Wandong Medical Technology Co., Ltd.
Swisslog	Swisslog Holding AG
Servotronix	Servotronix Motion Control Ltd.
WINONE	WINONE Elevator Company Limited
Reporting Period	1 January 2021 to 30 June 2021

Section II Company Profile and Key Financial Results

1. Corporate Information

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

2. Contact Us

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

3. Other Information

3.1 Ways to Contact the Company

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

Applicable N/A

No such changes in the Reporting Period. The said information can be found in the 2020 Annual Report.

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

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

Applicable N/A

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing this Report and the place where materials carrying disclosed information such as this Report were kept did not change in the Reporting Period. The said information can be found in the 2020 Annual Report.

4. Key Accounting Data and Financial Indicators

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

Yes No

	H1 2021	H1 2020	Change (%)
Operating revenue (RMB'000)	173,809,565	139,067,022	24.98%
Net profit attributable to shareholders of the Company (RMB'000)	15,009,046	13,928,295	7.76%
Net profit attributable to shareholders of the Company before non-recurring gains and losses (RMB'000)	14,636,511	13,457,044	8.76%
Net cash flows from operating activities (RMB'000)	20,176,410	18,405,491	9.62%
Basic earnings per share (RMB/share)	2.17	2.01	7.96%
Diluted earnings per share (RMB/share)	2.16	2.01	7.46%
Weighted average ROE (%)	12.63%	13.03%	-0.40%
	30 June 2021	31 December 2020	Change (%)
Total assets (RMB'000)	380,211,202	360,382,603	5.50%
Net assets attributable to shareholders of the Company (RMB'000)	113,240,409	117,516,260	-3.64%

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)	6,981,308,571
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Fully diluted earnings per share based on the latest share capital above (RMB/share)	2.15
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5. Differences in Accounting Data under Domestic and Overseas Accounting Standards

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

Applicable N/A

No such differences for the Reporting Period.

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

Applicable N/A

No such differences for the Reporting Period.

6. Non-recurring Profits and Losses

Applicable N/A

Unit: RMB'000

Item	Amount	Note
Gain or loss from disposal of non-current assets	-17,085	
Except for effectively hedging business related to normal business operations of the Company, gain or loss arising from the change in the fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other non-current financial assets, as well as investment income or loss produced from the disposal of the aforesaid financial assets and liabilities	-101,719	
Other non-operating income and expenses except above-mentioned items	544,913	
Less: Corporate income tax	64,272	
Minority interests (after tax)	-10,698	
Total	372,535	--

Explain the reasons if the Company classifies an item as a recurring profit/loss item, which is defined as

a non-recurring profit/loss according to the definition in the <Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-Recurring Profits and Losses>, or is enumerated as a non-recurring profit/loss in the said explanatory announcement

Applicable N/A

No such cases for the Reporting Period.

Section III Management Discussion and Analysis

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 primarily 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. The Digital Innovation Business also comprises Beijing Wandong Medical Technology Co., Ltd. (WDM) that is engaged in medical imaging devices and related services.

With “Bring Great Innovations to Life” as its corporate vision, “Integrate with the World, to Inspire Your Future” as its mission, “Embrace what’s next - Aspiration、Customer First、Innovation、Collaboration、Dedication” as its values, “High-quality Development and High-performance Operations” as its management and operation standard, 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, 32 major manufacturing bases, and approximately 160,000 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. 183 on the 19th *Forbes Global 2000* list released in May 2021, moving up 46 places compared to last year. In addition, it ranks No. 288 on the *Fortune Global 500* list unveiled in August 2021, moving up 19 places from the year before and marking its sixth year on the list. 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.

According to data provider AVC, Midea’s major home appliances all took up a larger share in the domestic market in the first half of 2021. Its residential air-conditioners, in particular, saw a much bigger

share in all channels (37.6% online and 36.5% offline, second to none in the industry).

The table below shows the offline market shares and rankings of the Company's primary home appliance products (by retail sales) in the first half of 2021:

Product category	Market share	Ranking
Residential air conditioners	36.5%	1
Laundry appliances	27.7%	2
Refrigerators	14.7%	2
Rice cookers	42.2%	1
Electric pressure cookers	44.2%	1
Electric radiators	43.1%	1
Induction cookers	46.8%	1
Electric fans	39.8%	1
Electric kettles	37.3%	1
Water dispensers	42.5%	1
Food processors	31.2%	2
Water purifiers	21.5%	2
Microwave ovens	43.3%	2
Electric water heaters	17.5%	3
Range hoods	7.2%	4

The table below shows the online market shares and rankings of the Company's primary home appliance products (by retail sales) in the first half of 2021:

Product category	Market share	Ranking
Residential air conditioners	37.6%	1
Laundry appliances	35.5%	2
Refrigerators	18.8%	2

Product category	Market share	Ranking
Microwave ovens	50.8%	1
Electric pressure cookers	41.2%	1
Rice cookers	31.2%	1
Induction cookers	44.3%	1
Dishwashers	31.7%	1
Electric kettles	29.2%	1
Electric fans	23.7%	1
Garment steamers	27.2%	1
Electric radiators	19.9%	1
Water purifiers	17.8%	1
Electric water heaters	32.8%	2
Gas water heaters	20.4%	2
Food processors	15.5%	2
Sterilizing cabinets	20.0 %	2
Gas stoves	13.7%	3
Water dispensers	14.9%	3
Range hoods	15.3%	3
Air-source heat pump water heaters	13.0%	3
Air purifiers	5.3%	3

1.3 Industry Overview

A. Home Appliance Industry

The first half of 2021 saw a strong rebound of China's economy, which became increasingly stable with an upturn. The home appliance industry overcame adverse factors such as the price upsurge of raw materials and the chip shortage in the manufacturing industry. The overall development of the industry maintained a positive and healthy trend, with continued strong growth in exports and further recovery in

the domestic market. According to the statistics published by the China Household Electric Appliance Research Institute (CHEARI) and the National Household Electrical Appliance Industry Information Center, in the first half of 2021, the domestic retail sales of home appliances was RMB380.53 billion, up 13.1% year-on-year; and the exports of home appliances reached RMB308.81 billion, up 35.8% 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 2021 Semi-Annual Report of China's Household Electrical Appliance Industry published by CHEARI and the National Household Electrical Appliance Industry Information Center together, from the perspective of industry trend, first, the home appliance industry presents horizontal cross-border development with the integration of home decoration, home furnishing and home appliances. Home appliance manufacturers expand their business horizontally in cooperation with distribution channels, advancing towards a strategic direction of home appliances + home furnishing. Whole-house customization and whole-house renovation have been incorporated into their line of business. Second, home appliance manufacturers display vertical development within themselves by diversifying product categories and specifications. The elements such as capturing lifestyle trends, tapping into user needs, addressing pain points, promoting product innovation and providing quality living will shape the development of new products. Third, the product is always the cornerstone. User experience can be enhanced from the dimensions of safety, ease of use and wellness, which contribute to product competitiveness. Although China's white goods market has entered a matured stage, home appliances aimed at improved quality of life still have great potential for development.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of air conditioners was RMB93.5 billion in the first half of 2021, up 1.4% year-on-year. In terms of product performance, the functions of air conditioners have been expanded from cooling and heating to self-cleaning, humidity, air cleanness and freshness, etc. Particularly, the market share of air conditioners which are capable of self-cleaning registered a significant expansion (now 91% in the domestic offline market). In addition, the implementation of the new energy efficiency

standards, a rise in raw material prices, and the pandemic further boosted the market prices of air conditioners. High-end products embraced a larger market share. Variable frequency air conditioners of Energy Efficiency Class 1 took up an over-50% market share by unit sales (51.4% online and 68.7% offline). Meanwhile, the average price of air conditioners rose 12.7% in the domestic online market compared to last year.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of laundry appliances was RMB35.7 billion in the first half of 2021, up 19.4% year-on-year. In the upgrade of the laundry appliance market, in terms of the product types, the market share of front-loading products keeps growing stably. The market share (by retail sales) increased to 66.2% online and 81.5% offline, with the average prices witnessing a substantial rise in both the online and offline markets, making such products the mainstream of the market. Specifically, the market share by retail sales of front-loading washer-dryers also increased to 29%. 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. Washing capacity continued to be upgraded, with large-capacity products increasingly replacing small-capacity ones. The offline unit sales of 10kg washers occupied a 56.1% market share, with a year-on-year increase of over 10%. Meanwhile, mid- and high-end products saw a much bigger share in the offline market. To give an example, products with a unit price of over RMB5,500 took up a market share of 54.4%. Because the drying function brings the advantages of saving time, being convenient, non-ironing, and saving space, the retail sales of clothes dryers in the domestic market were RMB2.74 billion in the first half of 2021, a surge of 171.4% year-on-year. Meanwhile, the growth momentum of domestic brands was strong, and the offline market share of domestic brands increased to 45.9%. Specifically, the heat pump dryer is rapidly occupying the market, with its online and offline market shares by unit sales reaching 71.3% and 97.7% respectively.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of refrigerators were RMB47.79 billion in the first half of 2021, up 17.3% year-on-year. The market share concentration of the leading brands in the domestic refrigerator market has been further enhanced in the first half of the year. Due to the impacts of rising raw material prices

and structural upgrading, the average price of refrigerators has surged remarkably, with the average price for online and offline markets rising by 16.3% and 12.3%, respectively. As seen from the change of multi-door refrigerator market share, especially those with more than four doors, have become the absolute mainstream in the offline market. Consumer's intensified willingness to pursue quality life has prompted the refrigerator market to pivot towards high-end multi-dimensional design, which is mainly manifested as "good looking", "capacious", "fresh", and "intelligent". In other words, better appearance design and material, larger capacity and structure, improved storage and preservation technology, and smarter application. The offline market share of refrigerators with more than 400L capacity in the first half of 2021 has approached 60% by unit sales.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of kitchen appliances was RMB81.8 billion in the first half of 2021, up 25.5% year-on-year. The market continues to see product upgrading. The offline market share of range hoods with a fan that rotates over 20m³/min of air has drastically increased to 34.5%, up nearly 12% year-on-year. The market share of gas stoves offering over 5kw fire has increased to 24.6%, up 12.1% year-on-year. The penetration rate of dishwasher products with more than 12 place settings capacity has reached 64.4%, nearly 10% higher than the same period of the last year. The water heater industry has resumed growth to RMB25.6 billion, an increase of 17.3% year-on-year, while raw material price fluctuations drive up the average price of products. From the analysis of the product end, large capacity products are still the mainstream for development, with the offline market share by retail sales for 60L (capacity) electric water heater and 16L (water output) gas water heater reaching 62.0% and 56.5%, respectively. Comfort features are becoming the standard for products, with a trend towards small size, intelligence, quietness and healthy shower. For example, the offline market share by retail sales of gas water heaters with the zero cold water function has amounted to 35.1%. Integrated stove sales reached RMB10.1 billion in the domestic market, an increase of 55.8% year-on-year. Due to the surge in demand for high-end kitchen appliances, in particular steamers and ovens as a result of the pandemic, integrated stove products have evolved rapidly. The all-in-one models with kitchen hood, stove, steamer and oven have developed dramatically, accounting for nearly half of online and offline market share, thereby representing the largest growth in the segment. Driven by the upgrading of product structure, high-end products in the dual-line market have expanded at a significant pace. In terms of the changes in the

proportion of retail sales in the integrated stove market by price band, the share of products worth over RMB12,000 in the online market reached 23%, while the share of products worth over RMB13,000 in the offline market was close to 30%. Smart products and product suites are expected to lead the way in the development of integrated kitchen appliances, for instance, intelligent voice control function will be built in to deliver a more convenient handling experience. Integration of different cooking methods such as sautéing, stir-frying, stewing, baking and steaming enables the multi-cooking scenario possible.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic sales of small domestic appliances was RMB55.6 billion in the first half of 2021, up 4.4% year-on-year, of which the online sales took up a percentage of 73.1%. In all categories, the sales of traditional products did not see a promising growth in the first half of the year, while 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. The sales of health-friendly vacuum cleaners were outstanding due to the pandemic. In the first half of 2021, the domestic sales of vacuum cleaners were RMB12.6 billion, up 16.2% year-on-year. By categories, the online and offline market shares by retail sales of robot cleaners rose to 52.4% and 24.1% respectively. Also, their average market price increased considerably, with the online price up nearly 40% year-on-year. As the needs for house cleaning continue to grow, multiple new cleaning appliances such as scrubbers and steam mops have emerged. Thanks to the advancement of new scrubber technology and more human-friendly design, such as roller brush that can self-clean in real time, lighter body weight, and less noise, floor scrubber sales have reached RMB2.15 billion in the first half of 2021, a surge of 1336.1% year-on-year.

According to the data from the National Household Electrical Appliance Industry Information Center, the online retail sales of home appliances in China amounted to RMB185.11 billion in the first half of 2021, up 21.5% year-on-year, accounting for a market share of 48.6%; while the offline retail sales amounted to RMB195.42 billion, up 6.1% year-on-year, accounting for 51.4%. Online sales channel of home appliances in the past decade or so has made its way from scratch to expansion. The 2020 pandemic has once again pushed it to a new height, but now with the general resumption of offline shopping, the online channel has ushered in a period of relative stability. In terms of sales, the sales structure of each

channel in the domestic market remains well optimized, with high-end, healthy and intelligent home appliances gaining a prominent presence. According to the data from the National Household Electrical Appliance Industry Information Center, in the first half of 2021, both online and offline market sales of medium- and high-end products, such as self-cleaning air conditioners, cross four-door refrigerators, washer dryers, gas water heaters with zero cold water and robot cleaners, have further improved.

B. Robotics and Industrial Automation Industry

According to MIR, the shipment of industrial robotics was 132,320 units in China in the first half of 2021, representing an increase of 83.3% year-on-year. The first half of 2021 has seen a boom. This is attributed to the low base under the impact of last year's pandemic, as well as the continued shipment of orders of the second half of last year in the first half of this year, China continuing to undertake overseas manufacturing orders due to the continuing pandemic overseas, and the fact that the pandemic has prompted manufacturers to promote the strategy of "robot assembling line". In view of the industry outlook, the overseas pandemic has triggered the return of the electronics industry, and the domestic electronics industry has seen robust investment; the carbon emission peak and carbon neutrality targets will promote the rapid development of robotics in lithium, photovoltaic and other industries; the application of robots has further expanded in general industries, where metal processing, logistics, food and beverage, construction machinery, furniture and other segments continue to broaden; meanwhile, in non-industrial scenarios, such as electricity, education, retail, health care, catering and other fields, the application of robots has also continued to extend and emerged as a new growth driver. Product-wise, in the first half of 2021, SCARA robot sales reached 37,062 units, up 73.4% year-on-year, mainly due to the flourishing demand from downstream industries, with the continuous increase in investment in consumer electronics, lithium-ion, photovoltaic and other industries fueling the demand for robots; the market size of six-axis robotics below 20kg reached 50,544 units, up nearly 90% year-on-year. This is due to the rapid development of downstream industries, which led to the accelerated growth in major models. The below-12kg models continued to maintain their dominance in the consumer electronics and metal processing industries. Due to the evident recovery of the automotive industry and the expansion of applications in more segments of general industries, sales of six-axis robotics above 20kg reached 33,876 units, up 77.6% year-on-year. Sales of collaborative robotics reached 7,401 units, with a

year-on-year whopping growth of 178.4%. This is not only because of the low base caused by the severe impact of the pandemic in last year, but also because the market has seen a continued release of demand for collaborative robotics as collaborative robotics perfectly aligned with the transformation needs of manufacturing enterprises for intelligent manufacturing, human-machine collaboration and flexible manufacturing. In the context of the upgrading of cell phones and tablets in the consumer electronics industry, together with the increased relevant demand, sales of delta robotics totaled 3,437 units, up 41.4% year-on-year.

In the first half of 2021, in terms of policy support, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, the Ministry of Finance, the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission and the Securities Regulatory Commission jointly issued the Guiding Opinions on Accelerating the Cultivation and Development of High-Quality Enterprises in the Manufacturing Industry, which proposed the implementation of intelligent manufacturing projects, digital transformation initiatives in manufacturing industry and 5G application innovation campaigns in guiding the high-profile, intelligent and green development of high-quality enterprises. The Ministry of Industry and Information Technology has also released the Industrial Internet of Things Innovation and Development Action Plan (2021-2023), the 14th Five-Year Intelligent Manufacturing Development Plan, and other intelligent manufacturing-related support policies to substantially accelerate the rapid growth of intelligent manufacturing. Additionally, local governments have unveiled a string of policies to drive the development of the industrial robotics and automation industry. To name just a few, the 14th Five-Year Plan for the High-Quality Development of Manufacturing Industry in Guangdong Province, the 14th Five-Year Plan for the Development of Advanced Manufacturing Industry in Shanghai, and the 14th Five-Year Plan for the Construction of Global Advanced Manufacturing Base in Zhejiang Province.

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.

1.4 Analysis of the Company's Main Business

The first half of 2021 saw a variety of uncertainties. The COVID-19 pandemic remained a serious problem for the world, the political and economic environment became more complicated both at home and abroad, and the prices of bulk raw materials such as copper and steel surged to a high level. As such, Midea encountered a more complex external environment compared to last year. However, it delivered expected operating results in spite of the profit pressure caused by sharp fluctuations in raw material costs and the appreciation of the RMB, manifesting its resilience. Midea adhered to the strategic focus with "Technology Leadership" as the core, promoted development both in the ToB and ToC business, as well as carried out transformation in both the domestic and overseas operations. With innovation, breakthroughs and planning as the keynote, it made clear the five business divisions, promoted the implementation of the strategic focus, as well as delivered breakthroughs regarding management systems, the organizational structure and mechanisms. For H1 2021, Midea achieved, on a consolidated basis, total revenue of RMB174.8 billion, up 25.14% YoY; and a net profit attributable to shareholders of the Company of RMB15 billion, up 7.76% YoY.

A. Focused on users and scene-based product planning, and continuously refined the whole value chain, so as to upgrade 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 stores are reshaped based on the new retail technology and user analysis. This, together with refined shopping paths and improving online consultation on e-commerce platforms, help sufficiently satisfy user demand for user scene-based interactions, shopping convenience and individualized shopping guide. Meanwhile, with respect to user operation, 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. 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. 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. Based on customers’ life styles, it creates diverse user scenes with its smart products to offer customers better-than-expected product innovation. Meanwhile, in terms of manufacturing, 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 product experience through improving user experience are part of Midea’s efforts to deliver better 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 the first half of 2021, Midea won a total of 62 industrial design awards, including 23 Red Dot Design Awards and 39 iF Design Awards.

For smart living room scenes:

In terms of residential air conditioners, Midea, as a prominent innovator who always stays at the forefront of the industry, has never stopped exploring product innovation based on user needs, scenarios and ecosystems. Midea iColor Exclusive Custom Air Conditioner features "Color Panel" with innovative multi-color woven fabric. Based on the big data analysis of users' needs, it provides a variety of appearance and function modules. Users are able to order different module combinations at their options. The products are produced and distributed from the back end, tailor-made to meet the needs of differentiation and personalization. Midea Voice-Enabled Air Conditioner for Kids, designed for children's bedroom scenes, incorporates Disney character elements, allowing voice wake up and dialect control. At the same time, it provides access to professional and extensive learning and entertainment resources. Equipped with a new generation of intelligent angel eyes, it captures real-time user's body and environmental radiation temperatures. By virtue of independently developed cooling and heating sensing model system, it automatically adjusts room temperature in real time according to body temperature.

With the breezeless function, turbulent soft wind microhole matrix technology converts strong airflow into comfortable soft wind. Featuring a variable frequency micro compressor stacked with innovative double turbo centrifugal air ducts, Midea CarryCool Smart Portable Air Conditioner offers creative and convenient solutions for partially cooling scenarios. As small as a dinner plate, it occupies only 0.043m². Installation free and tail-less design allows plug-and-play. China Zun Artistic Floor-Standing Air Conditioner and Freshness Artistic Floor-Standing Air Conditioner are the masterpieces of Midea's air conditioners with combination of aesthetics, comfort and health. China Zun Air Conditioner is powered by innovative technologies including S+ breezeless, new generation of dual hybrid fresh air and intelligent central voice system. Freshness Air Conditioner integrates three dimensions of technology with full domain features for breezeless, fresh air and voice system. COLMO Evolution Air Conditioner and "Ark" Dehumidifier are empowered by AI algorithms, which enable precise microclimate adjustment and control of air. Infused with Huawei's HarmonyOS system, the industry's first seven air conditioner models were launched in the first half of the year, offering various experiences such as one-touch connectivity, minimal interaction and direct services. In an effort to enhance overseas market penetration of residential air conditioners, Midea has been not only committed to expanding the market of window units, dehumidifiers and portable air conditioners, but also actively leading the industry to contribute to environmental protection. Following the Outstanding Contribution Award from the United Nations Industrial Development Organization in 2020, Midea has upgraded its R290 split unit product in 2021 and won the "Der Blaue Engel" certification from Germany twice in a row. At present, the Der Blaue Engel-certified R290 split unit model has been officially launched in the EU and beyond.

Midea introduced the Smart SPI Circulation Fan. Strong airflow can effectively enhance the indoor air exchange rate, and at the same time efficiently remove bacteria by adopting the SPI technology to capture airborne bacteria with a sterilization rate of 99.93%. It can support 4 types of control, namely finger touch control, mobile phone Wi-Fi, voice and infrared remote control. Its memory function allows for 120° left and right air flow, 90° up and down air flow. Multiple angles of oscillation enable three-dimensional indoor air circulation. The innovative detachable structure allows easy cleaning.

The three brands, Midea, Toshiba and Eureka, have preliminarily positioned their product range in the market in the first half of 2021. At the beginning of 2021, Midea's rechargeable handheld flagship

product named Z7 Complete, achieved mass production, with the outstanding performance in terms of suction power and battery duration. The price of the product was elevated to the industry's high-end product price band, achieving a breakthrough in the high-end market. In the first half of the year, new floor scrubber products were quickly launched to fill in the product gap. For the online market, both Midea and Eureka ranked among the top five brands in the industry. For the offline market, they ranked second, with 3.2 times increase in market share. Drawing on the traditional sweeping and mopping integrated model, Midea launched the dust collection device S8+ for the high-end market. It comes with advanced features, including innovative dual air duct self-circulation technology, active titanium electrolytic water for bacteria removal, AI self-learning navigation and obstacle avoidance, whole home connected environment monitoring and human-machine interaction super experience. It soon took center stage in the market.

For smart balcony scenes:

COLMO Star Atlas Series Heat Pump Washer and Dryer Suite, fitted with AI light dry cleaning, positions itself as private dry cleaning care butler. To address the pain points like shrinkage and deformation of premium clothes, as well as the time-consuming and inconvenient traditional dry cleaners, Midea has introduced the industry-leading light dry-cleaning technology, which can match the professional dry cleaning and achieve all-round clean care at home. It was built in with a newly upgraded steam generator to produce nano-grade soft steam that can penetrate the fabric fibers, while wrapping odor molecules, removing dust mites and bacteria. Thoroughly functioning as a sterilizer and odor purifier, it achieves a 99.99% bacteria removal rate. Light dry cleaning comes with a steam capacity of up to 20ml/min, with a more penetrating effect and a crease removal level of up to 3.5. When used with dry cleaning detergent, it can also remove special stains such as oil and grease from the surface of clothes, achieving a breakthrough from water washing to waterless washing. With SPA-like steaming care, it can restore the original color of fabrics, and provide customized light dry cleaning programs for 18 types of fabrics. It also boasts AI super sensor, AI washing and drying inter linkage, precise drying and instant stop, visualized auto drop. The product technology won the highest award for intelligent science and technology in China - "Wu Wen Jun AI Science & Technology Award", and the Woolmark Green Label. Toshiba X9 Heat Pump Washer-dryer, designed to address the pain point of lint cleaning, introduces

five-dimensional lint cleaning technology, including exhaust duct flushing, water supply line deep washing, automatic bucket cleaning, independent lint collector and thread lint filter. It also inhibits dirt from adhering to the cylinder wall/pipe, and reaches difficult to access places to make cleaning more thorough, with the effects of anti-allergy and being skin-friendly without residue. It is equipped with a heat pump with gentle drying function, which can be used for low temperature "fluffy drying" with one touch. Stable ultra-low temperature drying below 50°C, it only consumes 30% of the energy of an ordinary washer dryer. A variable frequency fan delivers 4.6m³/min of airflow to remove creases without ironing. Nano-grade germ removal and deep cleaning of stubborn stains: the ultra fine bubble (UFB) generator produces negatively charged bubbles that adsorb oil and detergent active ingredients, promoting the penetration of detergent into the fabric and inhibiting the reattachment of dirt; silver ion kills germs, with a 99.9% sterilization rate and 48-hour long-lasting anti-bacteria protection against external germs; when the laundry is off center during spinning, the washing machine can automatically be rebalanced by the unique liquid balance ring design; with NSDD direct drive motor and exclusive oil pressure shock absorber, quiet washing becomes possible. Harnessing intelligent five-dimensional sensor that gauges the load from material, weight, temperature, water quality and degree of dirtiness, it smartly figures out the precise amount of detergent that should be put into the washer dryer.

For smart kitchen scenes:

Midea has launched a new offering of range hood, stove and dishwasher products to create a core space for kitchen scenes. COLMO Qiongyi S72 Range Hood is the industry's first dual-drive cross-border product. The lower side panel can be lifted and lowered, or opened and closed. The air outlet is as low as 300mm, closer to the smoke source to quickly absorb and prevent cooking smoke from escaping. The upper air outlet panel opens and closes at 76°. Complemented by a 152° dome wing design, it can increase the extraction area, extract smoke in depth and prevent it from escaping. At the same time, the product is equipped with radar smoke capture technology, so that users can focus on cooking. The active noise reduction function reduces the average noise by 12dB, and the innovative design of the pure flat control panel is simple to operate. Midea Xinjingxi X Series Range Hoods, with a breakthrough dual air ducts design, can achieve double suction from top side, up to 25m³/min powerful suction. Intelligent hood and stove interaction easily eliminate cooking smoke. With a design of 370mm

in depth and almost at the same level with the cabinets, it solves the head bump trouble of traditional European-style hoods. Moreover, the size of the whole appliance is reduced by more than 30% compared to traditional side kitchen hood, saving cooking space. X3S product hit the top ten within the category in the first month of its launch. Midea Shengxiang 2.0 Volcano Stove Q83 can achieve the industry's largest fire power of 5.2kW, with a breakthrough 70% of the ultra-high energy efficiency. The speed and concentration of aroma are further enhanced. Midea Temperature Controllable Stove XQ1S, as a gas stove that does not need manual fire adjustment, offers the best cooking temperature to match the ingredients and taste according to different cooking recipes, achieving precise temperature control and solving the pain point of inaccurate control and repeated adjustment of fire.

Midea Chinese-style Sterilization Dishwasher P60 applies core variable frequency technology to achieve hurricane wash with five rotating spray arms. Strong zone target wash function is available for Chinese style cooking with heavy grease. The variable frequency technology not only achieves 44dB super quiet effect, but also provides layered washing function for a small amount of tableware to reduce energy consumption for eco-friendly purpose. With a four-star disinfection effect, it can ensure the safety and cleanliness of tableware. COLMO Enjoy Aesthetics Dishwasher B5 adopts UV glass brushing process with moon rock gray classic appearance. Equipped with X-wash disrotatory spray arm, it can not only flush the front and back of the tableware to enhance the washing rate and shorten the washing time, but also activate the strengthened washing of the lower layer with one key, which makes the washing more efficient and energy-saving. With 15 place settings capacity and first-class water efficiency performance, it has been certified as four-star disinfection by the China Household Electric Appliance Research Institute. The preservation technology of week-long ionic freshness has been accredited by VDE of Germany. With a 99.99% germ killing rate, it creates a benchmark for tableware cleanliness and care. In addition to intelligent Internet access, cross-border loaded with HarmonyOS, it realizes one-touch connection, delivering intelligent interactive and convenient experience.

COLMO I2000 High-flux Under-sink Water Purifier applies a number of innovative technologies. The industry leading two-dimensional self-purifying system, specifically slow flow stripping and deep spin purification, extends the life of the RO filter to ten years. Featuring full time zero staleness technology, it flushes the filter fully automatically to ensure that every cup of water is fresh and good; upgraded PR

front filter adopts organ type structure design, with eight times higher dirt-holding capacity; the third-generation pull-out filter replacement method realizes simpler replacement in two-steps. The product won the industry and market recognition, and was granted the "Water Purifier Value Product Award" and the "Red Star Design Award".

COLMO Turing Series Refrigerators have pioneered the industry's automatic door opening and closing technology to deliver true convenience and intelligence. It supports offline voice door opening and closing, refrigerator control and other functions. With more interactive intelligence functions and services online, it can realize the intelligent connectivity of entire home appliances through the authorization of the MSmartLife App as the voice access. Microcrystal function is upgraded again to provide the optimal preservation solution for all types of fresh food, meanwhile, effectively inhibit the purine content in fresh seafood. Space ecosystem compartment can smartly recognize and adjust the moisture level of ingredients. Midea's first American-style refrigerator BCD-615WKGPZM is equipped with the original metal texture soft close handle. Combined with the traditional Chinese mortise and tenon technology, it achieves the perfect integration of classical aesthetics and contemporary design. PST + technology helps achieve rapid odor purification within 19 minutes with a bacteria removal rate of up to 99.9%. The panel adopts carbon ion crystal diamond process and high-temperature sintered brushed texture, reflecting rich layers with skin-friendly touch. It also offers stain and fingerprint resistance, and the internal pasta space can also effectively avoid pasta from drying out and cracking when stored via the unique microporous spoiler technology. Toshiba Mist Refrigerator conveys freshness with "Mist Freshness" technology. Toshiba patented technology UNIT moisture permeable film, is a moisture permeable airtight porous polymer fiber material, which allows moisture to penetrate and keeps airtight at the same time. It prevents the cold wind from blowing directly on fruits and vegetables, delivering the delicate water vapor that reaches directly to the cells of fruits and vegetables. By creating a constant moisturizing environment suitable for fruit and vegetable storage, it realizes seven days freshness of fruits and vegetables, with three quick-freezing modes - direct placement of hot items, vegetable freezing and vegetable drying. The three modes of low-temperature chilling, fast micro-freezing and original defrosting accurately match the storage environment required by the food, and maintain the best taste and nutrients. In addition, iTouch allows light tap to open the door. Midea's first HarmonyOS refrigerator BCD-603WKGPZM(Q) was fully launched in tandem with Huawei in Huawei Mall in June

2021. This refrigerator, equipped with HarmonyOS operating system, can realize non App second network access by "tapping" the cell phone on the refrigerator, and recognize the freshness of the ingredients in the compartment, which quickly generates a large number of recipes depending on the ingredients in the refrigerator. One-click appointment of post-sales service is also available. In the overseas OBM market, Midea rolled out UR-BCD622WE-ST refrigerator for the high-end market in North America. As the first generation of refrigerator product with ice maker that breaks through the patent technology barriers of overseas manufacturers, Midea carries out independent research and development in the technology of ice making. 20 invention patents have been applied for, and the Red Dot Design Award was won at IFA in Germany in 2021. Midea UR-BCD745WE-DT is currently the largest capacity refrigerator product across the globe, with a capacity of up to 750L. As the first side by side refrigerator developed for the U.S. market, the ice maker's chilled water system is comprehensively upgraded. With fast ice making speed and high ice storage capacity, Midea exclusive innovative technology enables the ice motor to produce whole ice in forward rotation and crush ice in reverse rotation. Multiple patent applications have been filed with respect to this product.

Midea Intelligent Blender M1, with access to cloud-based big data, can customize scientific and reliable recipes according to ingredients, seasonal weather, personal preferences. It is smartly developed with water separation technology, which inactivates enzymes before making pulp, making the taste more intense and healthier. One touch completes the process of cleaning, drainage, and high temperature drying without hands. It is packed with three innovative light sound structures - intelligent frequency light sound motor, spiral light sound duct and airtight light sound. Midea Fiber V Rice Cooker, powered by Midea's fiber lifting technology, can optimize the temperature control system and cooking program after repeated debugging. It can precisely control the gelatinization of rice and reduce the loss of resistant starch, increasing the total dietary fiber content of rice by 25% after fiber-lifting cooking.

Toshiba Oxygen-free Steam - Nourishing Series Steamer-Oven, a new product fitted with the industry's first laminar flow sedimentation oxygen exhaust system, can discharge the oxygen within 65 seconds, with oxygen level down to 0.28%. It effectively ensures that the retention rate of nutrients reaches more than 90%, realizing the effect of oxygen control, anti-oxidation, and healthy nourishment, while carrying Toshiba's unique AI automatic baking technology to provide users with a wise and convenient gourmet

cooking experience. Midea Jizhi Oven adopts graphite near-infrared heating technology. It combines low thermal inertia heating technology, high penetration narrow technology and coating directional radiation technology to achieve 0.2 second for the baking tube to heat up, and 30 seconds for the cavity to heat up to 180°C, which greatly improves the baking efficiency. At the same time, near-infrared short-wave heating can effectively raise the rates of water locking and defatting of food.

For smart bathroom scenes:

Midea F6032-U+(HE) Electric Water Heater features a 60-liter U-shaped design, with compact look and high capacity, breaking the industry bottleneck to achieve 10 times the hot water output and multi-point simultaneous water for the needs of the whole family. One touch activates intelligent self-test sterilization, making regular high-temperature sterilization possible, with a sterilization rate of up to 99%. Equipped with intelligent cloud butler, it can learn to remember the user's bathing habits, and adjust water temperature according to the user's bathing pattern. Energy efficient and power saving, it is fitted with magnetic net scale inhibition valve, with a scale inhibition rate of up to 90% for better water quality. Midea Shuangxi Series HT7S Gas Water Heater is the industry's first zero cold water product with patented dual pressurization technology, which achieves 120% increase in pressure under low water pressure and 80% increase in pressure under normal water pressure. It effectively mitigates the problems of low water pressure on high floors, small bathing water flow, simultaneous use of water in double bathrooms, thus greatly improving the user's bathing experience. The appearance features a unique gradient accent color of dawn glory and a 3D curved glass anti-collision design with a large triple display smart control screen, which has received wide recognition in the market.

B. Adhered to the strategy of “Technology Leadership”, increased R&D investments and efficiency, built a global R&D platform, and implemented the strategy of “Innovation Patentability, Patent Standardization, Standard Internationalization and Midea Standard Goes Out”

Midea continued to invest in R&D. Through larger investments in this respect, it aims to achieve leadership in R&D achievements, product trends, industry influence and R&D environment. The Company 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 and constantly refined 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 June 2021, 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.

In the first half of 2021, adhering to the strategic focus of “Technology Leadership”, Midea has strengthened the transformation of R&D achievements while carrying out the core technology research. By June 2021, Midea (inclusive of TLSC) held more than 66,000 valid patents. In the first half of the year, Midea filed applications for over 5,000 patents around the globe, and was granted more than 2,000 invention patents, of which over 500 were granted overseas. Midea continues to improve patent quality by incorporating intellectual property risk control into the whole R&D process. It won multiple awards at the 2021 22nd China Patent Awards, including a Silver Invention Award for its “Air Conditioner with a Coverable Air Outlet”, Silver Design Awards for “Electric Kettle” and “Wireless Rechargeable Handheld Dust Mite Vacuum Cleaner”, in addition to 25 Excellence Awards for technologies such as the “Air-conditioning System with Enhanced Vapor Injection”. Meanwhile, closely following the strategy of “Technology Leadership”, Midea are applying for thousands of patents regarding the breezeless technology for air conditioners, separate space capsules for laundry appliances, efficient electronic control, new efficient variable-frequency compressor, smart home, dishwashers and other key technologies.

Midea has been promoting the standardization strategy over the years. By carrying out “One Midea, One System, One Standard”, Midea keeps consolidating its standardization base. With the double drivers of

“standard innovation + production innovation”, Midea shifts innovation achievements and patents to standards for advanced enterprises. Additionally, it plays an active part in the cooperation with standardization committees at all levels across China, upgrading its enterprise standards to group standards, industry standards and even national standards. It is also active in the formulation and revision of international standards, contributing to the standardization of industrial technologies. As of June 2021, Midea Group took part in the formulation/revision of 1,062 standards, including 33 international standards, 383 national standards, 256 industry standards, and 390 group standards. Since 2018, Midea has been recognized as an “Enterprise Standard Leader” for three consecutive years with its primary product categories, with 29 times of recognition for its 17 products including air conditioners, refrigerators, washing machines, clothes driers, maglev centrifugal chiller, heat-pump water heaters, microwave ovens, vacuum cleaners, rice cookers, electric fans, electric grills, reverse osmosis water purifiers, range hoods, integrated stoves, gas-fired heating and hot water combi-boiler, single-tank closed water heater, domestic gas instantaneous water heater, etc.

In the first half of 2021, regarding smart home, Midea has participated in the formulation of International Standard entitled Requirements for Evaluating Intelligent Household Appliances, and National Standard entitled Technical Specification of Intelligent Power Module for Household Appliances. In respect of HVAC and buildings, Midea advocates the industry should improve the quality of multi-split models and takes the lead in formulating the first reliability improvement standard for the multi-split industry. In terms of key product performance, Midea took part in the formulation of the national standards entitled Ergonomics of Thermal Environment - Assessment of Thermal Environment in Transportation - Part 3: Human Evaluation of Thermal Environment Comfort, Ergonomics of Thermal Environment - Assessment and Management of Human Cold and Heat Stress, Test Methods for Noise of Household and Similar Appliances: Special Requirements for Fans, Measurement Methods for Electromagnetic Fields of Household Appliances and Similar Apparatus with Respect to Human Exposure, Standard Tableware for Testing the Energy and Water Efficiency of Dishwashers, Energy Efficiency Limiting Values and Grades for Electric Ovens for Household and Similar Purposes, Safety of Household and Similar Appliances Special Requirements for Commercial Microwave Ovens, Standard Samples of Bricks for Energy Efficiency Testing of Built-in Electric Ovens for Household and Similar Purposes, Test Methods for Noise from Household and Similar Appliances: Special Requirements for Vacuum Cleaners, Surface Cleaning

Apparatus Part 1: General Requirements for Test Materials and Equipment, Surface Cleaning Apparatus Part 3: Performance Test Method for Wet Carpet Cleaning Apparatus; In terms of core components, Midea participated in the formulation of the national standard entitled Special Requirements for Electric Door Locks of Electric Automatic Controllers for Household and Similar Purposes, Totally Enclosed Type Motor for Room Air Conditioner-Compressor, industry standard entitled Electric Automatic Controller Humidity Sensor, Aluminum Lining Panel Assembly for Household Refrigeration Appliances, Standard for Domestic Heat Pumps Dryers. In terms of green health, Midea participated in the formulation of the industry standard entitled Evaluation and Technical Specifications for Green Design Products: Room Air Conditioner, Technical Specifications for Green-Design Product Assessment: Refrigerator, Technical Specifications for Green-Design Product Assessment: Electric Rice Cooker, Technical Specifications for Green-Design Product Assessment: Fan, Technical Specifications for Green-Design Product Assessment: Blender, Technical Specifications for Green-Design Product Assessment: Vacuum Cleaner, Technical Specifications for Green-Design Product Assessment: Home Microwave Oven, Technical Specifications for Green-Design Product Assessment: Multi-split Air Conditioning (Heat Pump) and Similar Units, Technical Specifications for Green-Design Product Assessment: Air-Source Heat Pump Cold and Hot Water Unit, Technical Specifications for Green-Design Product Assessment: High Temperature Heat Pump Unit, Technical Specifications for Green-Design Product Assessment: Air Conditioning for Computer and Data Processing Room, Technical Specifications for Green-Design Product Assessment: Compressor for Room Air Conditioner, Technical Specifications for Green-Design Product Assessment: Robot Vacuum. In terms of international standards, Midea participated in the revision of IEC 60456 organized by IEC/TC59/SC59D, and the performance standard proposal of IEC/59L NP 63XXX electric rice cooker has been formally filed, while the standard proposal of IEC 60335-2-15 on electric pressure cooker has entered the formal standard manuscript inquiry (CDV) stage. The five microwave oven performance standards for IEC 60705 have also entered the Working Draft (WD) stage; the two national standards proposed by Midea, named Over-the-Air (OTA) Technical Requirements for Electric Automatic Controller for Household and Similar Purposes, and General Safety Technical Requirements for Intelligent Voice Controllers, have also been approved. The project of "New Sliding Vane High Efficiency Compressor Technology Research, Performance Evaluation and Application" and the project of "Key Technology and Industrialization of Intelligent and Energy Efficient Kitchen Washing Equipment" submitted by Midea were honored with the "2020 China National Light

Industry Council Technology Progress Award (First Prize)". Midea Refrigerator won the first Anhui Provincial Standard Innovation Contribution Award. The two group standards of China Household Electrical Appliances Association (CHEAA), namely General Requirements and Evaluation Criteria for Electric Rice Cooker Liners, and Electric Stir-Fryers for Household and Similar Purposes, which Midea participated in formulating, were certified as "Internationally Advanced".

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

Midea is resolute in enhancing vertical efficiency and horizontal synergy efficiency, accelerating retail growth and retail transformation by focusing on user needs. Through the reform of direct retailing, Midea has been continuously promoting the "vertical efficiency improvement" of offline channels. More than 90% of the retailers of offline franchise system can place orders directly to Midea for procurement, preliminarily achieving the goal of shifting from distributors to operators. By a series of business model transformation, Midea has optimized the inventory level of all channels and reduced the inventory-to-sales ratio by 20%; the change of organizational structure has spurred the integration of the domestic sales business of related product divisions. The cross-category synergy at the terminal sales level has been continuously promoted to effectively support the "horizontal synergy efficiency enhancement" from the organizational structure, so as to realize the "One Midea" for all users and ensure the consistency of user service and experience.

In the first six months of 2021, online sales as a percentage of Midea's total sales remained over 45%, and online and offline markets integrated at a faster speed. Based on different levels and characteristics of different channels, as well as changes to customers' needs and ways of spending, Midea drives the retail transformation based on user demands and experience, and keeps refining the retail operations system, so as to achieve direct connection with retail customers. This mainly involves the following aspects. Firstly, being customer experience-oriented, it provides just the shopping experience wanted by customers by putting in place an exclusive store network covering all channels. To be specific, it possesses more than 560 smart stores for users with house decoration demands in cities and prefectures across the country, over 2,550 Midea flagship stores in districts and counties, as well as over 8,320 Midea multi-category stores in towns and villages. Second, in the retail link, Midea builds an

immersive 3D model room for entire home appliances focused on home decoration users, providing a roaming shopping experience to achieve accurate recommendations and exclusive intelligent shopping guide. At the same time, focused on the improvement of the product suite purchase, it builds the service chain and exclusive rights and interests system for home decoration product suite purchase, driving transformation to integrated services for home decoration + home appliances, and providing home decoration users with time-saving, cost-effective and worry-free comprehensive solutions. Third, new business and new track are actively sought in live streaming, short video and other channels to generate new increments. The operation strategy is to shift from traffic to users and from channel sales to content marketing, building a three-dimensional content matrix of brands, experts and users, while developing exclusive product lines with the help of multi-dimensional data to drive and optimize product development. Fourth, post-sales service and logistics experience are well optimized, including integrated delivery and installation, two deliveries in one day, home delivery and home pickup service for returned goods. Digitalization of the supply chain and optimization of supply and demand efficiency are being pursued.

Midea leverages the “Digitization & Intelligence Driven” strategy to be “Direct to Users”, and initiates a series of business moves in user experience, user operation and user service from user needs and service scenarios. Based on the underlying data capabilities for user demand insights, Midea can better serve users through user life cycle management, membership and private domain operations to enhance user stickiness and loyalty. Firstly, Midea focuses on "user experience" and improves the user experience of the whole value chain under the guidance of the Net Promoter Score (NPS), with the overall NPS value increasing by 12% compared to last year. In addition, Midea strengthens user operation in daily operation, promotes the establishment of membership system and private domain traffic, and deeply promotes the intelligence and IoT of products. By the end of June 2021, the cumulative number of registered members exceeded 80 million, and the MSmartLife App has served 37 million families. Furthermore, Midea reinforces the building of data platform and commercial data analysis. Analysis of user consumption behavior data serves as a strong support for business decision-making.

Midea deepens and promotes the business model change and the digital and intelligent transformation

of the user service system to provide one-stop whole-home smart home appliance service solutions for users. First, Midea reconstructs the service process from the user's perspective, and redesigns the service blueprint by covering 18 core scenarios and solving 214 service pain points. Second, we accelerate the construction of intelligent interaction. In the first half of the year, voice robots have been launched in nearly 200 cities in China, while online remote video real-time interaction functions being developed to effectively reach users. Third, we comprehensively build smart home service capability by creating the industry's leading smart home service platform. Nearly 600 fully intelligent home stores have been authorized and more than 3,000 technical experts have been certified for scene services. Fourth, we deepen the change of engineer operation mode by assigning orders online based on big data intelligence to realize the direct connection of engineers. In the first half of 2021, direct allocation of nearly 16 million work orders across all categories was fulfilled. Last but not least, we continue to introduce new technologies and tools to empower engineers' services by comprehensively building an independent learning platform for engineers. A total of 47 online new courses have been developed and more than 11,000 engineers have gained multi-category service competence. The introduction of AI intelligent image recognition technology fully safeguards the quality of installation. Fourth generation of air conditioning intelligent variable frequency detector was also independently developed to help engineers to improve service efficiency.

Transformation of the ToB business model has been further deepened. Based on the Group's five business segments, the business model has been upgraded from product hardware sales to "solution + hardware + service + operation sales" targeting customers in the whole industry. Product and business structure has been further optimized to improve overall profitability. In terms of organizational efficiency improvement, Midea is market oriented. By optimizing the organizational structure and reforming the salary and incentive mechanism, it carries out comprehensive reform on organization, personnel, assessment, incentive and expense, in order to activate organization and improve efficiency. In terms of business model reform, through comprehensive sorting of existing markets, industries and customers, it takes the initiative to adapt to the development and changing trends of each industry, allocates organizational resources based on market demand, improves professional marketability for different industries, strengthens the building of service provider system, deeply optimizes supply chain, and builds a LTC-based whole-process value chain. In terms of sales business expansion, the expansion of

new businesses, new industries, new customers and new categories serves as a breakthrough to achieve business growth and enhance the competitiveness of the ToB business. ToB business achieved over 60% year-over-year shipment growth in the first half of 2021. In addition to the traditional home appliance industry, Midea has further enhanced cross-category horizontal synergy and resource integration capabilities through industry-wide solution development and promotion. Coordinated marketing in the ToB business of the HVAC & Building Technologies Division, the Robotics & Automation Division, and the Digital Innovation Business have gradually unfolded. Meanwhile, in the vertical sector, by taking the traditional real estate, industry, agriculture, commerce and construction business as the access point, it continues to expand the cooperative product categories and seize the incremental opportunities in the existing market, to achieve growth breakthroughs.

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 improving the circulation efficiency of the sales channels. Meanwhile, it comprehensively improves B2C logistics. Through big data analysis and data modeling and based on user needs, Annto refines and integrates its warehouse network across the country. By setting up pre-warehouses, the unified warehousing and distribution model has been expanded to retail stores for better connection with users. Overall planning of channel inventories and unified operation of warehousing and distribution provide support for higher channel efficiency as well as comprehensive standardization and digitalization of user services. Meanwhile, Annto strengthens the cultivation and expansion of end outlets, which enables it to provide accurate and efficient delivery-installation integrated service for users. In this way, products can be delivered directly to users in the retail link, thus significantly improving user experience. In terms of external business expansion, Annto focuses on industrial customers and industry in depth, while continuing to strengthen the construction of core capabilities such as LTL, urban distribution and integrated delivery and installation to steadily improve customer service experience, thus increasing its market share year by year. With an online and offline shared inventory system, ToB/C order integration and end-to-end integration solutions, Annto can provide corporate customers with solutions ranging from logistics services from raw materials to finished products, a shared inventory system from online to offline channels, to integration services of

warehouse distribution logistics and integration services of ToC delivery and installation. At present, the number of corporate clients has reached thousands, spanning many industries across home appliances, consumer electronics, food and beverage, maternal and infant, and household necessities and chemicals. Adhering to the business philosophy of building and sharing with customers, Annto provides strong support for corporate customers in promoting channel efficiency and sales growth.

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, optimized the percentage of local supply, 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. And more resources have been provided for research centers in the U.S., Germany, 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 a digital platform to facilitate mobile operations overseas. 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 the first half of 2021, Midea made headway towards the Global Impact strategy that has focused on the United States, Brazil, Germany, Japan and ASEAN, and set up a special fund for overseas brand construction. It not only clarified specific plans for user segmentation, product maps, brand matrices and localization infrastructure construction in strategic markets, but also invested more resources in user insight, branding, product innovation and organizational consolidation to ensure the implementation of the relevant strategies. It kept improving the distribution of overseas channels, being customer-oriented and promoting the transformation of overseas channels into retail terminals, with a total of more than 18,000 new overseas retail outlets added to provide strong support for subsequent sales growth. Empowering channels through digital tools, it enhanced the efficiency and ability to improve channel

operations. Multiple product suites and key single products were released online for the overseas markets, and more than 500 joint promotions were held across regions and markets in multiple categories, which effectively enhanced customer stickiness in the post-pandemic era. It accelerated the expansion of cross-border e-commerce business, with a focus on the American and European markets, extended new channels and new categories, and adopted multiple business models and multiple tracks in parallel. After moving into all major global e-commerce platforms, it achieved 150% sales growth during the Amazon Prime Day promotion, and won more than 50 Best Seller items across all major global platforms. Overseas community marketing and user growth projects were fully launched. By Leveraging content operation and digital marketing development, it was able to reach consumers directly and drive sustainable growth of overseas e-commerce business. Own branding was strengthened overseas. It expedited the pace of global breakthrough of its own brand by launching a special project for branding in North America. It strengthened its own brand penetration in key markets in multiple dimensions, including offline terminal retail experience, guide team development, social media campaign and whole-home product suite marketing. Through global sponsorship projects and regional sponsorship projects, it effectively reached over 300 million overseas target users, which greatly increased the exposure of its brands. It also built a digital marketing talent team to help overseas companies carry out localized marketing. Overseas platform building was improved to promote overseas user growth projects. A digital ecosystem of user growth was constructed with six major touch points: user co-creation, user services, brand official website, social media, overseas e-commerce and the MSmartLife app. With the best modes of overseas user data storage, content iteration and operation explored, an overseas customer data platform was created to promote overseas private domain traffic; the overseas manufacturing layout was further improved. To accelerate the strategy of “China-Based Supply for the World + Local Supply”, it built a new refrigerator and laundry appliance project in Egypt to cover the Middle East and Africa. A new manufacturing base was launched in Brazil to cover several key categories. The manufacturing network in Southeast Asia has been optimized in Thailand. In addition, the domestic refined manufacturing system was introduced and promoted in the overseas manufacturing bases, with a 26% increase in manufacturing efficiency and an improvement in global production and delivery capacity; global logistics and service system was enhanced. On the one hand, it deepened cooperation with global strategic partners, and created a new mode of international logistics cooperation to effectively ensure the supply of logistics resources during drastic market changes. On the other hand,

it improved the global service capability by expanding the global service system to Indonesia, Malaysia, Thailand, Singapore and other key markets, which boosted the service efficiency and user experience considerably. The cloud call center platform was rolled out in many countries successively, and the global spare parts center was built to ensure timely supply of post-sales parts. The unified barcode of the whole value chain of production, logistics, sales and post-sales service ensured effective product traceability and circulation efficiency. Digital intelligence supported the development of overseas business, by pushing forward the online and automation of the whole business process, covering the front-end optimization of business and financial processes, and the new product launch process, as well as the back-end consolidation of the online management of inventory and post-sales, in order to better visualize the whole process. Based on the diversified channel structure and business characteristics of overseas markets, it developed an overseas channel collaborative platform to realize online business processing for customers of different channels and improve overseas channel manageability.

In the first half of 2021, the COVID-19 pandemic has remained a serious impediment to the Japanese market. The operation was further affected by rising raw material costs and exchange rate fluctuations. TLSC continued to deepen the synergy with the Group's product divisions in the value chain to ensure the supply of products despite the pandemic and tight sea freight resources, while safeguarding the safety of employees. Measures such as price adjustments through the launch of new products and enhanced sales activities, improved product mix, increased retail market share and tightly controlled non-operating expenses, so as to address the impact of rising product costs and other factors and ensure the accomplishment of the operating objectives. The retail sales of the Japanese home appliance market were basically unchanged year-on-year, while TLSC grew by 10% year-on-year. Its market share of six major product categories combined has increased to over 12%, with the respective market share of air conditioners, refrigerators, laundry appliances, microwave ovens and rice cookers continuously growing. Organizational structure and business model are transformed to adapt to market changes. Online sales team is further strengthened with the proportion of online sales consistently increasing. Domestic sales, post-sale organization system and network distribution are integrated and optimized to enhance organizational efficiency and 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. By June 2021, the business of

TLSC has covered more than 70 countries and regions.

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. With respect to R&D, Midea sticks to the strategy of “Three Generations”, 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 digital R&D platform, including GPM, MPLM and other industrial software platforms, continually improving capabilities with respect to platform-based operation and modularization. In addition, the Company further standardized its parts and accessories and cut sourcing costs. Meanwhile, the supply chain and manufacturing link saw the introduction of smart sourcing through algorithms. As a result, sourcing efficiency and the response speed were improved. The Midea Public Cloud platform was launched to assist the digital transformation of upstream suppliers, and optimize suppliers’ inventory management. 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 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. In the warehousing and distribution link, the whole process was barcoded and made paperless via "one code", while the end-to-end information flow was connected via "one-piece flow" to realize scene informatization of logistics planning, factory entry

appointments, complete management, warehousing, direct delivery, etc. JIT incoming materials, JIT production and JIT shipment were all realized via "a shared inventory system"; automatic warehousing-in and finished products' offline direct delivery were all realized via radio frequency identification (RFID); iterative upgrading was achieved via IoT, ultra-wide bandwidth (UWB), 5G, block chain, big data, intelligent hardware, and other technical applications to improve efficiency and shorten delivery time. 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. Midea promoted the "Hawk Eye" project with Midea Home Delivery, and empowered tens of thousands of offline retail outlets through the activities of building digital capabilities such as "live-streaming drives e-commerce sales, and shares inventory", thus providing abundant support for the retail end. Meanwhile, the membership system jointly established with retail stores can attract more users, encourage them to take part in member activities, improve buying experience, and boost user royalty. In regard with after-sales services, reform was carried out. 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. Further, standardization and transparency regarding service charges were reinforced for better service quality and user satisfaction. During the operation and management 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. By upgrading the mobile infrastructure, mobile applications are promoted in marketing, supply chain, big data, sharing, etc. More smart scenes are created, and office efficiency and the capability of comprehensive digitalization is enhanced. With respect to overseas operations, with the "International 632 Project" as the core, Midea continues with the

digital transformation of its overseas business. The global order processing mechanism was launched to connect overseas marketing and manufacturing in an effective and automatic manner. To support the implementation of the strategy of “Global Impact”, multiple key programs have been launched, including overseas e-commerce platforms, empowerment of overseas channels and retail stores, the T+3 system for overseas operations, the global capital platform, integrated global services, etc. Further, automation was promoted in overseas marketing as a way to increase efficiency in the whole value chain, and boost global competitiveness under the new circumstances. Additionally, in response to China’s goals with respect to “carbon emission peak” and “carbon neutrality”, Midea has beefed up energy saving and emission reduction by relying on its strategy of “Digitization & Intelligence Driven”. On one hand, M.IoT connects each key node of energy use in manufacturing and production planning system to enable transparent, visual and controllable energy efficiency management. Also, digital technologies are adopted to upgrade energy management in the manufacturing process. So far, the digital transformation of energy efficiency management has been applied to nearly 20 factories, reducing energy consumption for production of a single product by 15% as well as supporting upstream and downstream companies and external customers in carbon emission reduction. On the other hand, scene-based innovation and application extension in smart home featuring low energy consumption can help save energy and reduce emissions in the link of product use.

Midea further promotes the business application of AI by fully covering the business scenes of intelligent R&D, intelligent manufacturing, intelligent offices, intelligent appliances, and intelligent industrial parks based on AI open platforms. In terms of intelligent R&D, Midea identified the differences between drawings and supplied materials with AI, and assisted in comparison of precision and captured pixel-level differences beyond human eye's limitation. As a result, the workload of manual comparison was reduced by 30% and product quality was improved. In the aspect of intelligent manufacturing, Midea used intelligent prediction for AI scheduling to improve the efficiency of the production line. In respect of product quality control, Midea applied the self-developed AI development kit which helped to establish AI quality inspection station. Such a station carried out inspections of PCB, appearance, outer cartons, ink-jet printing, spare parts and labels. Meanwhile, with the application of AI inspection to trace quality data, product quality was significantly improved. In terms of intelligent office, OCR technology contributed to the internal bill identification which was then realized in 23 scenes. In this way, Midea

improved its efficiency of office automation. As for post-sales service, AI intelligent technology was implanted into image censoring to replace manual labor. With AI image censoring, the manual sampling inspection was replaced by AI general inspection for post-sales scenes. By doing so, Midea ensured post-sales quality and improved customer satisfaction. In addition, to improve the experience of convenience and security, AI technologies such as facial recognition, key post recognition and park security were adopted.

By building a group-level data platform which integrates big data governance, application and analysis, Midea formed a data circulation and decision-making system, a core of the Group's big data. Moreover, Midea improved the efficiency of data circulation by enhancing data services performance, ensured data security by establishing a system of data security, and enriched knowledge of users and products by comprehensively analyzing data resources. Various forms of data applications are collected in the data bank, and an application closed-loop operation environment is provided to promote the development of the data application ecosystem. In terms of data governance, Midea built a system with the data platform as the core to improve user experience, and explored precision marketing and services based on terminal user portraits. It also built a system for big data-based business analysis and interdisciplinary data drive, empowered each business sector with big data technology and improved business efficiency. Besides, through the business planning with intelligent data and the one-stop application of big data, with the data platform to do business online and synchronize business data online, Midea strengthened the ability to analyze diversified data and the ecosystem of data application.

Midea fully promotes the application of cloud computing to support its strategy of comprehensive digitalization. Midea's technology platform adopted the micro-service architecture plus cloud-native technologies, and fully exploited industrial and marketing scenes to support the ecological construction of Midea Cloud Sales, Industrial Internet, IoT and third-party developers. The technology platform was jointly developed by multiple internal units of the Midea Group. It was built, incubated and operated in line with the standards of "light front-end", "big middle platform" and "back-end resource sharing". In this way, Midea gained rich experience and digital innovation ability. At present, a total of 25 PaaS components has been developed, five types of one-stop technical solutions have been provided, and 173 IT systems have been empowered, an increase of nearly two times compared with the same period

last year. The total amount of API requests of PaaS components has exceeded two billion times, a year-on-year increase of more than 10 times, and 94% of IT systems have been covered. The total number of micro services included in online management of service governance is close to 600.

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

In the first half of 2021, 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 to continuously improve smart experience for users and provide excellent services for smart life. 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 MSmartLife APP ecosystem that focuses on “Customize a Smarter Midea Life for You”. Midea provides an overall intelligent solution for customers in five spaces, nine fields and ten intelligent subsystems. Customers can find solutions to meet their needs (regardless of the whole house remodel or partial renewal). Midea also has in-depth cooperation with over 100 ecological partners to enhance the comprehensive services of customers' clothing, food, housing and transportation, and builds a multi-entrance and cross-scene smart life platform to provide a new and diversified experience for interactive operation. As of June 2021, over 100 categories of products are connected to the Midea IoT Developers' Platform, nearly 200,000,000 smart scene executions have been carried out, and the number of newly connected smart devices was more than twice the figure of the same period of last year. The MSmartLife App has been providing services for over 37,000,000 families. In addition, the MSmartLife App now supports Thai and Vietnamese languages to back up the intelligence-based development of key overseas countries.

The MSmartLife App has launched the Air Conditioner Energy-saving Cloud Housekeeper, which can conduct intelligent analysis based on users' preferences, external environment and other factors, and suggest setting temperature for maximum energy saving. Also, Smart Refrigerator AI Fresh-keeping Cloud Housekeeper has been launched to further iterate the algorithm of keeping food storage fresh,

and to make adjustments in view of the users' preferences and ambient temperature, thus realizing precise temperature and humidity control. Smart Cloud Housekeeper points to the four frequent theme scenes of "air", "water", "diet" and "cleaning", steadily optimizes user experience and achieves the energy-saving goal. It adds the reminder function, and pushes timely information to users for appliance failure and service status updates, as well as generates reports with appliance operation based on data analysis. All these functions help energy-saving control, and can save up to 40% electricity. As of June 2021, the number of active users of Midea Smart Cloud Housekeeper had increased by more than 260% year-on-year.

M.IoT continues to turn a new page to meet the needs of customers. As of June 2021, Midea has 102 types of HarmonyOS-based household appliances with a leap from single product cooperation to whole-house intelligence and interconnection, thus providing customers with whole-house intelligent scene solutions. Midea appliances are also connected to IFTTT's overseas platform with a pilot scheme targeting residential air conditioners and dehumidifiers. Midea is able to interconnect with more than 600 brands around the world, and to realize the data linkage of multi-equipment, cross-brand, cross-platform and diversified services, as well as to empower overseas users with smart functions and scenes. Moreover, Midea launches over 100 products to multiple online channels at home and abroad, and adds weather services, cooking skills and other services.

Safeguarding user privacy and data security is the top priority for intellectualization. In January 2021, M.IoT cloud platform and MSmartLife App passed the assessment for classified protection of information system security. In June, Midea became the first enterprise in the industry to obtain the IT Security EAL4+ certificate, which is evident of M-Smart's industry-leading level of data security. In May 2021, M.IoT issued the White Paper on Distribution Network Technology of "One Touch Smart Link" Appliance which redefines the standard of "link". Midea's household appliances are equipped with the "Automatic Discovery" and "One Touch Smart Link" functions, which realizes user insensitive distribution network and improves user experience. Besides, Midea's products can also communicate with the underlying communication protocol of OPPO mobile phones, and the success rate of distribution network increases by 35%.

G. In view of consumer stratification, launched multiple brands and diversified product portfolios,

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 the first half of 2021, in terms of products, COLMO released the TURING whole-house product suite, including 12 products such as air conditioner, refrigerator, washing machine, range hood and stove, gas water heater and steamer oven for various scenes. COLMO features four product suites of BLANC, TURING, EVOLUTION and AVANT, covering the whole-house scenes which center on four scenes: living room, wash and care, kitchen, and bathroom. COLMO provides users with whole scenes of AI-powered high-end smart life. In addition, COLMO won the 2021 iF Award for eight products of the Turing suite, such as refrigerator, water purifier, range hood, dishwasher, gas stove and gas water heater. In respect of branding, COLMO took "Rational Aesthetics and COLMO Lifestyle" as the core information, spread the brand concept and strengthened the brand spirit. The whole suite of TURING was on the market. In the first half of 2021, COLMO cooperated with architect Ma Qingyun and his father Ma Boqian to shoot a micro documentary "Less Is More", which opened a dialogue on rational aesthetic lifestyle. Besides, COLMO and Director Meng Jinghui jointly opened the second COLMO Elite Life Festival, and created a concept blockbuster "COLMO Lifestyle Theatre", which shows what the COLMO Lifestyle is about with "rational aesthetics" from avant-garde drama. In terms of marketing, COLMO has provided services to more than 220,000 users around the world, with certain scene solutions enjoying a prominent high-end market share as it steadily gains the position of benchmark for high-end household appliances. According to the monitoring data of All View Cloud, the market share of COLMO's floor-standing and wall-mounted air conditioner, water purifier, washing machine and dishwasher in the offline high-price segment from January to May increased significantly. Especially, the offline market share of floor-standing air conditioners exceeds 30% with a unit price of over RMB15,000. As for channels, COLMO has built more than 300 experience halls and 15 experience pavilions. At present, nearly 7,000 stores and outlets have been arranged in the domestic market.

In the six months ended 30 June 2021, BUGU recorded a year-on-year surge of 48% in operating revenue. BUGU, as a brand targeting online consumers, endeavored to make breakthroughs and innovation in marketing and business models and perfected the product model featuring “Hot-selling Products and Constant Efforts for Product Category”. Following the portable juicer, it continued to launch hot-selling appliances such as meat grinder and air fryer. By doing so, 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. In terms of products, based on the market analysis of Generation Z, BUGU released a new product suite—“It's not Me”, with the concept of fashion design and a vivid inflectional language, to provide young people with cool small appliances to express their attitude. BUGU also improved the products for mother and baby care, and developed two-in-one baby food processor, milk modulator and other products around the concept of “cool care”. Facing the boom of “pets' economy” brought by PET consumption, following the launch of smart voice pet feeder, BUGU exhibited pet water dispenser, hair clipper and other nursing appliances in The One Pet Show. On the user side, BUGU persists in taking the joint creation with users as its core strategy. The number of its users has exceeded 2.6 million, up 63% year-on-year. 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 its fourth program with nearly 400 users participating in joint product creation with BUGU in a deep manner. In respect of sales, BUGU focused on ten categories, including milk modulator, countertop dishwasher, juicer, meat grinder, small cooking pot and electric kettle, which entered the top 30 of the industry in the daily traffic of T-mall flagship store. The products hit the shelves in Suning T-mall flagship store, T-mall Supermarket and MSmartLife flagship store. During the “618” promotion, the electric kettle ranked first in the subdivided industry of T-mall Supermarket and doubled its growth. BUGU also opened official flagship stores in Douyin and Kuaishou and cooperated with anchors. Several rooms for live-streaming were built to seize opportunities in the booming live-streaming industry.

In the first half of 2021, WAHIN continued to attract the attention of Generation Z with “Trendy Designs, Practical Functions and Fun Interactions”, and made full efforts to promote various categories such as air conditioner, laundry appliance, refrigerator, kitchen appliances and small domestic appliances with innovative design and smarter user experience. The overall revenue was close to RMB3.5 billion and

exceeded the total revenue of 2020, a year-on-year increase of over 150%. WAHIN focused on young circles such as anime and the trending culture and got a good result during the "618" promotion. In the first half of 2021, the sales of WAHIN air conditioner reached RMB2.3 billion, an increase of over 600% year-on-year. With virtual characters "WAHIN Girl" being the spokesman and a slogan of "It's your turn, young man", WAHIN deepened the brand marketing towards young generation and spread the brand in different cultural circles. WAHIN upgraded the digital remote controller and turned a new page of digital remote control in the air conditioning industry. During the "618" promotion, "WAHIN Girl" same series of air conditioners was launched, the brand exposure exceeded 120 million UV, and nearly 200,000 sets of this series were sold. The sales of WAHIN refrigerators exceeded RMB380 million, up 84% year-on-year. WAHIN launched the "bright blue" series of products with a unified visual design language, thus bringing along fast growth. It also aroused the interest of targeted customers by displaying scenes. Besides, WAHIN conducted promotion and interactive activities for 93L refrigerators in Little Red Book. During the "618" promotion, the short video of WAHIN refrigerator flagship store entered the Top-5 list of T-mall brand short videos. In the first half of 2021, the overall sales of WAHIN kitchen appliances reached RMB600 million, with a year-on-year increase of 50%. During the "618" promotion, WAHIN Kitchen Appliance launched the WAHIN-dimension smart appliance suite, covering kitchen and bathroom appliances such as electric water heater, gas water heater, range hood stove, dishwasher and water purifier. With the fashionable color matching of orange and blue as well as the new experience of smart interaction, WAHIN kitchen appliance led the trend of household appliances. Sales of various categories were outstanding during the "618" promotion. In addition, WAHIN Vie6 8-set Dishwasher ranked first in the network sales of SKU. WAHIN small domestic appliances broke the shackles of the traditional model and carried the trending value. It positioned itself as "small appliances of interest" and was committed to becoming a "new species" that appeals to young and fashionable consumers. WANHIN centered on users' needs, provided customized services to different circles, and launched innovative products covering different scenes such as personalized care, cooking, etc. Considering that Generation Z is glued to the Internet, WAHIN lifestyle appliances focused on e-commerce in the early stage, and reached to young groups via marketing by live-streaming and short videos.

H. Seized market opportunities amid domestic and international circulations, responded to China's goals regarding "carbon emission peak" and "carbon neutrality", made technological

breakthroughs and innovations, and kept improving the ToB business landscape

The Electromechanical Business Group of Midea 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 vehicles, industrial control, and 3C products, and eight major product companies. Besides, it keeps expanding and improving its capacities. The Foshan Xingtan Base was newly established to make a forward-looking layout in intelligent manufacturing of mechanical and electrical products. With its self-developed technology of software and hardware products such as Industrial Internet of Things (IIOT) and robot automation, Midea combined advanced technologies such as 5G, AI, AR, big data, SCADA and cloud platform to comprehensively automate, digitize and intellectualize the production layout, process design and production management, seeking to build an Industry 4.0 intelligent manufacturing demonstration base in China and a world-class “Lighthouse Network” factory. The factory automation project of air conditioning compressor won the title of Foshan Industrial Internet of Things (IIOT) demonstration benchmark. Hitachi Compressor (Thailand) Ltd. (HCTL) was acquired and the integration work was steadily improved. It will significantly increase the production capacity of refrigerator compressor and further improve the global supply of core components. With respect to market expansion, the Electromechanical Business Group made constant efforts for household appliances and consolidated its leading position in the industry. According to online industry data, in the first half of 2021, the unit sales of residential air conditioner compressor grew by 29% year-on-year and accounted for 42% of the global sales. The unit sales of refrigerator compressor increased by 37% and represented 15% of the global sales, thus ranking at the forefront of the industry. The unit sales of motor for residential air conditioner and washing machine accounted for 42% and 19% of the global figures respectively. In addition, the Electromechanical Business Group developed chips for household appliances. Its products were related to MCU, power, power supply, and the IoT, and steadily expanded to industrial and automotive fields. With regard to new businesses, the Electromechanical Business Group put more resources to core components of new energy vehicles, developed core components of two-wheeled electric vehicles, such as motor, controller, etc. In May 2021, the three major product lines of Midea’s drive system, thermal management system and auxiliary/automatic driving system were put into

operation, and officially released five auto parts of the three major product lines, that is, the drive motor, electric water pump, electric oil pump, electric compressor and EPS motor. Midea MCU master chip was officially mass produced. In the first half of this year, the cumulative output exceeded 800,000. Meanwhile, Midea expanded the relationships with internal and external customers. As a leading enterprise in the domestic industry of high-voltage frequency converter, the revenue of Hiconics Eco-energy Technology Co., Ltd. increased by 25% year-on-year. The revenue of its high-end manufacturing business increased steadily. Particularly, the low-voltage frequency converter business achieved rapid growth. As a front runner in the motion control sector, the revenue of Servotronix grew by over 80% year-on-year. Servotronix launched linear drive CDLB single-axis robots, achieved a localization rate of more than 50% of the parts and led the race in performance, further stabilizing its leading position in the subdivided industry. In terms of technological innovation, in the first half of 2021, the three R&D projects of "Research and Industrialization of Key Technology for New High-efficiency Inverter Compressors", "Research and Application of Pressure Difference Start Technology for Rotary Compressors" and "Research and Industrialization of Key Technology for New Generation Variable Frequency Motor System for Household Appliances" of the Electromechanical Business Group passed science and technology appraisal held by China National Light Industry Council and was recognized as "Internationally Advanced". As a leading manufacturer of core components in the household appliance industry, technologies of the Electromechanical Business Group's products won many industry awards. For example, the relevant patented product technologies won six Excellence Awards at the 22nd China Patent Awards. The project of "New Sliding Vane High Efficiency Compressor Technology Research, Performance Evaluation and Application" won the "2020 China National Light Industry Council Technology Progress Award (First Prize)". "Ultra-efficient Variable Frequency Rotary Compressors" and "New Generation of BLDC Motor and its Smart Controller for Front-loading Washing Machines" were both awarded the 2021 AWE Core Chip Award. "New Generation of BLDC Motor for Ultra-efficient Air Conditioners" and "Rotary Compressors with Pressure Difference Start Technology" won the Gold Spike Award of China Household Electrical Appliance Industry Chain Conference. "Rotary Compressors with Pressure Difference Start Technology", "40 High-efficient and Wide-range Variable Frequency Scroll Compressor" and "BLDC Motor for Ultra-efficient Commercial Air Conditioners" respectively won the Innovative Product Awards of 2021 China Refrigeration Expo. And "R410A Jet Inverter Heat Pump Compressors" was awarded the Innovative Product Award of 2021 China Heat Pump Exhibition. In

addition, "8HP Variable Frequency Enhanced Vapor Injection (EVI) Rotary Compressors" won HAPE 2021 Innovation Award.

Midea HVAC & Building Technologies Division is committed to creating a smart ecological circle for urban buildings, providing smart ecological integrated solutions for different industries, and turning traditional buildings into a perceptible and warm "life". And it is at the forefront of the industry in terms of market performance, technology R&D, product innovation and product services. In terms of market performance, according to the data monitored by industry online and Electromechanical Information of Commercial Air Conditioner Market, Midea's domestic market share of commercial air conditioner continued to rank first in the first half of 2021. In respect of technological R&D, Midea established the Building Technology Research Institute in 2021 to realize the perfect combination of humanity and buildings with digital technology, as well as to create a smart building. Midea also launched the 19th MDV competition, and released "Building Energy Solutions under the Background of Carbon Neutrality" and "Building the Next Generation of Smart Buildings with Three Major Neural Systems of Midea Control" which contribute to the development of carbon neutrality and smart buildings. At the same time, Midea carried out industry-university-research collaborations with research institutions such as colleges and universities. In the first half of 2021, Midea and Shanghai Jiao Tong University (SJTU) jointly established a research center for carbon neutral technology. Many awards were won for the relevant technological achievements. For example, Midea's project of "Research and Industrialized Application of High-efficient and Energy-saving Key Technology for Wide-temperature-range Heat Recovery Multi-split Systems" (jointly applied with SJTU) won the first prize of Science and Technology Award of Guangdong Mechanical Engineering Society, and the first prize of Science and Technology Award Guangdong Machinery Industry Association. The project "Technology and Industrialization of Ultra-low-temperature High-efficient Energy-saving Air Source Heat Pump" (jointly developed with SJTU) won the Industry-University-Research Cooperation Innovation Achievement Award of China Industry-University-Research Collaboration Association. The relevant patented product technologies won six Excellence Awards at the 22nd China Patent Awards. GD Midea Heating & Ventilating Equipment Co., Ltd. and WINONE Elevator Company Limited were recognized as Guangdong Industrial Design center. These honors and awards attest to Midea's technological R&D strength in the HVAC & building technologies. As for product innovation, Midea's three major products of HVAC & building

technologies -- "Air C+ Duct Type Air Conditioner Indoor Units", "Sinan Series Magnetic Variable Frequency Centrifugal Chillers" and "Three Pipe Heat Recovery Multi-split System" -- won the Innovative Product Award at 2021 China Refrigeration Expo. "Air C+ Duct Type Air Conditioner Indoor Units" adopts advanced technologies like humidity intelligent control and constant air volume to solve the problems such as small commercial space for installation, air conditioning noise, high energy consumption and difficulty to clean. "Sinan Series Magnetic Variable Frequency Centrifugal Chillers" keeps abreast of the international leading level in key indicators such as energy efficiency and comfortability via the application of many technologies in Midea, for example, aerospace pneumatic technology, magnetic levitation bearing technology, micro-channel refrigerant-based cooling variable frequency technology, high-efficient permanent magnet synchronous motor technology and full falling film evaporation technology. "Three Pipe Heat Recovery Multi-split System" achieves more than 20% energy-saving effect through key technologies such as intelligent wide-temperature-range heat recovery. Moreover, in reliance upon the advanced industrial system of Midea Group, Winone developed a freight elevator with a maximum load of 50 tons. Supported by international advanced technology and reliable drive system, this freight elevator runs at 0.5m/s with a travel height of 100m. Winone also independently designed and built the 32-meter heavy-duty escalators test tower for public transport. The project now has been put into use. The escalator in this project has a maximum height of 25m and an inclination angle of 30 degrees. It has a proven, safe and reliable technology and fully complies with Chinese rail transportation standards, with numerous technical parameters higher than European standard. As a heavy-duty escalator, it can perfectly handle extremely dense passenger traffic. In terms of product services, as a leading domestic solution provider of overall building solutions, Midea has also been committed to improving the standards toward the offerings of products and services. The first VRF, MDVS, multi-split reliability improvement standard proposed by Midea was fully affirmed by experts. Midea is committed to providing customers with overall solutions. For instance, in the "miracle of human engineering" Sichuan-Tibet Railway project, Midea built an overall solution covering HVAC, elevator and automatic control system for Lalin section which provides efficient, reliable and intelligent technology and equipment guarantee for the construction of important national transportation hubs. As for the Suzhou Metro Line 6 project, a solution of ultra-efficient intelligent environmental control systems was provided for 31 stations along the line to protect urban traffic pipelines. In the Solar Decathlon Competition 2021 (China), Midea assisted the Tsinghua University team with green and smart technologies to create a

smart, energy-saving, green and livable environment for herdsmen. In addition, Midea won the Long-term Cooperation Award for 10 Years of Vanke Group, the Innovative Product Award and the Industry Influential Brand Award at 2021 China Heat Pump Cogeneration Summit.

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 first half of 2021, KUKA launched a series of new products. In terms of control system, KUKA presented its new operating system iiQKA.OS at Hannover Fair. With this system, robot use will be greatly simplified and be as easy as cellphone use. The iiQKA.OS system is intended to serve as the basis for an entire ecosystem which provides access to robot accessories, programs and apps, etc. For food and medical industry, KUKA released the "KR DELTA robot" -- the first delta robotics-- with a parallel kinematics. The new robot obtains excellent performance at a much lower cost. Its arms can reach up to 1,200mm and the robot has a payload capacity of 6kg. As the latest product in KUKA lightweight robot portfolio, this robot is made entirely of stainless steel and can perform pick-and-place applications towards food and medicine. In respect of digital simulation, KUKA made public a new version of smart simulation software KUKA.Sim 4.0. The software is featured by a new level of simplicity, planning reliability and cost efficiency. It not only streamlines the workflow and saves time for customers, but also demonstrates its functions in multiple scenes. With regard to medical care, a Munich therapy center uses a medical product with an integrated KUKA robot, that is, The CyberKnife system of Accuray, as a high-precision instrument in tumor treatment. This product is an alternative to conventional radiotherapy and a breakthrough of KUKA robot in the medical field. As for new businesses, KUKA's Swisslog creates automation systems that bring scalability, flexibility and lower costs to vertical farming, allowing them to be installed and maintained in a wide range of pre-existing and purpose-built spaces. These systems help broaden the applicability of growing crops and bring food production closer to consumers in densely populated urban areas.

According to the IFR, the sales of global industrial robots is expected to resume growth in 2021. Apart

from being affected by 2020 low base, there are several reasons behind the estimation: robots can improve the capacity elasticity of the manufacturing industry; governments will invest more in manufacturing technologies; and the pandemic leads to the comeback of the manufacturing industry. In the automotive field, in the first half of 2021, KUKA entered into a new cooperation framework agreement with the Daimler Group to extend the long-term partnership. The orders cover robots, production lines, KUKA robot controllers and other products, such as KR FORTEC heavy-duty robots and the new KR QUANTEC generation. KUKA also received orders from another global automobile manufacturer, with a total of tens of millions of euros. In the future, KUKA will join the body components of a premium SUV using a patented process of pierce riveting technology. In the general industrial field, the new order KUKA received from BACA System involved 100 KR 210 QUANTEC robots. For seven consecutive years, KUKA has been supporting BACA System with innovative robot solutions in the stone cutting industry and a total number of over 450 KUKA robots. In terms of logistics automation, in May 2021, Swisslog under KUKA announced that the ZKW Group, the specialist for innovative, premium lighting systems and electronics, will use Swisslog automation to help increase manufacturing. With centerpiece of the installation being Tornado miniload cranes, Swisslog is expected to provide automation systems which cover QuickMove conveyor systems and SynQ management software. Throughout the pandemic, Swisslog has continued to support businesses with project realization for critical supply chains. It won 21 AutoStore orders with a total value of over EUR60 million in the first half of the year. These orders came from customers in different industries including Norwegian third party logistics provider Bring, Italian importer Andreas STIHL SpA, and German toy retailer ROFU. In the field of vocational education, KUKA provided a total of 31 robots cell for Advanced Manufacturing Training Centre of Excellence established by Louth & Meath Education and Training Board (Ireland). The robot cells cover customized six-axis robots with vision system, welding robots, milling robots and collaborative robots. The total value amounts to millions of euros. Besides, in June 2021, KUKA won the 2020 Stellantis First Supplier Awards for its timely, efficient and high-quality products and services provided. Stellantis was formed in January by the merger of Fiat Chrysler Automobiles (FCA) and Peugeot Citroen Group (PSA).

KUKA further accelerated integration and expansion of the robotics business in China, promoted transformation of the domestic marketing, and centered on applications and key customers. In the first half of 2021, the number of new business opportunities of KUKA China grew by nearly 50% year-on-year,

while the proportion of new customer orders increased to 15%. As it leads the race in the automotive field, KUKA had a significant growth in the proportion of orders and shipment regarding electronics, machinery, arc welding and laser industries, with the orders increasing by over 80% year-on-year. In terms of market sales in the first half of 2021, in addition to the traditional passenger car market, KUKA China explored new customers in the heavy-duty truck market and won the bid for the heavy truck flexible welding project of Jinan Intelligent Network Linked. In the electronic field, it cooperated with Sunrise Instruments to establish an intelligent grinding laboratory, focused on algorithm, trajectory-free vision program and grinding tool development, thus expanding the application in aerospace, rail transit and other fields. As for construction machinery, KUKA won orders from Sany Heavy Industry, Zoomlion and Shantui. In respect of logistics and warehousing, it dealt with orders for the reconstruction of cold storage warehouse of Livzon Pharmaceutical Group, omni-channel central warehouse of ANTA FILA. In this way, KUKA expanded its footprint in the domestic mid-end and high-end market. In the medical field, it built a partnership with Guowen International Hospital (Changchun) and made the first attempt at the EPC project for private hospital with direct selling. Moreover, KUKA China made the first breakthrough of digital business in industrial services. With regard to product R&D, KUKA built a Chinese R&D team, which has brought forward six new products, accounting for nearly 10% of the overall orders in the first half of the year. The R&D and testing laboratory in Shunde, Guangdong has been officially put into use. This laboratory develops independent testing capabilities such as reducer comprehensive performance test, motor parameter test and EMI test, and sets up robot testing stations as part of efforts to improve the product performance with these technologies. KUKA China continued to invest more in R&D. Its subordinate R&D institutions were recognized as Guangdong Intellectual Property Demonstration Enterprise, Shanghai Songjiang District Enterprise Technology Center, Foshan Engineering Technology Center, etc. As KUKA China makes a full commitment to developing new products and optimizing the brand-product matrix, it develops core parts and carries out basic technology research through cooperation with Midea Corporate Research Center and other institutions, seeking to promote the R&D model of "Three Generations". In terms of manufacturing, affected by the epidemic, all walks of life increased investment in industrial robots and automation which witnessed an explosive growth of the domestic market. In the first half of the year, KUKA China's plant in Shunde initiated the phase II construction to meet the needs of business development, and gradually advanced its ancillary industrial chain to shorten the product delivery cycle and to achieve operational efficiency in value chains. In

addition, KUKA has been playing an active part in raising Midea Group's intelligent manufacturing level. By July 2021, the robot density of Midea is over 320 units per 10,000 persons. And this number is expected to reach 530 by 2023.

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

In 2021, 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 eight stock option incentive schemes, five restricted share incentive schemes, seven global partner stock ownership schemes and four business partner stock ownership schemes, which have helped, in a more effective manner, to align the long-term interests of senior management and core business backbones with that of all shareholders.

Midea Group protects its shareholders' interests by ensuring a consistent dividend policy. It shares its growth with shareholders by putting forward cash dividend plans with a total amount of 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. From 1 January 2021 to 30 August 2021, Midea has used approximately RMB13.6 billion for share repurchases.

2. Core Competitiveness Analysis and Development Strategies for H2 2021

2.1 Core Competitiveness of Midea

A. 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.

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.

B. 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 16,000 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.

C. 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.

D. Broad channel networks and a well-established smart supply chain system ensuring the

steady growth of Midea's domestic sales

With its continuous efforts, Midea has formed a multi-channel network which has a complete business layout and covers a wide range of areas, thus meeting the purchase needs of online and offline consumers for household appliances. Offline retail outlets have reached more than 100,000. Midea has created a network layout of comprehensive household appliance stores, co-branded stores of home decoration business, specialty stores of self-owned products, traditional retailers and e-commerce franchise stores. It provides easy access to Midea's products and services, covering the entire market from first-tier cities to townships. Particularly, Midea boasts more than 10,000 specialty store outlets, where various needs of users from new decoration to updates can be met in home decoration stores, flagship stores, multi-category stores and community stores. In 2021, Midea set up entity for pre-decoration, doing so to integrate household appliances and ensure the consistency of user experience. It also focuses on "smart home" and "whole-house decoration solutions", as well as promotes deep cooperation with appliances and home decoration, furnishing, design, etc. As of today, it has strategic cooperation with domestic leading home decoration brands, and has launched over 100 co-branded stores of home decoration companies. In the first half of 2021, Midea's online sales exceeded RMB52 billion, an increase of over 20% year-on-year. It remains the best-selling household appliance manufacturer on major e-commerce channels such as JD, T-mall and Suning for nine consecutive years. Besides, in Pinduoduo, Douyin, Kuaishou and other emerging channels, Midea has witnessed a rapid growth of sales and users.

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 the 140 urban distribution centers nationwide, it covers more than 99% of towns and villages across the country. It can finish the delivery to 21,418 (or 53% of) towns and villages within 24 hours and to 39,560 (or 91% of) towns and villages within 48 hours in the country. Additionally, Annto focuses on a shared inventory system for online and offline channels and the competitive edge of integrated delivery for the ToB/C business, refines its network of integrated delivery and installation services, drives connectivity

through the whole process from manufacturing to sale, provides quality service solutions for various orders from customers, as well as comprehensively better the end user experience.

E. 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 reduce obstacles for man-machine interaction to the minimum and create smart appliances without any assistance in interaction. Focusing on “people and their family”, Midea builds a whole value chain of IoT. Breakthroughs have been made in user data protection, content operation for smart scenes, smart connection technology, the smart home ecosystem, cloud platforms, the smart voice function, the big data-based cloud housekeeper services, etc. By doing so, Midea is able to offer complete smart home solutions for users, as well as to empower its business partners.

Upon years of digital transformation characterized by “One Midea, One System, One Standard”, Midea has successfully materialized operations driven by software and data through its value chain, connecting end to end and covering 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. While driving online systems and digitalization, Midea also adopts a systematic data-based approach to governance. A whole new data platform has been put in place to accumulate data assets and achieve integration of online and offline business data, as well as product and service data. Further, the “User One_ID” system has been refined to provide adequate data support for all business lines.

F. 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 eight Stock Option Incentive Schemes, five Restricted Share Incentive Schemes, seven Global Partner Stock Ownership Schemes and four Business Partner Stock Ownership Schemes for key managerial

and technical personnel, in addition to the exploration and practices with respect to diversified stock ownership schemes of key innovative subordinates. As such, a governance structure has been put in place that aligns the interests of senior management and core business backbones with that of all shareholders, as well as comprises long and short-term incentives and restrains.

2.2 Development Strategies for H2 2021

A. Development strategies of the Company

Midea adheres to the strategic focus of “Technology Leadership, Direct to Users, Digitization & Intelligence Driven, and Global Impact” and focuses on “Comprehensive Digitalization and Comprehensive Intellectualization”. Guided by the strategic focus and underpinned by advanced corporate governance, up-to-date values and philosophies, as well as mindset growth of the management. 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.

B. Key operation points in H2 2021

In the second half of 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 drive growth in 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, aiming to establish an agile front-end, shared platform and digital back-end. 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. Newly established business entities will explore corporation-based development, actively carry out innovation and embrace new models and approaches, as well as strengthen breakthroughs with respect to new models, business, product categories and application areas. Midea

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”. In face of common problems such as fluctuations in exchange rates and prices of bulk raw materials, as well as sourcing management, Midea will firmly promote its internal coordination and sharing mechanism and keep perfecting the relevant solutions. 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. In the domestic market, based on the “Direct to Users” strategy, Midea will promote direct marketing by way of internal cultivation and introduction from the outside, reshape the domestic marketing system and model, and empower the retail end to be “Direct to Users”. It will continue to deepen the reform of its organizational structure, improve retail capacity, and develop user insights and back-end capacity. Midea will also commit itself to intelligent experience terminals and user experience as part of efforts to connect with users' preferences. Moreover, Midea will enhance the basic systems to set up a unified business language and rules, strengthen "One Midea, One System, One Standard", make use of the advantages of synergies, reinforce the result-oriented process control and improve operating efficiency. Following the customer-oriented principle, it will also streamline shipping rules, as well as focus on retail capability improvement and user operation. Meanwhile, Midea will optimize the supply chain to meet terminal demand and increase the efficiency of circulation. It will also make more efforts to enhance delivery capabilities and improve its integrated delivery and installation service capabilities in the ToC business. Besides, Midea will continue to improve the business system and the digital analysis capability to materialize real-time visualized management of mobile data and smart early warning. In terms of channel strategy, Midea will advance intelligent experience terminals and other channels, promote the development of new models and forms of business such as community stores, improve the customer acquisition capacity as well as strengthen the profit model. Meanwhile, Midea will continue to identify high-potential market opportunities for home decoration stores, flagship stores and multi-category stores. It will strengthen the coverage of intelligent scenes in terminal outlets, and build an intelligent terminal network, thus improving user experience. Moreover, Midea will adjust its marketing strategy and layout of products in Pinduoduo, Douyin and Kuaishou and Red apps. As for self-owned channels, it will adopt

a customized strategy to promote the cooperation of cross-brand online shopping malls. In respect of products, Midea will center on a structure upgrade, improve the efficiency of matching potential customers, and drive sales growth with new marketing and playing methods. It will also gain insights into users' needs with the collected data, rely on the smart scene laboratory to improve the operation of smart scenes, and strengthen the integration of online and offline channels. Meanwhile, Midea will carry out independent planning of new brands and improve its multi-brand matrix. With regard to users, Midea will continue to uphold the principle of "Create Value for Users" and optimize product iteration, purchase experience and service experience based on user experience. Moreover, it will attract more members and provide more member privilege services as well as accelerate the operation of private domain traffic. In addition, Midea will invest more in intelligent devices to optimize user experience and improve user loyalty, and strengthen the capacity-building of data platform and business intelligence (BI). In terms of services, Midea will upgrade the system of service engineer operation based on the business model of the direct retail and the smart home, tie the service quality, engineer income to operation rules. Besides, for the purpose of providing users with one-stop service, it will promote scene service and suite customization for the whole house, and deepen the transformation of services such as one-engineer with multi-functions, intelligent service, scene-based refurbishing, and door-to-door service.

d. Midea will continue to expand overseas markets, consolidate the foundation for such an expansion, and further develop distribution channels. In 2021, Midea is scheduled to launch over 30, 000 outlets. It will lead retail transformation, build capacity-building for direct retail and empower channels with digital tools. Midea will also build channel management system, promote the business reform of channel management, and improve channel transparency and efficiency. Besides, it will exploit overseas strategic markets with the centerpiece of product innovation, promote the "Direct to Users" business model. Meanwhile, Midea will increase the investment towards strategic resources, improve local R&D capacity and user insights as well as local manufacturing capacity of strategic markets. Midea will promote cross-border e-commerce business, focus on major brands and encourage multi-track development to seize the subdivided markets. It will also strengthen social media operation, build user interaction systems, explore new businesses such as overseas social e-commerce and D2C. Meanwhile, it will deepen channel expansion, develop an online distribution strategy, and establish a global distribution system. Moreover, Midea will analyze the operation of overseas users, optimize the

organizational structure, iterate digital tools and solutions, and strengthen the business scene configuration. It will also improve the return rate of marketing with data analysis, provide overseas user growth with the launch of related projects, and steadily improve user loyalty and activity. To improve global services, Midea will promote iService 3.0 post-sales service system, further apply digital technologies to overseas services, empower overseas branches to improve service quality. It will also commit itself to the layout for logistics performance network, warehousing and distribution network, user service network, spare parts network and call center. In addition, Midea will drive digitalization and intellectualization in overseas operations, deepen digitization & intelligence driven decision-making, promote the sorting and reconstruction of end-to-end business scenarios regarding export, as part of efforts to improve the accuracy, consistency and transparency of information and data.

In the second half of 2021, TLSC will continue to take prevention and control measures, educate staff on crisis perception and risk awareness, build closer ties with key customers and all units of the Group, and actively prepare for and respond to risks. TLSC will continue to increase revenue and reduce expenditure, adjust product structure and prices, and strictly control outgoings and expenses. It will also deepen organizational reform and improve business efficiency. Moreover, TLSC will coordinate with the Group and relevant business units, enable information exchange between sales and manufacturing. On top of that, it will improve product quality, and ensure the normal listing of new products and enough supply in peak season. Besides, TLSC will promote brand compliance and improve brand image.

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. The cultivation of COLMO, the brand targeting high-end consumers, is an important strategy of the Group. It will continue to explore new approaches in R&D and marketing, refine its product mix, and keep innovating. In the second half of the year, it is to enhance whole-house smart products, 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 create value by optimizing key operating indicators such as cost, efficiency and revenue 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.

Midea will focus on building a multi-device scene platform in families, serve customers with home settings, and seek to provide a better smart life experience around the scene, technology, ecosystem, products and whole-house intelligence. First, Midea will center on high-frequency scenes, provide integrated, convenient and intelligent scene 2.0 solutions, upgrade algorithms of the Smart Cloud Housekeeper, improve the comprehensive voice-enabled experience of MSmartLife app. It will also build smart scenes of International MSmartLife and International TLSC to materialize cross-brand and cross-category device interaction scenes. Second, Midea will continue to upgrade software and hardware technologies, build an open platform, launch M.IoT "Scene Configuration Platform", release new intelligent module hardware. Besides, it will develop global multi-center and multi-cloud deployment capabilities, and improve comprehensive performance of the platform. Third, Midea will promote external ecosystem cooperation (including the cooperation with HarmonyOS), make joint effort with partners to provide more diversified intelligent experience, deepen the strategic cooperation with China Electric Power Research Institute, and take active measures to line up with the carbon neutrality strategy. In addition, driven by intelligent scenes and technologies, in reliance upon the advantages of Midea Cloud, MSmartLife App, content platform, intelligent module and voice-enabled AI platform, Midea will firmly embrace its partners and build a partnership for mutual empowerment, seeking to create an open ecosystem.

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.

3. Analysis of Main Business

See contents under the heading “1. Business Scope in the Reporting Period” above.

YoY changes in key financial data:

Unit: RMB'000

	H1 2021	H1 2020	YoY Change (%)	Main reasons for change
Operating revenue	173,809,565	139,067,022	24.98%	
Interest income	1,037,174	652,099	59.05%	Changes in the operations of Midea Group Finance Co., Ltd.
Cost of sales	133,436,369	103,523,657	28.89%	
Selling and distribution expenses	16,241,154	12,631,101	28.58%	
General and administrative expenses	4,251,893	4,102,149	3.65%	
Finance costs	-2,321,726	-851,927	172.53%	Increase in interest income and exchange gains
Income tax expenses	2,407,939	2,329,061	3.39%	
Research and development expenses	5,314,637	4,410,737	20.49%	
Gains/(losses) on changes in fair value	-801,944	247,700	-423.76%	Changes in the fair value of financial assets
Asset impairment losses	-178,230	-133,419	33.59%	Increase in inventory valuation losses
Credit impairment losses	-154,460	-461,998	-66.57%	Decrease in losses on uncollectible accounts receivable
Losses on disposal of assets	-17,833	-11,070	61.09%	Decrease in gains on disposal of non-current assets
Non-operating expenses	176,544	108,692	62.43%	Increase in other income
Minority interests	207,399	138,715	49.51%	Increase in profits of non-wholly-owned subsidiaries

Net cash flows from operating activities	20,176,410	18,405,491	9.62%	
Net cash flows from investing activities	9,137,053	-24,944,355	-136.63%	Increase in cash received from disposal of investments
Net cash flows from financing activities	-16,559,579	7,033,151	-335.45%	Increase in cash payments relating to other financing activities
Net increase in cash and cash equivalents	12,520,109	570,541	2094.43%	Increase in net cash flows from investing activities

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

Applicable N/A

No such cases in the Reporting Period.

Breakdown of operating revenue:

Unit: RMB'000

	H1 2021		H1 2020		YoY Change (%)
	Amount	As a percentage of total operating revenue (%)	Amount	As a percentage of total operating revenue (%)	
Total	173,809,565	100%	139,067,022	100%	24.98%
By business segment					
Manufacturing	154,065,437	88.64%	126,588,566	91.03%	21.71%
By product category					
HVAC	76,408,470	43.96%	64,030,471	46.04%	19.33%
Consumer appliances	64,964,319	37.38%	53,034,680	38.14%	22.49%
Robotics, automation systems and other manufactured products	12,692,648	7.30%	9,523,415	6.85%	33.28%
By geographical segment					
PRC	99,850,129	57.45%	77,233,142	55.54%	29.28%
Outside PRC	73,959,436	42.55%	61,833,880	44.46%	19.61%

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

Applicable N/A

Unit: RMB'000

	Operating	Cost of sales	Gross profit	YoY change of	YoY change of	YoY change of
--	-----------	---------------	--------------	---------------	---------------	---------------

	revenue		margin	operating revenue (%)	cost of sales (%)	gross profit margin (%)
By business segment						
Manufacturing	154,065,437	115,989,338	24.71%	21.71%	25.37%	-2.20%
By product category						
HVAC	76,408,470	60,476,097	20.85%	19.33%	24.60%	-3.35%
Consumer appliances	64,964,319	45,732,392	29.60%	22.49%	26.08%	-2.00%
Robotics, automation systems and other manufactured products	12,692,648	9,780,849	22.94%	33.28%	26.79%	3.94%
By geographical segment						
PRC	99,850,129	75,921,640	23.96%	29.28%	30.70%	-0.82%
Outside PRC	73,959,436	57,514,729	22.23%	19.61%	26.59%	-4.29%

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 period is calculated based on adjusted statistical standards at the end of the Reporting Period

Applicable N/A

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

Applicable N/A

Operating revenue in the segment of robotics, automation systems and other manufactured products increased 33.28% YoY, primarily driven by an increase in the business size of subsidiary KUKA as a result of the worldwide economic recovery, the higher investment in industrial automation by downstream customers, and KUKA's efficiency reform.

4. Analysis of Non-Core Business

Applicable N/A

5. Assets and Liabilities

5.1 Material changes of asset items

Unit: RMB'000

	30 June 2021		31 December 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	63,426,726	16.68%	81,210,482	22.53%	-5.85%	
Accounts receivable	27,591,834	7.26%	22,978,363	6.38%	0.88%	
Inventories	34,499,525	9.07%	31,076,529	8.62%	0.45%	
Investment properties	899,282	0.24%	405,559	0.11%	0.12%	
Long-term equity investments	3,016,023	0.79%	2,901,337	0.81%	-0.02%	
Fixed assets	22,554,094	5.93%	22,239,214	6.17%	-0.24%	
Construction in progress	1,586,983	0.42%	1,477,302	0.41%	0.01%	
Right-of-use assets	2,142,567	0.56%	-	-	-	
Short-term borrowings	11,946,120	3.14%	9,943,929	2.76%	0.38%	
Contract liabilities	20,334,320	5.35%	18,400,922	5.11%	0.24%	
Long-term borrowings	49,389,407	12.99%	42,827,287	11.88%	1.11%	
Lease liabilities	1,430,257	0.38%	-	-	-	

5.2 Main assets overseas

Applicable N/A

5.3 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)	31,600,450	-715,334			1,554,137	24,021,419	-39,489	8,378,345
2. Derivative financial assets	1,188,428	-68,794	-436,761		45,101	44,681	-5,445	677,848
3. Other debt investments	35,358,011				3,895,395	7,579,333	484,565	32,158,638
4. Other investments in equity instruments	46,651		95				111	46,857
Sub-total of financial assets	68,193,540	-784,128	-436,666		5,494,633	31,645,433	439,742	41,261,688
Investment properties								
Productive living assets								
Others								
Sub-total of the above	68,193,540	-784,128	-436,666		5,494,633	31,645,433	439,742	41,261,688
Financial liabilities	180,736	77,393	-18,974				627	239,782

Note: "Other changes" in the table above are mainly caused by foreign currency translation.

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

Yes No

5.4 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.

6. Investment Made

6.1 Total investment amount

Applicable N/A

Total investment amount of the Reporting Period (RMB'000)	Total investment amount of the same period of last year (RMB'000)	YoY Change (%)
70,538,082	85,512,588	-17.51%

6.2 Significant equity investment made in the Reporting Period

Applicable N/A

6.3 Significant non-equity investments ongoing in the Reporting Period

Applicable N/A

6.4 Financial investments

6.4.1 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	769,972	Fair value method	1,676,547	-309,991	-18,586	-	-	-309,991	1,347,970	Financial assets held for trading	Own funds
Overseas	DNK	Danke	172,190	Fair value	35,126	-34,821	-305	-	-	-34,821	-	Financial	Own fund

listed stock				method								Assets held for trading	
Domestically listed stock	688018	Espressif Systems	13,998	Fair value method	128,032	-100,815	-	-	-150,665	36,840	14,207	Financial assets held for trading	Own funds
Domestically listed stock	688165	EFORT	178,534	Fair value method	475,260	-73,336	-	-	-	-73,336	401,924	Financial assets held for trading	Own funds
Total			1,134,694	--	2,314,965	-518,963	-18,891	-	-150,665	-381,308	1,764,101	-	--

6.4.2 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/losses in Reporting Period
Futur	No	No	Futur	105	01/01/2	31/12/	105	-	-	-	-111,294	-0.0983%	24,571

es comp any			es contra cts		021	2021							
Bank	No	No	FX deriva tives	1,007,587	01/01/2 021	31/12/ 2021	1,007,587	45,101	44,681	-	549,360	0.4851%	868,272
Total				1,007,692	--	--	1,007,692	45,101	44,681	-	438,066	0.3868%	892,843
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)				30/04/2021									
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)				-									
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 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>
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	<ol style="list-style-type: none"> 1. Gain from futures contracts during the Reporting Period was RMB24,571 million. 2. Gain from FX derivatives during the Reporting Period was RMB868.272 million. 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.
Explanation of significant changes in accounting policies and specific financial accounting principles in respect of the	No change

Company's derivatives for the Reporting Period as compared to the previous Reporting Period	
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	The Company's independent directors are of the view that the futures hedging business is an effective instrument for the Company to eliminate price volatility and implement risk prevention measures through enhanced internal control, thereby improving the operation and management of the Company; the Company's foreign exchange risk management capability can be further improved through the forex funds business, so as to maintain and increase the value of foreign exchange assets and the abovementioned investment in derivatives can help the Company to fully bring out its competitive advantages. Therefore, it is practicable for the Company to carry out derivatives investment business, and the risks are controllable.

7. Sale of Major Assets and Equity Interests

7.1 Sale of major assets

Applicable N/A

No such cases in the Reporting Period.

7.2 Sale of major equity interests

Applicable N/A

8. Analysis of Major Subsidiaries

Applicable N/A

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

(in RMB million)

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	19,193	7,198	8,282	926	812
Wuxi Little Swan Electric Co., Ltd.	Subsidiary	Manufacturing of laundry appliances	RMB100 million	17,862	5,046	11,033	1,264	1,203

Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD42 million	16,149	8,005	4,643	482	405
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	Subsidiary	Manufacturing of water heaters	RMB60 million	16,067	1,903	7,485	795	723

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable N/A

The detailed information of major subsidiaries included in the consolidation scope in the current period is set out in Notes 5 and 6. Entities newly included in the consolidation scope in the current period through acquisition include Hitachi Compressor (Thailand) Ltd., Beijing Wandong Medical Technology Co., Ltd. and its subsidiaries (please refer to Note 5(1), while details of those through incorporation can be found in Note 5(2)(a). The detailed information of subsidiaries no longer included in the consolidation scope in the current period is set out in Note 5(2)(b).

Particulars about major subsidiaries

N/A

9. Structured Bodies Controlled by the Company

Applicable N/A

10. Risks Faced by the Company and Countermeasures

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 the second half of 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.

Section IV Corporate Governance

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

1.1 General meetings of shareholders convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Resolution of the meeting
First Extraordinary General Meeting of Shareholders of 2021	Extraordinary	55.60%	25 January 2021	26 January 2021	Announcement No. 2021-007 on Resolutions of First Extraordinary General Meeting of Shareholders of 2021, disclosed on www.cninfo.com.cn
2020 Annual General Meeting of Shareholders	Annual	53.44%	21 May 2021	22 May 2021	Announcement No. 2021-045 on Resolutions of 2020 Annual General Meeting of Shareholders, disclosed on www.cninfo.com.cn
Second Extraordinary General Meeting of Shareholders of 2021	Extraordinary	57.75%	25 June 2021	26 June 2021	Announcement No. 2020-076 on Resolutions of Second Extraordinary General Meeting of Shareholders of 2021, disclosed on www.cninfo.com.cn

1.2 Extraordinary general meetings of shareholders convened at the request of preference shareholders with resumed voting rights

Applicable N/A

2. Changes in Directors, Supervisors and Senior Management

Applicable N/A

Name	Office title	Type of change	Date	Reason
Xiao Mingguang	Vice President	Dismissed	30 April 2021	Job change
Liu Min	Vice President	Former	1 June 2021	Personal reason
Cai Weiding	Chief Financial Officer	Appointed	20 April 2021	Senior management appointment

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

Applicable N/A

The Company plans not to distribute cash dividends or bonus shares or convert capital reserves into share capital for the first half of 2021.

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

Applicable N/A

A. Overview of the Third Stock Option Incentive Scheme

a. The Company convened the 34th Meeting of the 3rd Board of Directors on 4 June 2021, at which the Proposal for the Adjustment to the Exercise Price for the Third Stock Option Incentive Scheme was approved. As the 2020 Annual Profit Distribution had been carried out, the exercise price for the Third Stock Option Incentive Scheme was revised from RMB16.26 to RMB14.69 per share.

During the Reporting Period, 10,522,746 shares were exercised under the Third Stock Option Incentive Scheme.

B. Overview of the Fourth Stock Option Incentive Scheme

During the Reporting Period, 7,616,624 shares were exercised under the Fourth Stock Option Incentive Scheme.

C. Overview of the Fifth Stock Option Incentive Scheme

a. The Company convened the 32nd Meeting of the 3rd Board of Directors on 28 April 2021, at which the Proposal for the Adjustments to the Incentive Recipients and Their Exercisable Stock Options for the Fifth Stock Option Incentive Scheme was approved. It was agreed to adjust the incentive recipients and their exercisable stock options with respect to the reserved stock options under the Fifth Stock Option Incentive Scheme due to the resignation, low individual or business division performance appraisals or other factors of some incentive recipients. Upon the adjustments, the number of locked-up reserved stock options granted to them was reduced from 5,340,000 to 4,270,250.

The Proposal for Matters Related to the Stock Option Exercise for the First Exercise Period for the Reserved Stock Options of the Fifth Stock Option Incentive Scheme was also approved. A total of 74 incentive recipients who are eligible for the Fifth Stock Option Incentive Scheme have been allowed to exercise 1,000,250 stock options in the first exercise period (ended 10 March 2022).

b. The Company convened the 34th Meeting of the 3rd Board of Directors, at which the Proposal for the Retirement of Unexercised Stock Options in the First Grant under the Fifth Stock Option Incentive Scheme upon Expiry was approved. As the first exercise period for the first grant under the Fifth Stock Option Incentive Scheme expired on 6 May 2021, the Board of Directors of the Company agreed to retire the 5,000 stock options that had been previously granted to Votadoro Giusepp but were unexercised upon expiry.

c. The Proposal for the Adjustment to the Exercise Price for the Fifth Stock Option Incentive Scheme was also approved. As the 2020 Annual Profit Distribution had been carried out, the exercise price for the first grant was revised from RMB53.45 to RMB51.88 per share, and the exercise price for the reserved stock options from RMB44.28 to RMB42.71 per share.

d. The Proposal for the Adjustments to the Incentive Recipients and Their Exercisable Stock Options for the First Grant of the Fifth Stock Option Incentive Scheme was also approved. It was agreed to adjust the incentive recipients and their exercisable stock options under the Fifth Stock Option Incentive Scheme due to the resignation, being reassigned, 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 in the first grant of the Fifth Stock Option Incentive Scheme was reduced from 31,860,000 to 29,267,000.

e. The Proposal for Matters Related to the Stock Option Exercise for the Second Exercise Period of the First Grant of the Fifth Stock Option Incentive Scheme was also approved. A total of 1,015 incentive recipients who are eligible for the Fifth Stock Option Incentive Scheme have been allowed to exercise 8,931,000 stock options in the second exercise period (ended 6 May 2022).

During the Reporting Period, 2,507,611 shares were exercised with respect to the first grant under the Fifth Stock Option Incentive Scheme.

During the Reporting Period, 95,588 shares were exercised with respect to the reserved stock options under the Fifth Stock Option Incentive Scheme.

D. Overview of the Sixth Stock Option Incentive Scheme

a. The Company convened the 34th Meeting of the 3rd Board of Directors, at which the Proposal for the Adjustment to the Exercise Price for the Sixth Stock Option Incentive Scheme was approved. As the 2020 Annual Profit Distribution had been carried out, the exercise price for the Sixth Stock Option Incentive Scheme was revised from RMB51.28 to RMB49.71 per share.

b. The Proposal for the Adjustments to the Incentive Recipients and Their Exercisable Stock Options for the Sixth Stock Option Incentive Scheme was also approved. It was agreed to adjust the incentive recipients and their exercisable stock options under the Sixth Stock Option Incentive Scheme due to the resignation, low business division performance appraisals, low individual performance appraisals, being reassigned or other factors of some incentive recipients. Upon the adjustments, the number of locked-up stock options granted to them was reduced from 46,540,000 to 38,963,250.

c. The Proposal for Matters Related to the Stock Option Exercise for the First Exercise Period of the Sixth Stock Option Incentive Scheme was also approved. A total of 965 incentive recipients who are eligible for the Sixth Stock Option Incentive Scheme have been allowed to exercise 8,708,250 stock

options in the first exercise period (ended 27 May 2022).

E. Overview of the Seventh Stock Option Incentive Scheme

a. The Company convened the 34th Meeting of the 3rd Board of Directors, at which the Proposal for the Adjustment to the Exercise Price for the Seventh Stock Option Incentive Scheme was approved. As the 2020 Annual Profit Distribution had been carried out, the exercise price for the Seventh Stock Option Incentive Scheme was revised from RMB50.43 to RMB48.86 per share.

b. The Proposal for the Adjustments to the Incentive Recipients and Their Exercisable Stock Options for the Seventh Stock Option Incentive Scheme was also approved. It was agreed to adjust the incentive recipients and their exercisable stock options under the Seventh Stock Option Incentive Scheme due to the resignation, low business division performance appraisals, low individual performance appraisals, being reassigned or other factors of some incentive recipients. Upon the adjustments, the number of locked-up stock options granted to them was reduced from 65,020,000 to 59,663,000.

c. The Proposal for Matters Related to the Stock Option Exercise for the First Exercise Period of the Seventh Stock Option Incentive Scheme was also approved. A total of 1,309 incentive recipients who are eligible for the Seventh Stock Option Incentive Scheme have been allowed to exercise 10,223,000 stock options in the first exercise period (ended 3 June 2022).

F. Overview of the Eighth Stock Option Incentive Scheme

a. The Proposal on the Eighth Stock Option Incentive Scheme (Draft) and its Abstract was approved at the 32rd Meeting of the 3rd Board of Directors and the 2020 Annual General Meeting of Shareholders, and the incentive recipient list for the Eighth Stock Option Incentive Scheme (Draft) was reviewed at the 21st Meeting of the 3rd Supervisory Committee.

b. On 14 July 2021, the Company granted 81,740,000 stock options to 1,885 incentive recipients with the exercise price being RMB81.41 per share.

G. Overview of the 2017 Restricted Share Incentive Scheme

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2017 Restricted Share Incentive Scheme was approved at the 28th Meeting of the 3rd Board of Directors. As such, it was agreed to repurchase and retire 32,917 restricted shares that had been granted to 2 personnel but were still in lockup, for the reasons of their resignation, being reassigned or other factors. The said retirement of shares was completed on 24 May 2021.

b. The Proposal on the Satisfaction of the Conditions for the Third Unlocking Period for the Reserved Restricted Shares of the 2017 Restricted Share Incentive Scheme was also approved. A total of 39 personnel were eligible for this unlocking, with 1,292,083 restricted shares (0.02% of the Company's total existing share capital) unlocked and allowed for public trading on 8 February 2021, of which senior management Xiao Mingguang unlocked 50,000 shares.

H. Overview of the 2018 Restricted Share Incentive Scheme

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme was approved at the 28th Meeting of the 3rd Board of Directors. As such, it was agreed to repurchase and retire 1,009,501 restricted shares that had been granted to 22 personnel but were still in lockup, for the reasons of their resignation, being reassigned, violation of the "Red Lines" of the Company or other factors. The said retirement of shares was completed on 24 May 2021.

b. The Company convened the 32nd Meeting of the 3rd Board of Directors, at which the Proposal on the Satisfaction of the Conditions for the First Unlocking Period for the Reserved Restricted Shares of the 2018 Restricted Share Incentive Scheme was approved. A total of 24 personnel were eligible for this unlocking, with 403,249 restricted shares (0.0057% of the Company's total existing share capital) unlocked and allowed for public trading on 4 June 2021.

c. The Company convened the 34th Meeting of the 3rd Board of Directors, at which the Proposal for the Adjustment to the Repurchase Price for the 2018 Restricted Share Incentive Scheme was approved. As the 2020 Annual Profit Distribution had been carried out, the repurchase price for the first grant was revised from RMB24.68 to RMB23.11 per share, and the repurchase price for the reserved restricted

shares from RMB20.70 to RMB19.13 per share.

d. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme was also approved. As such, it was agreed to repurchase and retire 761,121 restricted shares that had been granted to 67 personnel but were still in lockup, for the reasons of their resignation, being reassigned, low individual or business division performance appraisals for 2020 or other factors.

e. The Proposal on the Satisfaction of the Conditions for the Second Unlocking Period for the First Grant of the 2018 Restricted Share Incentive Scheme was also approved. A total of 209 personnel were eligible for this unlocking, with 3,043,254 restricted shares (0.0432% of the Company's total existing share capital) unlocked and allowed for public trading on 30 June 2021, of which senior management Hu Ziqiang, Zhang Xiaoyi and Zhong Zheng unlocked 25,000, 25,000 and 20,000 shares, respectively.

I. Overview of the 2019 Restricted Share Incentive Scheme

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme was approved at the 28th Meeting of the 3rd Board of Directors. As such, it was agreed to repurchase and retire 1,043,958 restricted shares that had been granted to 15 personnel but were still in lockup, for the reasons of their resignation, being reassigned, violation of the "Red Lines" of the Company or other factors. The said retirement of shares was completed on 24 May 2021.

b. The Company convened the 34th Meeting of the 3rd Board of Directors, at which the Proposal for the Adjustment to the Repurchase Price for the 2019 Restricted Share Incentive Scheme was approved. As the 2020 Annual Profit Distribution had been carried out, the repurchase price was revised from RMB24.20 to RMB22.63 per share.

c. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme was also approved. As such, it was agreed to repurchase and retire 941,788 restricted shares that had been granted to 92 personnel but were still in lockup, for the reasons of their resignation, being reassigned, low individual or business division performance appraisals for

2020, violation of the “Red Lines” of the Company or other factors.

d. The Proposal on the Satisfaction of the Conditions for the First Unlocking Period of the 2019 Restricted Share Incentive Scheme was also approved. A total of 363 personnel were eligible for this unlocking, with 5,654,629 restricted shares (0.0802% of the Company’s total existing share capital) unlocked and allowed for public trading on 13 July 2021, of which senior management Wang Jinliang unlocked 30,000 shares.

J. Overview of the 2020 Restricted Share Incentive Scheme

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2020 Restricted Share Incentive Scheme was approved at the 28th Meeting of the 3rd Board of Directors. As such, it was agreed to repurchase and retire 440,374 restricted shares that had been granted to 11 personnel but were still in lockup, for the reasons of their resignation, being reassigned, violation of the “Red Lines” of the Company or other factors. The said retirement of shares was completed on 24 May 2021.

b. The Company convened the 34th Meeting of the 3rd Board of Directors, at which the Proposal for the Adjustment to the Repurchase Price for the 2020 Restricted Share Incentive Scheme was approved. As the 2020 Annual Profit Distribution had been carried out, the repurchase price was revised from RMB24.42 to RMB22.85 per share.

c. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2020 Restricted Share Incentive Scheme was also approved. As such, it was agreed to repurchase and retire 1,643,164 restricted shares that had been granted to 263 personnel but were still in lockup, for the reasons of their resignation, being reassigned, low individual or business division performance appraisals for 2020, violation of the “Red Lines” of the Company or other factors.

d. The Proposal on the Satisfaction of the Conditions for the First Unlocking Period of the 2020 Restricted Share Incentive Scheme was also approved. A total of 487 personnel were eligible for this unlocking, with 5,488,962 restricted shares (0.0778% of the Company’s total existing share capital) unlocked and allowed for public trading on 20 July 2021, of which senior management Wang Jinliang

and Li Guolin unlocked 24,000 and 20,000 shares, respectively.

K. Overview of the 2021 Restricted Share Incentive Scheme

a. The Proposal on the 2021 Restricted Share Incentive Scheme (Draft) and its Abstract was approved at the 32rd Meeting of the 3rd Board of Directors and the 2020 Annual General Meeting of Shareholders, and the incentive recipient list for the 2021 Restricted Share Incentive Scheme (Draft) was reviewed at the 21st Meeting of the 3rd Supervisory Committee.

b. On 16 July 2021, the Company granted 9,940,000 restricted shares to 139 incentive recipients with the grant price being RMB39.92 per share, of which senior management Wang Jinliang, Li Guolin and Jiang Peng were granted 100,000, 100,000 and 80,000 shares, respectively.

L. Overview of the Third Global Partner Stock Ownership Scheme

a. The Proposal on the Extended Duration of the Third Global Partner Stock Ownership Scheme was approved at the 30th Meeting of the 3rd Board of Directors on 22 February 2021. 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 29 March 2022.

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 0.0404% 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, a total of 1,552,970 shares had been vested in the Company's incumbent senior management (Fang Hongbo, Yin Bitong, Wang Jianguo, Gu Yanmin, and Li Guolin), and a total of 677,742 shares had been vested in other incentive recipients, totaling 2,230,712 shares. The remaining unvested 1,087,828 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 0.0470% 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, a total of 98,190 shares had been vested in the Company's incumbent senior management (Hu Ziqiang, Zhang Xiaoyi and Jiang Peng), and a total of 863,057 shares had been vested in other incentive recipients, totaling 961,247 shares. The remaining unvested 818,053 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 1,779,300 shares were held under the First Business Partner Stock Ownership Scheme, representing 0.0252% of the Company's total share capital.

O. Overview of the Fifth Global Partner Stock Ownership Scheme

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 0.0529% of the Company's total share capital.

P. Overview of the Second Business Partner Stock Ownership Scheme

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 0.0265% of the Company's total share capital.

Q. Overview of the Sixth Global Partner Stock Ownership Scheme

a. The Company's 2020 annual performance requirement for the Sixth Global Partner Stock Ownership Scheme has been met. A total of 3,172,561 shares were to be granted (2,058,993 shares for senior management Fang Hongbo, Yin Bitong, Gu Yanmin, Wang Jianguo and Zhang Xiaoyi, and the other 1,113,568 shares for other core management personnel).

b. According to the business division, business entity and individual performance appraisals for 2020,

the first 40% installment of shares under the Sixth Global Partner Stock Ownership Scheme had been vested. A total of 760,569 shares had been vested in the Company's incumbent senior management (Fang Hongbo, Yin Bitong, Gu Yanmin, Wang Jianguo and Zhang Xiaoyi), and a total of 376,557 shares had been vested in other incentive recipients, totaling 1,137,126 shares.

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 Company's 2020 annual performance requirement for the Third Business Partner Stock Ownership Scheme has been met. A total of 1,819,677 shares were to be granted (199,514 shares for senior management Wang Jinliang, Jiang Peng, Zhong Zheng and Li Guolin, and the other 1,620,163 shares for other core management personnel).

b. According to the business division, business entity and individual performance appraisals for 2020, the first 20% installment of shares under the Third Business Partner Stock Ownership Scheme had been vested. A total of 39,903 shares had been vested in the Company's incumbent senior management (Wang Jinliang, Jiang Peng, Zhong Zheng and Li Guolin), and a total of 268,877 shares had been vested in other incentive recipients, totaling 308,779 shares.

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 0.0266% of the Company's total share capital.

S. Overview of the Seventh Global Partner Stock Ownership Scheme

a. The Seventh Global Partner Stock Ownership Scheme was approved at the 32nd Meeting of the 3rd Board of Directors and the 2020 Annual General Meeting of Shareholders. The Company opened the securities account No. 0899282686 of "Midea Group Co., Ltd.— the Seventh Global Partner Stock Ownership Scheme" for the management of the shares under this scheme.

b. The Seventh Global Partner Stock Ownership Scheme was funded by the Company's special fund of

RMB201.50 million. With an average price of RMB82.70/share for transferring the shares in the special account for repurchased shares to the securities account of the Seventh Global Partner Stock Ownership Scheme, 2,436,518 shares were transferred from the special account for repurchased shares to the securities account of the Seventh Global Partner Stock Ownership Scheme in a non-transaction transfer on 4 August 2021.

As of the date of this Report, a total of 2,436,518 shares were held under the Seventh Global Partner Stock Ownership Scheme, representing 0.0345% of the Company's total share capital.

T. Overview of the Fourth Business Partner Stock Ownership Scheme

a. The Fourth Business Partner Stock Ownership Scheme was approved at the 32nd Meeting of the 3rd Board of Directors and the 2020 Annual General Meeting of Shareholders. The Company opened the securities account No. 0899282688 of "Midea Group Co., Ltd.— the Fourth Business Partner Stock Ownership Scheme" for the management of the shares under this scheme.

b. The Fourth Business Partner Stock Ownership Scheme was funded by the Company's special fund and part of the performance bonuses for senior management of RMB164.21 million. With an average price of RMB82.70/share for transferring the shares in the special account for repurchased shares to the securities account of the Fourth Business Partner Stock Ownership Scheme, 1,985,611 shares were transferred from the special account for repurchased shares to the securities account of the Fourth Business Partner Stock Ownership Scheme in a non-transaction transfer on 12 August 2021.

As of the date of this Report, a total of 1,985,611 shares were held under the Fourth Business Partner Stock Ownership Scheme, representing 0.0282% of the Company's total share capital.

Section V Environmental and Social Responsibility

1. Major Environmental Issues

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

Yes No

Name of the Company or subsidiary	Major pollutants	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Concentration of the discharge	Pollutant discharge standards	Total discharge (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	70 mg/L	The Discharge Limits of Water Pollutants in Guangdong (DB44/26- 2001) chart 4 type 2 pollutant (time period 2) third-level	0.126	0.288	No
	Ammonia nitrogen				1.85 mg/L		0.0033	0.0576	No
	SS				7 mg/L		0.0126	/	No
	BOD				17.2 mg/L		0.0310	/	No
	Petroleum				1.18 mg/L		0.0021	/	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	0.001 mg/m ³	Table 1 of Emission Standard of Volatile Organic Compounds for Furniture Manufacturing in Guangdong (DB44/814-2010) Discharge Limits for VOCs through Exhaust Funnel/for Time Period II	0.01	/	No
	Toluene and xylene				2.13 mg/ m ³		0.09	/	No
	VOCs				3.96 mg/ m ³		0.167	/	No

Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd. (the Range Hood and Stove Park)	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The northeastern side of 2# plant in the Third Industrial Zone	52 mg/ L	The Discharge Standard of Water Pollutants for Electroplating in Guangdong (DB441597- 2015) Table 1 Emission limits for water pollutants from existing project	0.7848	2.41	No	
	Ammonia nitrogen				0.315 mg/ L		0.0048	0.45	No	
	SS				8 mg/ L		0.1207	/	No	
	Petroleum				1.1 mg/ L		0.0166	/	No	
	Benzene	High altitude discharge after being treated by waste gas treatment station	1	The eastern sides of 2# plant in the Third Industrial Zone	0.01 mg/ m ³	Table 2 of Emission Standard of Volatile Organic Compounds for Printing Industry in Guangdong (DB44/815-2010) Discharge Limits for VOCs through Exhaust Funnel/Scree Printing Discharge Limits for Time Period II	0.01	/	No	
	Toluene and xylene				0.13 mg/ m ³		0.0343	/	No	
	VOCS				1.39 mg/ m ³		0.2522	/	No	
	Soot				7.5 mg/ m ³		For sulfur dioxide and nitrogen oxide, Table 2 of the Guangdong Province Emission Limits of Air Pollutants (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2; for soot, Table 2 of Emission Limits of Air Pollutants from Industrial Furnaces (GB9078-1996): Heating Furnace/Level 2	0.035	/	No
	Sulfur dioxide				3 mg/ m ³			0.0145	0.114	No
	Nitrogen oxide				28 mg/ m ³			0.1312	0.726	No
Wuhu Midea Kitchen &	COD				Discharge after being		1	Western gate of	161 mg/L	Integrated wastewater

Bath Appliances Mfg. Co., Ltd.	Ammonia nitrogen	treated by wastewater treatment system and reaching the standard		the Wuhu plant	7.42 mg/ L	discharge standard (GB8978-1996)	1.37	/	No
	BOD5			25 mg/ L	6.11		/	No	
	Petroleum			5.77 mg/ L	1.41		/	No	
	Total phosphorus			0.70 mg/m ³	0.17		/	No	
	Fluoride			1.44 mg/m ³	0.35		/	No	
	Soot	15m high altitude discharge	45	Plants at each workshop	<20 mg/m ³	Emission standard of air pollutants for boiler (GB13271-2014)	0.0010	/	No
	Sulfur dioxide				<50 mg/m ³		0.80	/	No
	Nitrogen oxide				<150 mg/m ³		1.19	/	No
	Soot	High altitude discharge after being treated by waste gas treatment station	45	Plants at each workshop	<50 mg/m ³	Integrated emission standards for atmospheric pollutants (GB16297-1996)	7.25	/	No
	Xylene				<10 mg/m ³		Not detected	/	No
VOCs	<20 mg/m ³				Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13-2322- 2016)	0.41	/	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 mg/ L	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 mg/ L		0.0807	/	No

	NMHC	RTO equipment	1	1 set at the northeastern side of 3# plant	5.71 mg/m ³	Integrated Emission Standards for Atmospheric Pollutants GB16297-1996 second-level	0.286	/	No
		Condensation + degreasing + filtering+ activated carbon + catalytic combustion equipment	1	1 set at the southwestern side of 4# plant	4.91 mg/m ³		0.633		
		Water spraying + activated carbon equipment	3	2 sets at 1# plant and 1 set at 2# plant	6.82 mg/m ³		0.226		
		UV + activated carbon equipment	1	1 set at the eastern side of 2# plant	4.71 mg/m ³		0.198		
	Particles	Filter cartridge dust collector	3	2 at 2# plant and 1 at 4# plant	<30 mg/m ³		4.9		
Hefei Midea Laundry Appliance Co., Ltd. (monitored by the municipal government)	COD	Discharge after being treated by wastewater treatment station	1	The eastern side of wastewater treatment station	35 mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and Integrated Wastewater Discharge Standard (GB8978-1996) third-level	5.19	58.150	No
	Ammonia nitrogen			The eastern side of wastewater treatment station	1.5 mg/L		0.58		/

	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 mg/m ³	Table 5 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Special Emission Limit Requirements	0.18	/	No
	Particles	15m high altitude discharge after being treated by water spraying + dedusting+ UV photolysis + activated carbon	1	1 outlet at 3# plant	<20 mg/m ³		1.07	/	No
	NMHC				1.46 mg/m ³		0.11	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	3	1 outlet at 2# plant	2.25 mg/m ³		0.13	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	6	Six pieces of Plant No. 6	1.11 mg/m ³		0.18	/	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 mg/m ³		0.16	/	No

	NMHC	15m high altitude discharge after being treated by photocatalyst and activated carbon	1	1 outlet at 3# plant	4.3 mg/m ³		0.20	/	No
GD Midea Air-Conditioning Equipment Co., Ltd.	COD	Discharge after being treated by wastewater treatment station	1	The southeastern side of 4# plant	89 mg/L	The Discharge Standard of Water Pollutants for Electroplating (DB441597-2015) chart 2 PRD standard	3.46	9.59	No
	Ammonia nitrogen				1.75 mg/L		0.8	1.510	No
	SS				19 mg/L		1.78	/	No
	Petroleum				3.63 mg/L		0.34	/	No
	COD	Discharge after being treated by wastewater treatment station	1	The eastern side of 2# plan	79 mg/L	The Discharge Limits of Water Pollutants (DB44/26-2001)	1.4	9.59	No
	SS				51 mg/L		0.8	/	No
	Ammonia nitrogen				3.9 mg/L		1.22	/	No
	Petroleum				6.22 mg/L		1.94	/	No
	VOCs (dusting)	15m high altitude discharge after being treated by spray tower + activated carbon	3	4# plant	11 mg/m ³	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	1.03	/	No
	VOCs (Screen Printing)	15m high altitude discharge after being treated by environmental protection equipment	4	1#, 5#, 9#, 11# plants	1.79 mg/m ³	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)	0.112		No

	VOCs (electronic)	15m high altitude discharge after being treated by environmental protection equipment	2	10# plants	26.7 mg/m ³	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)	0.92		No
	NMHC (evaporator & condenser)	15m high altitude discharge after being treated by environmental protection equipment	6	2#, 5# plants	30 mg/m ³	Emission Limits of Air Pollutants (DB44/27- 2001) the second time period	7.5	/	No
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	COD	Discharge after being treated by wastewater treatment station	1	The northern side of the park	35 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996) chart 4 third-level	11.66	/	No
	SS				50 mg/L		12.7	/	No
	BOD				9 mg/L		2.3	/	No
	Ammonia nitrogen				35 mg/L		9.6	/	No
	Petroleum				0.5 mg/L		0.1	/	No
	Particles	15m high altitude discharge after being treated by environmental protection equipment	5	2# plant	<20 mg/m ³	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	1.52	/	No
	VOCs		8	2#, 3# plants	19 mg/m ³	Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13-2322- 2016)	14.9	/	No
	NOX		3	3# plant	17 mg/m ³	Integrated Emission Standards	1.22	/	No

	SO ₂		3	3# plant	8 mg/m ³	for Atmospheric Pollutants (GB16297-1996)	0.45	/	No
Guangdong Meizhi Precision-Manufacturing Co., Ltd.	COD	Discharge after being treated by wastewater treatment station	1	Near the wastewater treatment station in the north side of the plant	19.38 mg/L	The discharge limits of water pollutants in Guangdong DB-44/26- 2001 the second time period first-level	3.644	16.28	No
	Ammonia nitrogen				0.43 mg/L		0.105	2.034	No
Guangdong Meizhi Compressor Limited	COD	Discharge after being treated by wastewater treatment station	1	Near the wastewater treatment station in the north side of the plant	36 mg/L	The discharge standard of water pollutants for electroplating DB-441597-2015, before 1 September 2012	3.398	6.046	No
	Ammonia nitrogen				0.276 mg/L		0.026	0.756	No
Foshan Shunde Midea Electrical Heating Appliances Manufacturing 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	35 mg/L	The Discharge Standard of Water Pollutants for Electroplating (DB44/1597-2015)	2.413	15.304	No
	Petroleum				0.09 mg/L		0.006	/	No
	Ammonia nitrogen				6.73 mg/L		0.468	1.913	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	0.32 mg/m ³	Table 1 of the Discharge Standard of Volatile Organic Chemical Compounds in the Furniture Making Industry	0.2909	/	No

	VOCs	High altitude discharge after being treated by waste gas treatment station		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	6.03 mg/m ³	(DB44/814-2010):Discharge Limits for VOCs through Exhaust Funnel/for Time Period II	5.486	22.72	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	1.8 mg/m ³	Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Emission Limits of Air Pollutants	0.58	/	No
	Particles	Pulse bag dust collecting	4	Outlets 1 and 2 of sanding waste gas at 3# plant, outlets 1 and 2 of polishing waste gas at 3# plant	12.51 mg/m ³	Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2	1.7358	/	No
	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	2	Oxidation wire roof of 3# plant	3 mg/m ³		0.0083	3.8231	No
	Nitrogen oxide			Drying furnace of 3# plan	3 mg/m ³		0.3305	13.132	No

	Cooking fume	Discharge after being treated by waste gas treatment station	2	South and north section canteens	1.25 mg/m ³	Emission Standard of Cooking Fume (Trial) (GB 18483-2001)	0.3332	/	No
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	CODcr	Discharge after being treated by wastewater treatment system and reaching the standard	1	Sewage treatment station	34	The Discharge Standard of Water Pollutants for Electroplating (DB44/1597-2015)	1.262	4.8	No
	Petroleum				0.06		0.0022	/	No
	ss				9		0.3411	/	No
	Ammonia nitrogen				6.587		0.2456	0.96	No
	Benzene	High altitude discharge after being treated by waste gas treatment station	1	Spraying waste gas outlet at 1# plant	0.04 mg/m ³	Table 1 of the Discharge Standard of Volatile Organic Chemical Compounds in the Furniture Making Industry (DB44/814-2010):Discharge Limits for VOCs through Exhaust Funnel/for Time Period II	0.00148	/	No
	Toluene	High altitude discharge after being treated by waste gas treatment station			0.39 mg/m ³		0.015	/	No
	Xylene	High altitude discharge after being treated by waste gas treatment station			3.17 mg/m ³		0.14025	/	No
	Toluene and xylene	High altitude discharge after being treated by waste gas treatment station			3.61 mg/m ³		0.157045	/	No

	VOCs	High altitude discharge after being treated by waste gas treatment station			22.03 mg/m ³		0.2886	0.61	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	1.335 mg/m ³	Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Emission Limits of Air Pollutants	0.05124	0.104	No
	Particles	Pulse bag dust collecting	7	Sanding waste gas outlet at 1# plant, polishing waste gas outlet at 1# plant	10 mg/m ³	Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2 Emission Standard of Air Pollutants for Boiler (DB44/765-2019)	0.01708	/	No
	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	1	Drying furnace of 1# plan	<3 mg/m ³		0.01485	0.028	No
	Nitrogen oxide	High altitude discharge after being treated by waste gas treatment station			<3 mg/m ³		0.0708	0.131	No

	Cooking fume	Discharge after being treated by waste gas treatment station	1	Canteen of 1# plan	0.75 mg/m ³	Emission Standard of Cooking Fume (Trial) (GB 18483-2001)	0.01275	/	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	17 mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and integrated wastewater discharge standard (GB8978-1996) third-level	3.46	/	No
	Ammonia nitrogen				0.297 mg/L		0.11	/	No
	Particles	Collected by gas trap hood+15m high exhaust cylinder	13	No. 1 workshop welding soot discharge outlet for waste gas	<20 mg/m ³	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	4.902	65.45	No
				No. 3 workshop discharge outlet for the welding waste gas	<20 mg/m ³				
				Waste gas outlet of 1# heat-treating furnace at No. 2 workshop	<20 mg/m ³				

				Waste gas outlet of 2# heat-treating furnace at No. 2 workshop	<20 mg/m ³			
				Waste gas outlet for die casting at No. 2 workshop	<20 mg/m ³	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)		
				Waste gas outlet for die casting at No. 4 workshop	<20 mg/m ³	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996) Emission Standard of Air Pollutants for Industrial Kiln And Furnace (GB9078- 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 mg/m ³			
				Waste gas outlet of 2# heat-treating furnace at No. 4 workshop	<20 mg/m ³			
				Waste gas outlet for electrophoresis and drying at No. 1 workshop	<20 mg/m ³	Integrated emission standards for atmospheric pollutants (GB16297-1996)		

				Waste gas outlet for electrophoresis and drying at No. 3 workshop	<20 mg/m ³	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)			
				Waste gas outlet of 1#-3# furnaces	<20 mg/m ³	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 mg/m ³	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 mg/m ³	Air Pollutant Emission Standards (GB16297-1996) Standard Level II				
Outlet of 2# heat-treating furnace at No. 2 workshop				<3 mg/m ³					
Waste gas outlet for die casting at No. 2 workshop				<3 mg/m ³					
Outlet of 1# heat-treating furnace at No. 4 workshop				<3 mg/m ³					

				Outlet of 2# heat-treating furnace at No. 4 workshop	<3 mg/m ³				
				Waste gas outlet for die casting at No. 4 workshop	<3 mg/m ³				
	Nitrogen oxide	Collected by gas trap hood+15m high exhaust cylinder	9	Waste gas outlet of 1#-3# furnaces	36 mg/m ³	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 mg/m ³	Air Pollutant Emission Standards (GB16297-1996) Standard Level II				
Outlet of 2# heat-treating furnace at No. 2 workshop				<3 mg/m ³					
Waste gas outlet for die casting at No. 2 workshop				<3 mg/m ³					
Outlet of 1# heat-treating furnace at No. 4 workshop				<3 mg/m ³					

				Outlet of 2# heat-treating furnace at No. 4 workshop	<3 mg/m ³				
				Waste gas outlet for die casting at No. 4 workshop	<3 mg/m 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 mg/m ³	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 mg/m ³					
Die casting at No. 2 workshop				0.323 mg/m ³					
Die casting at No. 4 workshop				0.52 mg/m ³					
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	COD	Discharge to the municipal sewage system after being treated by wastewater treatment system	1	The eastern side of wastewater treatment station in Malong base	63 mg/L	The Discharge Limits Of Water Pollutants in Guangdong (DB-44/26- 201)	10.55	22.77	No
	Ammonia nitrogen				2.86 mg/L		0.321	4.554	No

	Particles	20m High altitude discharge	116	26 outlets at A1 plant, 50 outlets at A2 plant, 21 outlets at B2 plant, 9 outlets at C2 plant, 2 outlets at C3 plant, 1 outlet at wastewater treatment station and 7 outlets at canteen	15.2 mg/m ³	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)	9.90	/	No
	Sulfur dioxide				17 mg/m ³		0.00	1.055	No
	Nitrogen oxide				18 mg/m ³		1.93	10.314	No
	Benzene	High altitude discharge after being treated by waste gas treatment station			0.167 mg/m ³		0.02	/	No
	Toluene and xylene				7.2 mg/m ³		0.72	/	No
	VOCs				42 mg/m ³		16.38	/	No
	NMHC				4.32 mg/m ³		0.73	/	No
	Styrene				0.69 mg/m ³		0.07	/	No
	Cooking fume				1.35 mg/m ³		0.08	/	No
Foshan Welling Washer Motor Manufacturing Co., Ltd.	Benzene	Activated carbon + UV photolysis + catalytic combustion	1	Waste gas outlet near 2# plant	0 mg/m ³	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	0.00	/	No
	Toluene and xylene	Activated carbon + UV photolysis + catalytic combustion	1	Waste gas outlet near 2# plant	2.21 mg/m ³	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	0.31	/	No

	VOCs	Activated carbon + UV photolysis + catalytic combustion	1	Waste gas outlet near 2# plant	18.11 mg/m ³	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	2.70	17.83	No
	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 mg/m ³	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	4.8	23	No
	VOCs	Collected by gas trap hood+15m high exhaust cylinder	7	Waste gas outlets 1-7 of the die casting workshop	2.75 mg/m ³	Emission Standard of Air Pollutants for Industrial Kiln And Furnace (GB9078- 1996)	0.85	3.388	No
	VOCs	Activated carbon + UV photolysis	2	Exhaust funnels 1 and 2 for dip coating	26.1 mg/m ³	Hebei Province Standard DB13/2322-2016 The Concentration Limits at Emission Reference Point for Coating Operations	2.9	31	No
Welling (Wuhu) Motor Manufacturing Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	General wastewater outlet	80 mg/m ³	Integrated Wastewater Discharge Standard (GB8978-1996) chart 4 third-level	1.2096	/	No
	Ammonia nitrogen				20 mg/m ³		0.2592	/	No
	BOD				12.3 mg/m ³		1.0368	/	No
	SS				59 mg/m ³		0.864	/	No
	Petroleum				0.95 mg/m ³		0.0864	/	No

Anhui Meizhi Precision Manufacturing Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The south side of Building 6 for night shift at the north side of the plant area	400 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996) chart 4 third-level	116.08	/	No
	Ammonia nitrogen				17.46 mg/L		5.1	/	No
	BOD				134.7 mg/L		38.98	/	No
	SS				34 mg/L		10.10	/	No
	Petroleum				4.75 mg/L		1.4	/	No
	Particles	Collected by gas trap hood +21m high exhaust cylinder	9	1-8# welding waste gas outlets	0.168 mg/m ³	Integrated emission standards for atmospheric pollutants GB16297-1996, chart 2, level 2	1.4	/	No
				9#-10# welding waste gas outlets	9.45 mg/m ³				
				2# outlet of stator + rotor heat-treating furnace	20.2 mg/m ³	Emission standard of air pollutants for industrial kiln and furnace GB9078-1996, chart 2, level 2	1.14		No
				3# outlet of 2# stator heat-treating furnace	8.7 mg/m ³				
				1# outlet of stator + rotor heat-treating furnace	17.6 mg/m ³				
	Outlet at the head of 3# stator furnace	4.5 mg/m ³							

				Outlets at the head of 2# stator furnace and 4# rotor furnace	14.7 mg/m ³				
				Outlets at the tail of 3# and 4# stator furnaces and comprehensive outlet for 4 aluminum melting furnaces	19.67 mg/m ³				
				Waste gas outlet of aluminum melting furnace	1.54 mg/m ³				
	Sulfur dioxide	Collected by gas trap hood +21m high exhaust cylinder	2	1# outlet of heat-treating furnace	5.6 mg/m ³	Emission standard of air pollutants for industrial kiln and furnace GB9078-1996, chart 2, level 2	1.198	/	No
				2# outlet of heat-treating furnace	4.5 mg/m ³				
	Nitrogen oxide	Collected by gas trap hood +21m high exhaust cylinder	3	2# outlet of stator + rotor heat-treating furnace	11 mg/m ³		10.59	/	No

				3# outlet of 2# stator heat-treating furnace	15.2 mg/m ³				
				1# outlet of stator + rotor heat-treating furnace	12.1 mg/m ³				
	VOCs	Direct-fired waste gas incinerator+21m high exhaust cylinder	2	1# outlet for waste gas from drying	12 mg/m ³	Chart 1 of Hebei Province Standard—Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13/2322- 2016)	2.101	/	No
				9-10# outlets for waste gas from drying	25.3 mg/m 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	1.70 mg/m ³	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)	0.033562	/	No
		Dry filtering + natural gas direct combustion + 15m high altitude discharge	1	Outlet for waste gas from dip coating, drying and hardening	18.7 mg/m ³	Emission Standards for Odor Pollutants (GB14554- 93)	1.12324	3.42	No

		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	1	During the manual welding process	20.2 mg/m ³	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2	0.1923	/	No
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	3	During the wave soldering process (paste printing and wave reflow)	2.77 mg/m ³	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2	0.034	/	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	2.26 mg/m ³	Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015)	1.0236	/	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	22 mg/m ³	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2	3.17239	/	No
	Cooking fume	Water wash hood + electrostatic range hood + 15m high altitude discharge	7	Cooking fume outlet at canteen	0.43 mg/m ³	Emission Standard of Cooking Fume (GB 18483-2001)	0.09482	/	No
	Suspended solids	Oil separation and	1	Domestic	21 mg/L	Pollutants in urban wastewater	0.001512		

	COD	slagging - hydrolysis and acidification - contact oxidation - precipitation - disinfection		wastewater treatment station	70 mg/L	treatment plants Emission standard GB18918-2002	5.04	/	No
	Animal and vegetable oil				0.18 mg/L		0.01296	/	No
	Ammonia nitrogen (NH ₃ - N)				1.08 mg/L		0.07776	2.16	No
	PH value				7.27 mg/L		0.52344	/	No
	Five-day BOD				28 mg/L		2.016	/	No
	Total zinc	Coagulation and sedimentation + hydrolysis and acidification + aeration + biological tank + MBR + water reuse	1	Domestic wastewater treatment station	0.000744 mg/L	The discharge standard of water pollutants for electroplating (DB44/1597-2015)	0.0004	/	No
	COD				5.9 mg/L		3.35	/	No
	Suspended solids				23 mg/L		0.013	/	No
	PH value				7.22 mg/L		4.06	/	No
	Total phosphorus (in P)				0.032 mg/L		0.018	/	No
	Total aluminum				0.0194 mg/L		0.011	/	No
	Ammonia nitrogen (NH ₃ -N)				0.441 mg/L		0.25	1.724	No
	Total ferrum				0.00144 mg/L		0.00081	/	No
	Petroleum				0.39 mg/L		0.22	/	No
Hubei Midea Refrigerator	COD	Domestic sewage in	1	Domestic	55.9 mg/L	Integrated Wastewater	5.87	15	No

Co., Ltd.	Ammonia nitrogen	the plant is discharged to the municipal sewage system after being treated by the septic tank		sewage outlets at the plant	7.76 mg/L	Discharge Standard (GB8978-1996)	0.81	2.5	No
	BOD				24.4 mg/L		2.56	/	No
	SS				103.9 mg/L		10.9	/	No
	Animal and vegetable oil				1.58 mg/L		0.16	/	No
	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	93.5 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	1.65	15	No
	Ammonia nitrogen				4.03 mg/L		0.07	2.5	No
	BOD				23.9 mg/L		0.42	/	No
	SS				90 mg/L		1.59	/	No
	Animal and vegetable oil				0.83 mg/L		0.01	/	No
	Petroleum				2.01 mg/L		0.03	/	No
	NMHC	15m discharge after light and oxygen purification + activated carbon adsorption	1	First installation branch waste gas outlets	1.14 mg/m ³	Integrated Emission Standards For Atmospheric Pollutants (GB16297-1996)	0.13	/	No
			1	Second installation branch waste gas outlets	0.81 mg/m ³		0.08	/	No
			1	Injection molding workshop waste gas outlets	1.57 mg/m ³		0.18	/	No

	NMHC	15m high altitude discharge after dry filtration +light and oxygen purification + activated carbon	1	Extrusion workshop waste gas outlets	1.50 mg/m ³		0.15	/	No
	NMHC	15m high altitude emission	8	Cold cabinet branch waste	1.02 mg/m ³		0.06	/	No
	Particles		1	gas outlets	<20 mg/m ³		0.02	/	No
Wuxi Little Swan Electric Co., Ltd.	COD	Discharge to the municipal sewage system	1	Exit at the middle gate of the plant	98 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	30.5886	123.8994	No
	SS				50 mg/L		11.6494	87.2473	No
	Animal and vegetable oil				8.49 mg/L		0.7525	10.7034	No
	Total phosphorus				1.02 mg/L		0.3031	1.0701	No
	Total nitrogen				19.2 mg/L		3.4424	11.2612	No
	Ammonia nitrogen				10.6 mg/L		2.419	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 Control Standard for Industrial	0.1854	2.0696	No
	VOCS	Direct discharge			2.57 mg/m ³		0.6308	1.2218	No
	Sulfur dioxide				ND		0.0492	0.624	No

	Nitrogen oxide				35 mg/m ³	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)	0.4829	3.38	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	1.8 mg/m ³	Integrated Emission Standards for Atmospheric Pollutants (GB16297- 1996)	0.1	0.97	No
	NMHC			8# waste gas outlet: outside the reactor dip coating room	1.46 mg/m ³	Integrated Emission Standards for Atmospheric Pollutants (GB16297- 1996)	0.1	0.3078	No
	Styrene				0.017 mg/m ³	Emission Standards for Odor Pollutants (GB14554- 93)	0.001	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	7.26-7.31	Integrated Wastewater Discharge Standard GB8978-1996	/	/	No
	Suspended solids				34 mg/L		/	/	No
	Five-day COD				33.8 mg/L		/	/	No
	COD				142 mg/L		7.3	19.60	No
	Petroleum				2.52 mg/L		/	/	No
	Ammonia nitrogen				0.885 mg/L		0.007	1.764	No

	Fluoride				5.09 mg/L	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	/	/	No
	Total zinc				1.66 mg/L		/	/	No
	Particles	1. Water spraying + low-temperature plasma; direct-fired TO furnace	4	Northwestern corner of 1# plant; central 1# plan	0.654 mg/m ³		2.95	6.09	No
	Sulfur dioxide	2. Frame filtration + activated carbon	3	Northeastern corner of 3# plant	0.168 mg/m ³		0.76	1.56	No
	Nitrogen oxide	3. Frame filtration + Level 2 spraying + UV photolysis + carbon absorption	1	West Gate 2 of 4# plant	0.268 mg/m ³		1.56	5.9	No
VOCs	4. Activated carbon 5. RTO regenerative combustion	2	West Gate 2 of 5# plant, West Gate 1 of 5# plant	0.193 mg/m ³	1.04	11.44	No		
Toshiba HA Manufacturing (Nanhai) Co., Ltd.	COD	Discharge to municipal sewage network	1	Gate No.2 Exit of plant areas	9 mg/L	Discharge Limits of Water Pollutants (DB44/26-2001) of Guangdong Province Time Period 2, Level 3	1.114	/	No
	SS				1 mg/L		0.124	/	No
	Animal and vegetable oil				0.29 mg/L		0.036	/	No
	Ammonia nitrogen				0.3 mg/L		0.037	/	No
	Particles	High altitude	1	Power building	0.1 mg/m ³	Emission Standard of Air	0.0005	/	No

	SO ₂	discharge			<3 mg/m ³	Pollutants for Boiler in Guangdong (DB44765-2019)	/	0.4224	No
	NO _x				57 mg/m ³		0.277	1.9758	No
	VOCS	UV photolysis + activated carbon	6	Part Molding General assembly rework room Blister extruder	72.38 mg/m ³	Synthetic Resin Pollutants Emission Standards (GB31572-2015)/Guangdong Air Pollutant Emission Limits (DB44/27-2001)	6.875	13.0845	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	Anionic surfactants	Discharge after being treated by wastewater treatment system and reaching the standard	1	General sewage discharge exit of plant areas	0.81mg/L	GB/T4754-2011 Discharge standards of chemical park water pollutants	0.02	0.4936	No
	COD				147 mg/L		3.645	12.3809	No
	Suspended solids				7 mg/L		0.173	9.8857	No
	PH value				/		/	/	No
	Ammonia-nitrogen (NH ₃ -N)				5.9 mg/L		0.146	/	No
	Five-day BOD				57 mg/L		1.4134	7.4389	No
	Toluene	High altitude discharge after being treated by waste gas treatment station	4	No. 1 and No.4 workshops of plant	0.281 mg/m ³	GB30981-2020 Limit of harmful substances in industrial protective coatings	0.006429	8.7048	No
	Benzene				0.147 mg/m ³		0.0042	1.404	No
	NMHC				4.96 mg/m ³		0.32164	28.08	No
	Xylene				1.22 mg/m ³		0.08221	2.808	No
	Particles				17.3 mg/m ³		0.5055	2.2464	No

						DB50-418-2016 Integrated emission standards for atmospheric pollutants	4		
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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

As a member of the social family and a responsible enterprise, Midea Group has been strengthening its own environmental management capabilities and levels, preventing or mitigating the unfavorable environmental impacts brought about by its own activities, and enhancing the beneficial

environmental impacts on society in line with the policy and principles of sustainable development and responsibility for a long time through building and improving its environmental management system, adopting a systematic and scientific management approach. By integrating environmental management into the enterprise's operating activity procedure, strategic direction and decision making procedure, Midea Group has used tools and methods to identify the environmental risks and opportunities in the process of business development, and fully implemented the PDCA-based model of planning, process implementation and monitoring, and continuous improvement to achieve good environmental performance.

A. The Group established an online library of laws and regulation, updated and identified relevant environmental laws and regulations regularly. Subsidiaries of the Group conducted annual compliance evaluations of newly introduced environmental laws and regulations and prepared corrective measures for non-compliance and followed up to close the loop.

B. The Group organizes the identification and update of environmental factors at least once a year and identifies the impact on the environment in daily operating activities. It prepares special preventive and control measures around major environmental factors. In addition, it matches resources annually to ensure that major environmental factors are under control and establishes special control measures for pollutant emissions such as waste water, waste gas, solid waste and noise.

C. The Group established unified environmental management standard and clarified the daily management standards for waste water, waste gas, solid waste and noise.

D. The Group conducts unannounced inspections quarterly. Divisions conduct quarterly environmental internal audits. Plants conduct annual internal audits in system and management accreditation to make sure that the plants correct non-conformities and ensure continuous improvement.

In recent years, Midea Group has made a series of achievements in controlling pollutant emissions by introducing lots of new equipment, new

processes, new materials and new technologies and focusing on building green factories.

- a. The Suzhou plant of the Microwave & Cleaning Appliances Division replaced motor insulation paint with environmentally friendly paint. VOCs emissions reduced by more than 83%.
- b. The subsidiary responsible for environment appliances manufacturing of the Small Domestic Appliance Division adopted advanced wastewater treatment process. The COD index was controlled within 5 mg/L after wastewater treatment. And the wastewater was recycled by 50%. So the discharge of pollutants was reduced and water resources were saved at the same time.
- c. The Electromechanical Business Group controlled VOCs emission at 10-20 mg/m³ after RTO treatment of motor air washing and dipping paint waste gas. And the waste heat was utilized to reduce energy consumption.

On one hand, the Group developed an environmental protection information management platform to collect and process environmental protection data according to the Group's strategy of "Comprehensive Digitalization and Comprehensive Intellectualization", and to control the environmental protection operation data of subordinate units quickly and accurately. On the other hand, the Group developed its own exhaust gas online monitoring system to achieve rapid perception and control, real-time monitoring and surveillance, advance warning and pre-control, linkage disposal and control, system assessment and self-control.

The Company paid attention to system construction and honor. And all the subordinate units have obtained ISO14001:2015 environmental management system certification. The Chongqing plant of the Residential Air Conditioner Division (RAC) has obtained the honor of "Waste-free City Cell Construction" in Nanan District in 2021. The Hefei Plant of the Laundry Appliance Division won the "Advanced Unit of Environmental Management Innovation in Ecological and Environmental Protection Work in Hefei High-tech Zone in 2018. It was awarded as an excellent enterprise in Hefei

High-tech Zone in 2018. And it won the "Quality Improvement and Efficiency Award - Skillful Environmental Protection Award". In 2020, it got the enterprise environmental credit rating result as an enterprise with good environmental protection in High-tech Zone. Also in 2020, it won the Comprehensive Benefit Award - Environmental Protection Encouragement Award in the annual excellent enterprise recognition in High-tech Zone.

Midea Group actively responded to the national "14th Five-Year Plan" and insisted on green management. It implemented environment-friendly and energy-saving development strategies toward the target of widely forming a green production and life style by 2030 and steadily reduce carbon emissions after reaching the peak. The Group built a whole-process green industry chain from five aspects: green products, green procurement, green manufacturing, green logistics and green recycling. During the process, the comprehensive energy consumption per RMB10,000 gross output value was reduced from 0.0139 in 2017 to 0.0117 in 2020. The CO₂ emission per unit output value was reduced from 0.0496 in 2017 to 0.0415 in 2020. And the clean energy ratio increased from 4.75% to 5.46%.

In July 2021, the Company set up a "Green Strategy" team to reduce environmental impact from every aspect of the Group's business, connecting research and development, procurement, manufacturing, logistics, sales and services layer through layer by layer control from the six perspectives of green products, green procurement, green manufacturing, green logistics, green recycling and green services, The Group actively responded to the national "carbon peak" goal and "carbon neutrality" vision.

2. Social Responsibility

2.1 Overview of the public welfare activities in the first half of 2021

Support for the development of education. In the first half of 2021, Midea Group donated RMB50 million to East China Normal University to help introduce the high-end education brand to Beijiao Town, and donated another RMB20 million to the Teacher & Student Awarding Fund of Shunde School of East China Normal University to support the construction and development of the school and encourage the excellent teachers who are dedicated to teaching and educating people and motivate the excellent students who are motivated and have good character. The donations passed the baton of love and promoted the development of education.

Efforts to prevent and control the epidemic. In May 2021, Midea Group took the initiative to donate 500 evaporative cool fans and 80 mobile air conditioners to Foshan, Guangzhou, etc. due to the hot weather to provide a more comfortable environment for the medical staff and citizens who continue to struggle in the front line of epidemic prevention and control. The Group will continue to support the epidemic prevention and control work.

2.2 Follow-up work plan

Next, Midea Group will continue to fulfill its corporate social responsibility and actively participate in charitable public welfare activities such as helping the poor, students, doctors, the disabled, employment, and disaster relief in accordance with the relevant requirements of the Party and the government. The Group will help promote, consolidate and expand the results of poverty eradication and effectively integrate rural revitalization strategy. In addition, it will actively support the work of epidemic prevention and control and make due contribution to winning the battle of epidemic prevention and control.

Section VI Significant Events

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 Overdue at the Period-end

Applicable N/A

No such cases in the Reporting Period.

2. 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.

3. Illegal Provision of Guarantees for External Parties

Applicable N/A

No such cases in the Reporting Period.

4. Engagement and Disengagement of CPA Firm

Have the semi-annual financial statements been audited by a CPA firm?

Yes No

The semi-annual financial statements are unaudited by a CPA firm.

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

Applicable N/A

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

Applicable N/A

7. Bankruptcy and Reorganization

Applicable N/A

No such cases in the Reporting Period.

8. Litigation

Material litigation and arbitration:

Applicable N/A

No such cases in the Reporting Period.

Other legal matters:

Applicable N/A

9. Punishments and Rectifications

Applicable N/A

No such cases in the Reporting Period.

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

Applicable N/A

11. Significant Related Transactions

11.1 Continuing related transactions

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 amount of transactions 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
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Guangdong Yinghe Enterprise Management Co., Ltd.	Controlled by family member of Company's actual controller	Procurement	Procurement of goods	Market price	-	807,027	0.71%	1,800,000	No	Payment after delivery	-	30 April 2021	www.cninfo.com.cn
Orinko Advanced Plastics Co., Ltd.	Controlled by family member of Company's actual controller	Procurement	Procurement of goods	Market price	-	671,628	0.59%	1,700,000	No	Payment after delivery	-	30 April 2021	www.cninfo.com.cn
Midea Real Estate Holding Limited	Controlled by Company's actual controller	Sale	Sale of goods	Market price		93,907	0.05%	471,000	No	Payment after delivery	-	30 April 2021	www.cninfo.com.cn
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 continuing related-party transactions by type to occur in the current period				The line for continuing related transactions between the Company and the related parties and their subsidiaries did not exceed the total amount of continuing 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									

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

Applicable N/A

No such cases in the Reporting Period.

11.3 Related transactions arising from joint investments in external parties

Applicable N/A

No such cases in the Reporting Period.

11.4 Credits and liabilities with related parties

Applicable N/A

No such cases in the Reporting Period.

11.5 Transactions with related finance companies, or finance companies controlled by the Company

Applicable N/A

The Company did not make deposits in, receive loans or credit from and was not involved in any other finance business with any related finance company, finance company controlled by the Company or any other related parties.

11.6 Other significant related transactions

Applicable N/A

The Proposal for Related Transactions with Shunde Rural Commercial Bank in 2021 was approved at the 32rd Meeting of the 3rd Board of Directors held on 28 April 2021 and later at the 2020 Annual General Meeting of Shareholders held on 21 May 2021.

In 2021, the deposit balance of the Company in Shunde Rural Commercial Bank shall not exceed RMB10 billion and neither shall the credit balance provided by the bank to the Company exceed RMB7 billion. Meanwhile, the total amount of notes discounted by the Company (mainly through Midea Group Finance) for the bank and loans from the former to the latter shall not exceed RMB2 billion in the year. In addition, financings obtained by Midea suppliers from Shunde Rural Commercial Bank via ibcp.midea.com shall not exceed RMB200 million 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 2021	11 May 2021	www.cninfo.com.cn

12. Significant Contracts and Their Execution**12.1 Trusteeship, contracting and leasing****12.1.1 Trusteeship**

Applicable N/A

No such cases in the Reporting Period.

12.1.2 Contracting

Applicable N/A

No such cases in the Reporting Period.

12.1.3 Leasing

Applicable N/A

No such cases in the Reporting Period.

12.2 Major guarantees

Applicable N/A

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			0

				the Reporting Period (A2)				
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.	2021-4-30	8,400,000		-	Joint liability	One year	No	No
GD Midea Air-Conditioning Equipment Co.,Ltd.	2021-4-30	17,440,000	2021-01-15	3,947,060	Joint liability	One year	No	No
Guangzhou Hualing Refrigerating Equipment Co.,Ltd.	2021-4-30	1,160,000	2021-01-01	400,000	Joint liability	One year	No	No
Foshan Midea Carrier Air-Conditioning Equipment Co., Ltd.	2021-4-30	360,000		-	Joint liability	One year	No	No
GD Midea Group Wuhu Air-Conditioning Equipment Co.,Ltd.	2021-4-30	500,000		-	Joint liability	One year	No	No
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	2021-4-30	690,000		-	Joint liability	One year	No	No
Guangdong Midea Precision Molding Technology Co., Ltd.	2021-4-30	65,000		-	Joint liability	One year	No	No
Midea Group Wuhan Refrigeration Equipment Co.,Ltd.	2021-4-30	72,000		-	Joint liability	One year	No	No
Hainan Midea United Materials Supply Co. Ltd.	2021-4-30	200,000		-	Joint liability	One year	No	No
Handan Midea Air-Conditioning Equipment Co.,Ltd.	2021-4-30	110,000		-	Joint liability	One year	No	No
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	2021-4-30	200,000		-	Joint liability	One year	No	No
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	2021-4-30	7,225,000	2021-01-29	3,507,900	Joint liability	One year	No	No
Guangdong Witol Vacuum Electronic Manufacture Co.,Ltd	2021-4-30	100,000	2021-01-26	7,890	Joint liability	One year	No	No
Wuhu Midea Kitchen Appliances	2021-4-30	2,020,000		-	Joint liability	One	No	No

Manufacturing Co., Ltd.						year		
Jiangsu Midea Cleaning Appliances Co., Ltd	2021-4-30	640,000	2021-01-04	25,890	Joint liability	One year	No	No
Maytech Technology Co., LTD.	2021-4-30	75,000	2021-05-21	5,910	Joint liability	One year	No	No
Hainan Meizhi Canghai E-commerce Service Co., Ltd.	2021-4-30	20,000		-	Joint liability	One year	No	No
Hainan Meizhi Hangjian Electric Appliance Co., Ltd.	2021-4-30	20,000		-	Joint liability	One year	No	No
GD Midea Heating & Ventilating Equipment Co., Ltd.	2021-4-30	2,000,000	2021-01-08	124,880	Joint liability	One year	No	No
Guangdong Midea-SIIX Electronics Co., Ltd.	2021-4-30	10,000	2021-01-19	40	Joint liability	One year	No	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	2021-4-30	345,000	2021-03-30	1,160	Joint liability	One year	No	No
Hefei Midea-SIIX Electronics Co.,Ltd.	2021-4-30	123,000	2021-01-01	20	Joint liability	One year	No	No
Hefei M&B Air Conditioning Equipment Co., Ltd.	2021-4-30	31,500		-	Joint liability	One year	No	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	2021-4-30	30,000	2021-01-14	5,400	Joint liability	One year	No	No
Meitong Energy Technology (Chongqing) Co., Ltd.	2021-4-30	50,000		-	Joint liability	One year	No	No
Guangdong MeiKong Intelligent Building Co., Ltd.	2021-4-30	60,000		-	Joint liability	One year	No	No
Shanghai M-BMS Intelligent Construction Co., Ltd.	2021-4-30	60,000		-	Joint liability	One year	No	No
Winone Elevator Company Limited	2021-4-30	500,000	2021-01-08	38,730	Joint liability	One year	No	No
Guangdong Meizhi Compressor Limited	2021-4-30	230,000	2021-01-08	21,700	Joint liability	One year	No	No
Guangdong Meizhi Precision-Manufacturing Co., Ltd	2021-4-30	80,000	2021-01-01	250	Joint liability	One year	No	No
Guangdong Welling Motor Manufacturing Co., Ltd.	2021-4-30	210,000	2021-01-05	15,620	Joint liability	One year	No	No
Foshan Welling Washer Motor Manufacturing Co., Ltd.	2021-4-30	320,000	2021-01-08	21,850	Joint liability	One year	No	No
Guangdong Midea Environmental Technologies Co., Ltd.	2021-4-30	20,000	2021-01-01	620	Joint liability	One year	No	No

Huaian Welling Motor Manufacturing Co., Ltd.	2021-4-30	10,000			- Joint liability	One year	No	No
Guangdong Midea Intelligent Technologies Co., Ltd.	2021-4-30	20,000			- Joint liability	One year	No	No
Zhejiang Meizhi Compressor Co., Ltd.	2021-4-30	3,500,000			- Joint liability	One year	No	No
Anhui Meizhi Compressor Co., Ltd.	2021-4-30	80,000	2021-06-28		- Joint liability	One year	No	No
Anhui Meizhi Precision Manufacturing Co., Ltd.	2021-4-30	270,000			- Joint liability	One year	No	No
Welling (Wuhu) Motor Manufacturing Co., Ltd.	2021-4-30	10,000			- Joint liability	One year	No	No
Wuhu Welling Motor Sales Co., Ltd.	2021-4-30	500,000			- Joint liability	One year	No	No
Anhui Welling Auto Parts Co., Ltd.	2021-4-30	40,000			- Joint liability	One year	No	No
Dorna Technology Co., Ltd.	2021-4-30	25,000			- Joint liability	One year	No	No
Guangdong Midea Electromechanical Technology Co., Ltd.	2021-4-30	50,000			- Joint liability	One year	No	No
Ningbo Midea United Materials Supply Co. Ltd.	2021-4-30	1,000,000	2021-01-28	249,260	Joint liability	One year	No	No
Guangzhou Kaizhao Commercial and Trading Co.,Ltd	2021-4-30	60,000			- Joint liability	One year	No	No
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	2021-4-30	185,000	2021-02-10	5,890	Joint liability	One year	No	No
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	2021-4-30	565,000	2021-01-11	525,870	Joint liability	One year	No	No
GD Midea Environment Appliances Mfg. Co.,Ltd.	2021-4-30	400,000	2021-01-14	25,120	Joint liability	One year	No	No
Guangdong Midea Cuchen Company Ltd.	2021-4-30	6,000			- Joint liability	One year	No	No
GD Midea Caffitaly Coffee Machine Manufacturing Co., Ltd.	2021-4-30	10,000			- Joint liability	One year	No	No
Wuhu Midea Life Appliances Mfg Co., Ltd.	2021-4-30	3,000,000	2021-01-21	880,000	Joint liability	One year	No	No
Foshan Shunde Midea Washing	2021-4-30	2,350,000	2021-01-06	298,880	Joint liability	One	No	No

Appliances Manufacturing Co., Ltd.						year		
Guangdong Midea Kitchen & Bath Appliances Manufacturing Co., Ltd.	2021-4-30	400,000			-	Joint liability	One year	No No
Foshan Shunde Midea Water Dispenser Manufacturing Company Limited	2021-4-30	855,000	2021-01-28	17,520		Joint liability	One year	No No
Foshan Midea Chungho Water Purification Equipment. Co., Ltd.	2021-4-30	230,000	2021-01-28	36,460		Joint liability	One year	No No
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	2021-4-30	1,800,000	2021-01-26	16,730		Joint liability	One year	No No
Wuxi Little Swan Electric Co., Ltd.	2021-4-30	2,600,000	2021-01-05	1,522,720		Joint liability	One year	No No
Hefei Midea Laundry Appliance Co., Ltd.	2021-4-30	780,000			-	Joint liability	One year	No No
Wuxi Filin Electronics Co., Ltd.	2021-4-30	50,000			-	Joint liability	One year	No No
Hubei Midea Laundry Appliance Co., Ltd.	2021-4-30	100,000			-	Joint liability	One year	No No
Hainan Midea Refrigerator & Washer Sales Co., Ltd.	2021-4-30	100,000			-	Joint liability	One year	No No
Hefei Hualing Co., Ltd.	2021-4-30	1,850,000	2021-04-26	49,370		Joint liability	One year	No No
Hubei Midea Refrigerator Co., Ltd.	2021-4-30	230,000	2021-01-01	18,580		Joint liability	One year	No No
Hefei Midea Refrigerator Co., Ltd.	2021-4-30	400,000			-	Joint liability	One year	No No
Guangzhou Midea Hualing Refrigerator Co., Ltd.	2021-4-30	1,345,000			-	Joint liability	One year	No No
Little Swan (Jing Zhou) Sanjin Electronic Appliances Limited	2021-4-30	10,000			-	Joint liability	One year	No No
Guangdong Midea Intelligent Robotics Co., Ltd.	2021-4-30	50,000			-	Joint liability	One year	No No
Servotronix Motion Technology Development (Shenzhen) Ltd.	2021-4-30	10,000			-	Joint liability	One year	No No
Midea Group E-Commerce Co., Ltd.	2021-4-30	100,000			-	Joint liability	One year	No No
Guangdong Midea Smart Link Technologies Co., Ltd.	2021-4-30	41,200	2021-01-11	1,310		Joint liability	One year	No No
Reis Robotics (Kunshan) Co., Ltd.	2021-4-30	63,000	2021-01-28	13,920		Joint liability	One	No No

						year		
KUKA Systems (China) CO., Ltd.	2021-4-30	325,000			- Joint liability	One year	No	No
KUKA Robotics Manufacturing China Co.,Ltd	2021-4-30	50,000			- Joint liability	One year	No	No
KUKA Robotics Guangdong Co., Ltd	2021-4-30	100,000			- Joint liability	One year	No	No
KUKA Robotics (Shanghai) Co.,Ltd.	2021-4-30	315,000			- Joint liability	One year	No	No
Shanghai Swisslog Healthcare Co., Ltd.	2021-4-30	10,000			- Joint liability	One year	No	No
Guangdong Swisslog Technology Co., Ltd.	2021-4-30	50,000			- Joint liability	One year	No	No
Swisslog (Shanghai) Co., Ltd.	2021-4-30	230,000	2021-01-06	60,910	Joint liability	One year	No	No
Shanghai Swisslog Logistics Automation Co. Ltd.	2021-4-30	80,000	2021-01-14		- Joint liability	One year	No	No
Annto Logistics Technology Co., Ltd.	2021-4-30	900,000	2021-3-11		- Joint liability	One year	No	No
Midea International Corporation Company Limited	2021-4-30	12,330,000	2021-04-23	7,803,910	Joint liability	One year	No	No
Midea International Trading Company Limited	2021-4-30	2,222,430	2021-01-21	127,950	Joint liability	One year	No	No
Welling International Hong Kong Ltd	2021-4-30	182,000			- Joint liability	One year	No	No
Midea Electric Trading (Singapore) Co.,Pte. Ltd.	2021-4-30	4,000,000	2021-01-05	234,780	Joint liability	One year	No	No
Orient Household Appliances Ltd.(Orient)	2021-4-30	120,000			- Joint liability	One year	No	No
Midea Consumer Electric Vietnam	2021-4-30	112,000			- Joint liability	One year	No	No
Concepcion Midea Inc.	2021-4-30	112,000			- Joint liability	One year	No	No
Midea Italia S.R.L.	2021-4-30	140,000			- Joint liability	One year	No	No
Midea Scott & English Electronics Sdn. Bhd.	2021-4-30	206,500			- Joint liability	One year	No	No
Midea Mexico, S. De R.L. De C.V.	2021-4-30	180,000			- Joint liability	One year	No	No

Midea Electric Trading (Thailand) Co.,Ltd.	2021-4-30	105,000			- Joint liability	One year	No	No
Midea America Corp	2021-4-30	669,000			- Joint liability	One year	No	No
Pt. Midea Planet Indonesia	2021-4-30	56,000			- Joint liability	One year	No	No
Midea Electrics Egypt	2021-4-30	175,000			- Joint liability	One year	No	No
Midea Europe Gmbh	2021-4-30	70,000			- Joint liability	One year	No	No
Midea America (Canada) Corp	2021-4-30	70,000			- Joint liability	One year	No	No
Toshiba Lifestyle Products & Services Corporation	2021-4-30	2,667,450	2021-01-05	325,710	Joint liability	One year	No	No
Midea Electric Netherlands (I) B.V.	2021-4-30	31,446,110	2021-01-01	28,856,400	Joint liability	One year	No	No
Clivet Spa	2021-4-30	90,000			- Joint liability	One year	No	No
Servotronix Motion Control Ltd.	2021-4-30	940			- Joint liability	One year	No	No
Midea Austria Gmbh	2021-4-30	5,700			- Joint liability	One year	No	No
Midea (Egypt) Kitchen & Water Heater Appliances Co., Ltd.	2021-4-30	70,000			- Joint liability	One year	No	No
Total guarantee line for subsidiaries approved during the Reporting Period (B1)			123,551,830		Total actual guarantee amount for subsidiaries during the Reporting Period (B2)			53,664,280
Total approved guarantee line for subsidiaries at the end of the Reporting Period (B3)			123,551,830		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)			49,196,210
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

Wuhu Midea Annto Logistics Co., Ltd.	2021-4-30	1,500,000	2021-06-22	306,720	Joint liability	One year	No	No
Ningbo Annto Logistics Co., Ltd.	2021-4-30	800,000	2021-03-22	30,000	Joint liability	One year	No	No
Nanjing Meian Logistics Co., Ltd.	2021-4-30	20,000		-	Joint liability	One year	No	No
Shenyang Annto Logistics Technology Co., Ltd.	2021-4-30	20,000		-	Joint liability	One year	No	No
Wuhan Annto Logistics Technology Co., Ltd.	2021-4-30	20,000		-	Joint liability	One year	No	No
Tianjin Annto Logistics Technology Co., Ltd.	2021-4-30	20,000		-	Joint liability	One year	No	No
Xuzhou Annto Logistics Technology Co., Ltd.	2021-4-30	20,000		-	Joint liability	One year	No	No
Total line for guarantees between subsidiaries approved during the Reporting Period (C1)		2,400,000		Total actual guarantee amount between subsidiaries during the Reporting Period (C2)		409,470		
Total approved line for guarantees between subsidiaries at the end of the Reporting Period (C3)		2,400,000		Total actual guarantee balance between subsidiaries at the end of the Reporting Period (C4)		336,720		
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the Reporting Period (A1+B1+C1)		125,951,830		Total actual guarantee amount during the Reporting Period (A2+B2+C2)		54,073,750		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		125,951,830		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		49,532,930		
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company				43.74%				
Of which:								
Amount of guarantees provided for shareholders, the actual controller and their related parties (D)				0				
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)				36,437,950				
Portion of the total guarantee amount in excess of 50% of net assets (F)				0				
Total amount of the three kinds of guarantees above (D+E+F)				36,437,950				

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

12.3 Entrusted asset management

Applicable N/A

No such cases in the Reporting Period.

12.4 Significant continuing contracts

Applicable N/A

12.5 Other significant contracts

Applicable N/A

No such cases in the Reporting Period.

13. Other Significant Events

Applicable N/A

On 2 February 2021, Midea Group, Jiangsu Yuyue Science & Technology Development Co., Ltd. (hereinafter, "Yuyue Technology") and Wu Guangming signed the Share Transfer Agreement (I). According to the agreement, Yuyue Technology and Wu Guangming would transfer their holdings of 130,294,312 non-restricted public shares in Beijing Wandong Medical Technology Co., Ltd. (hereinafter, "WDM") (or 24.09% of WDM's total share capital) to Midea Group for a total consideration of RMB1,902,296,955 (equivalent to RMB14.6/share).

On the same day, Midea Group and Yu Rong signed the Share Transfer Agreement (II). According to the agreement, Yu Rong would transfer his holdings of 27,040,810 non-restricted public shares in WDM (or 5% of WDM's total share capital) to Midea Group for a total consideration of RMB394,795,826 (equivalent to RMB14.6/share).

The said shares were transferred on 6 May 2021. As such, Midea Group now holds 157,335,122 shares

in WDM (or 29.09% of WDM's total share capital), which makes it the controlling shareholder of WDM.

14. Significant Events of Subsidiaries

Applicable N/A

Section VII 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	182,862,631	2.60		-22,039,086	-22,039,086	160,823,545	2.28
1.1 Shares held by the state							
1.2 Shares held by state-owned corporations							
1.3 Shares held by other domestic investors	179,785,131	2.56		-21,817,836	-21,817,836	157,967,295	2.55
Among which: Shares held by domestic corporations	2,363,601	0.03			0	2,363,601	0.03
Shares held by domestic individuals	177,421,530	2.52		-21,817,836	-21,817,836	155,603,694	2.52
1.4 Shares held by foreign investors	3,077,500	0.04		-221,250	-221,250	2,856,250	0.04
Among which: Shares held by foreign corporations							
Shares held by foreign individuals	3,077,500	0.04		-221,250	-221,250	2,856,250	0.04
2. Non-restricted shares	6,847,113,368	97.40	20,698,929	19,512,336	40,211,265	6,887,324,633	97.72
2.1 RMB common	6,847,113,368	97.40	20,698,929	19,512,336	40,211,265	6,887,324,633	97.72

shares							
2.2 Domestically listed foreign shares							
2.3 Overseas listed foreign shares							
2.4 Other							
3. Total shares	7,029,975,999	100.00	20,698,929	-2,526,750	18,172,179	7,048,148,178	100.00

Reasons for the changes in shares

√Applicable □N/A

a. The 1,292,083 restricted shares of a total of 39 eligible employees for the third unlocking period of the reserved restricted shares under the 2017 Restricted Share Incentive Scheme were unlocked from 8 February 2021, including 60,000 restricted shares of foreign employees.

b. The 403,249 restricted shares of a total of 24 eligible employees for the first unlocking period of the reserved restricted shares under the 2018 Restricted Share Incentive Scheme were unlocked from 4 June 2021.

c. The 3,043,254 restricted shares of a total of 209 eligible employees for the second unlocking period of the first grant under the 2018 Restricted Share Incentive Scheme were unlocked from 30 June 2021, including 182,250 restricted shares of foreign employees.

d. For the reasons of certain incentive recipients' resignation, violation of the Company's "Red Lines", being reassigned or other factors, on 24 May 2021, the Company repurchased and retired 32,917 shares of 2 incentive recipients under the 2017 Restricted Share Incentive Scheme, 1,009,501 shares of 22 incentive recipients under the 2018 Restricted Share Incentive Scheme, 1,043,958 shares of 15 incentive recipients under the 2019 Restricted Share Incentive Scheme, and 440,374 shares of 11 incentive recipients under the 2020 Restricted Share Incentive Scheme, totaling 2,526,750 restricted shares (including 4,000 restricted shares of foreign employees).

e. In H1 2021, the incentive recipients of stock options chose to exercise 20,698,929 shares, which have been registered into the Company's share capital.

f. In H1 2021, locked-up shares held by senior management decreased by 14,773,750 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 was approved at the 29th Meeting of the 3rd Board of Directors on 23 February 2021. As such, the Company was agreed to repurchase, with its own funds, no less than 50,000,000 shares and no more than 100,000,000 shares by way of centralized bidding at a price not exceeding RMB140/share within 12 months starting from the approval of the repurchase plan by the Board of Directors. The Report on the Repurchase of Some Public Shares was disclosed on 25 February 2021 (for further information, see the relevant announcements disclosed by the Company on <http://www.cninfo.com.cn/> and the newspapers designated by the Company for its information disclosure dated 24 February and 25 February 2021).

During the period from 25 February to 2 April 2021, the Company repurchased a total of 99,999,931 shares (1.4189% of the Company's total share capital as of 31 March 2021). With the highest trading price being RMB95.68/share and the lowest being RMB80.29/share, the total payment amounted to RMB8,664,107,576.69. With the repurchased shares close to the upper limit of the share repurchase plan of 100,000,000 shares, the implementation of this share repurchase plan has been completed (for further information, see the relevant announcements disclosed by the Company on <http://www.cninfo.com.cn/> dated 3 April 2021).

b. The Proposal on the Plan for the Repurchase of Some Public Shares was approved at the 33rd Meeting of the 3rd Board of Directors on 9 May 2021 and later at the 2020 Annual General Meeting of Shareholders on 21 May 2021. As such, the Company was agreed to repurchase, by way of centralized bidding, shares for retirement and reducing the registered capital, with its own funds of no less than RMB2.5 billion and no more than RMB5 billion and at a price not exceeding RMB100/share within 12

months starting from the approval of the repurchase plan by the general meeting of shareholders. The Report on the Repurchase of Some Public Shares was disclosed on 1 June 2021 (for further information, see the relevant announcements disclosed by the Company on <http://www.cninfo.com.cn/> and the newspapers designated by the Company for its information disclosure dated 10 and 22 May 2021).

During the period from 3 June to 13 August 2021, the Company repurchased a total of 71,976,243 shares (1.0205% of the Company's total share capital as of 12 August 2021). With the highest trading price being RMB79.15/share and the lowest being RMB61.43/share, the total payment amounted to RMB4,999,995,937.03 (exclusive of transaction costs). With the repurchased shares close to the upper limit of the share repurchase plan, the implementation of this share repurchase plan has been completed (for further information, see the relevant announcements disclosed by the Company on <http://www.cninfo.com.cn/> dated 14 August 2021).

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	Repurchased and retired	Closing restricted shares	Reason for change	Date of unlocking
Incentive recipients of reserved	1,325,000	1,292,083	0	32,917	0	Lockup according to the Scheme	8 February 2021

restricted shares under 2017 Restricted Share Incentive Scheme							
Incentive recipients of the first grant of 2018 Restricted Share Incentive Scheme	11,232,375	3,043,254	0	777,417	7,411,704	Lockup according to the Scheme	30 June 2021
Incentive recipients of reserved restricted shares under 2018 Restricted Share Incentive Scheme	1,970,000	403,249	0	232,084	1,334,667	Lockup according to the Scheme	4 June 2021
Incentive recipients of 2019 Restricted Share Incentive Scheme	26,309,000	0	0	1,043,958	25,265,042	Lockup according to the Scheme	13 July 2021
Incentive recipients of 2020 Restricted Share Incentive Scheme	33,245,000	0	0	440,374	32,804,626	Lockup according to the Scheme	20 July 2021
Fang Hongbo	102,742,869	15,000,000	0	0	87,742,869	Lockup for senior management position	-
Zhang Xiaoyi	424,931	87,500	0	0	337,431	Lockup for senior management position	-
Jiang Peng	343,950	75,000	0	0	268,950	Lockup for senior management position	-
Xiao Mingguang	220,000	0	295,000	0	515,000	Locked-up shares of a former senior executive	-
Zhong Zheng	98,364	0	68,750	0	167,114	Lockup for senior management position	-

Hu Ziqiang	225,000	0	25,000	0	250,000	Lockup for senior management position	-
Total	178,136,489	19,901,086	388,750	2,526,750	156,097,403	--	--

2. Issuance and Listing of Securities

Applicable N/A

3. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of common shareholders at the end of the Reporting Period		520,532		Total number of preference shareholders with resumed voting rights at the period-end (if any)		0		
5% or greater common shareholders or top 10 common shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total common shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted common shares held	Number of non-restricted common shares held	Pledged or frozen shares	
							Status	Shares
Midea Holding Co., Ltd.	Domestic non-state-owned corporation	30.75%	2,169,178,713	0	0	2,212,046,613	Pledged	100,000,000
Hong Kong Securities Clearing Company Limited	Foreign corporation	16.89%	1,191,374,162	133,651,525	0	1,212,996,966		
China Securities Finance Co., Ltd.	Domestic non-state-owned corporation	2.81%	198,145,134	0	0	198,145,134		
Fang Hongbo	Domestic individual	1.66%	116,990,492	0	87,742,869	29,247,623		
Canada Pension Plan Investment Board— own funds (stock exchange)	Foreign corporation	1.47%	103,913,897	0	0	103,913,897		

Central Huijin Asset Management Ltd.	State-owned corporation	1.28%	90,169,354	0	0	90,169,354		
Huang Jian	Domestic individual	1.22%	86,140,000	-1,890,000	0	86,140,000		
Li Jianwei	Foreign individual	0.71%	50,100,000	-200,000	0	50,100,000		
Merrill Lynch International	Foreign corporation	0.58%	40,723,280	-235,316	0	40,723,280		
Huang Xiaoxiang	Domestic individual	0.56%	39,257,832	-350,000	0	39,257,832	Pledged	14,779,556
Strategic investors or general corporations becoming top-ten common shareholders due to placing of new shares (if any) (see Note 3)		N/A						
Related-parties or acting-in-concert parties among the shareholders above		N/A						
Explain if any of the shareholders above was involved in entrusting/being entrusted with voting rights or waiving voting rights		N/A						
Special account for repurchased shares among the top 10 shareholders			172,348,912 shares (or 2.44% of the Company's total share capital) were held in the special account for repurchased shares of Midea Group Co., Ltd. at the end of the Reporting Period.					
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	1,191,374,162	RMB common stock	1,191,374,162					
China Securities Finance Co., Ltd.	198,145,134	RMB common stock	198,145,134					
Canada Pension Plan Investment Board— own funds	103,913,897	RMB common stock	103,913,897					

(stock exchange)			
Central Huijin Asset Management Ltd.	90,169,354	RMB common stock	90,169,354
Huang Jian	86,140,000	RMB common stock	86,140,000
Li Jianwei	50,100,000	RMB common stock	50,100,000
Merrill Lynch International	40,723,280	RMB common stock	40,723,280
Huang Xiaoxiang	39,257,832	RMB common stock	39,257,832
Yuan Liquan	37,633,882	RMB common stock	37,633,882
Related-parties or acting-in-concert parties among the top ten non-restricted common shareholders and between the top ten non-restricted common shareholders and the top ten common shareholders	He Xiangjian is the controlling shareholder of Midea Holding Co., Ltd., which makes them parties acting in concert.		
Explanation on the top 10 common shareholders participating in securities margin trading	<p>The Company's shareholder Huang Xiaoxiang holds 28,679,832 shares in the Company through his common securities account and 10,578,000 shares in the Company through his account of collateral securities for margin trading, representing a total holding of 39,257,832 shares in the Company.</p> <p>The Company's shareholder Yuan Liquan holds 705,000 shares in the Company through her common securities account and 36,928,882 shares in the Company through her account of collateral securities for margin trading, representing a total holding of 37,633,882 shares in the Company.</p>		

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

Yes No

No such cases in the Reporting Period.

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

Applicable N/A

Name	Office title	Incumbent/ Former	Shares held at the year-begin (share)	Shares increased at the Reporting Period (share)	Shares decreased at the Reporting	Shares held at the period-end (share)	Granted restricted shares at the year-begin (share)	Restricted shares granted in the Reporting Period	Granted restricted shares at the period-end (share)

					Period (share)			(share)	
Li Guolin	Vice President	Incumbent	265,000	35,700	0	300,700	100,000	0	100,000
Xiao Mingguan g	Vice President	Former	460,000	105,000	0	565,000	125,000	0	50,000
Zhong Zheng	Director of Finance	Incumbent	211,152	65,000	0	276,152	60,000	0	40,000
Total	--	--	936,152	205,700	0	1,141,852	285,000	0	190,000

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

Change of the controlling shareholder during the Reporting Period

Applicable N/A

No such cases in the Reporting Period.

Change of the actual controller during the Reporting Period

Applicable N/A

No such cases in the Reporting Period.

Section VIII Preference Shares

Applicable N/A

No such cases in the Reporting Period.

Section IX Bonds

Applicable N/A

1. Enterprise Bonds

Applicable N/A

No such cases in the Reporting Period.

2. Corporate Bonds

Applicable N/A

No such cases in the Reporting Period.

3. Debt Instruments as a Non-financial Enterprise

Applicable N/A

3.1 General information on debt instruments as a non-financial enterprise

Name of debt instrument	Abbr.	Code of debt instrument	Date of issuance	Value date	Maturity	Outstanding balance	Interest rate	Way of principal repayment and interest payment	Place of trading
Super-short-term Commercial Papers of Midea Group Co., Ltd. (High Growth Debt Instrument) (Tranche 1, 2021)	21 Midea SCP001 (High Growth Debt Instrument)	012101283.IB	2021-03-31	2021-03-30	2021-09-24	RMB3 billion	2.7200%	Principal and interest repayable in full upon maturity	Inter-bank market

Investor eligibility arrangements (if any)	N/A
Trading system applicable	N/A
Risk of termination of listing and trading (if any) and countermeasures	No such risk

Overdue debt instruments

Applicable N/A

3.2 Triggering and execution of issuer or investor option clauses and investor protection clauses

Applicable N/A

3.3 Changes in credit ratings in the Reporting Period

Applicable N/A

3.4 Execution and changes with respect to guarantees, repayment plans and other repayment-ensuring measures in the Reporting Period, as well as the impact on the interests of debt instrument holders

Applicable N/A

4. Convertible Corporate Bonds

Applicable N/A

No such cases in the Reporting Period.

5. Consolidated Loss of the Reporting Period Over 10% of Net Assets as at the End of Last Year

Applicable N/A

6. Key Financial Information of the Company in the Past Two Years

Unit: RMB'000

Item	30 June 2021	31 December 2020	Change
Current ratio	132.03%	131.23%	0.80%
Debt/asset ratio	67.53%	65.53%	2.00%

Quick ratio	110.88%	110.26%	0.62%
	H1 2021	H1 2020	Change
Net profit before non-recurring gains and losses	148,546,080	134,380,590	10.54%
Debt/EBITDA ratio	21.64%	21.62%	0.07%
Interest cover (times)	26.85	26.73	0.46%
Cash-to-interest cover (times)	33.31	37.88	-12.07%
EBITDA-to-interest cover (times)	31.18	30.65	1.72%
Debt repayment ratio (%)	100.00%	100.00%	0.00%
Interest payment ratio (%)	100.00%	100.00%	0.00%

Section X Financial Report

1. Auditor's Report

Have the semi-annual financial statements been audited by a CPA firm?

Yes No

The semi-annual financial statements are unaudited by a CPA firm.

2. Financial Statements

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

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS AS AT 30 JUNE 2021

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

ASSETS	Note	30 June 2021	31 December 2020	30 June 2021	31 December 2020
		Consolidated	Consolidated	Company	Company
Current assets					
Cash at bank and on hand	4(1)	63,426,726	81,210,482	31,071,492	49,240,180
Financial assets held for trading	4(2)	4,223,668	28,239,601	401,924	16,614,658
Derivative financial assets		289,883	420,494	-	-
Notes receivable	4(3)	5,852,283	5,304,510	-	-
Accounts receivable	4(4)	27,591,834	22,978,363	-	-
Receivables financing	4(6)	15,394,251	13,901,856	-	-
Advances to suppliers	4(7)	3,519,045	2,763,710	83,398	45,306
Contract assets	4(8)	4,354,173	3,236,848	-	-
Loans and advances	4(9)	18,488,600	16,469,069	-	-
Other receivables	4(5), 17(1)	2,451,771	2,973,945	34,227,559	28,318,670
Inventories	4(10)	34,499,525	31,076,529	-	-
Current portion of non-current assets	4(11)	7,619,835	-	7,008,174	-
Other current assets	4(12)	71,928,285	33,079,918	63,274,892	20,533,745
Total current assets		259,639,879	241,655,325	136,067,439	114,752,559
Non-current assets					
Other debt investments	4(13)	16,764,387	21,456,155	14,946,193	20,064,155
Long-term receivables	4(14)	1,112,523	981,623	-	-
Loans and advances	4(9)	980,144	1,113,501	-	-
Long-term equity investments	4(15), 17(2)	3,016,023	2,901,337	62,040,698	54,991,161
Investments in other equity instruments		46,857	46,651	-	-
Other non-current financial assets	4(16)	4,154,677	3,360,849	691,283	80,937
Investment properties		899,282	405,559	455,379	476,839
Fixed assets	4(17)	22,554,094	22,239,214	673,173	749,835
Construction in progress	4(18)	1,586,983	1,477,302	312,311	204,304
Right-of-use assets	4(19)	2,142,567		15,746	
Intangible assets	4(20)	17,837,150	15,422,393	677,078	684,997
Goodwill	4(21)	29,331,780	29,557,218	-	-
Long-term prepaid expenses	4(22)	1,276,388	1,300,962	81,568	97,078
Deferred tax assets	4(23)	7,636,799	7,208,635	286,975	287,360
Other non-current assets	4(24)	11,231,669	11,255,879	10,444,331	10,141,031
Total non-current assets		120,571,323	118,727,278	90,624,735	87,777,697
TOTAL ASSETS		380,211,202	360,382,603	226,692,174	202,530,256

Legal representative:
Fang Hongbo

Principal in charge of accounting:
Zhong Zheng

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D)
AS AT 30 JUNE 2021**

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2021	31 December 2020	30 June 2021	31 December 2020
		Consolidated	Consolidated	Company	Company
Current liabilities					
Short-term borrowings	4(27)	11,946,120	9,943,929	-	799,314
Customer deposits and deposits from banks and other financial institutions		19,144	87,535	-	-
Derivative financial liabilities		123,021	161,225	-	-
Notes payable	4(28)	31,022,593	28,249,939	-	-
Accounts payable	4(29)	64,464,041	53,930,261	-	-
Contract liabilities	4(30)	20,334,320	18,400,922	-	-
Employee benefits payable	4(31)	5,556,839	6,954,822	557,954	562,954
Taxes payable	4(32)	4,748,242	5,758,058	734,455	1,326,219
Other payables	4(33)	4,780,388	4,501,391	161,366,629	123,120,354
Current portion of non-current liabilities	4(34)	1,458,314	6,310,181	9,988	4,000,000
Other current liabilities	4(35)	52,196,841	49,852,239	3,023,255	3,048,794
Total current liabilities		196,649,863	184,150,502	165,692,281	132,857,635
Non-current liabilities					
Long-term borrowings	4(36)	49,389,407	42,827,287	12,600,000	5,800,000
Lease liabilities	4(37)	1,430,257		5,835	
Long-term payables		-	13,260	-	-
Provisions		384,416	298,110	-	-
Deferred income		1,042,276	779,729	-	-
Long-term employee benefits payable	4(38)	1,787,793	2,159,675	-	-
Deferred tax liabilities	4(23)	5,382,413	5,223,954	58,383	67,792
Other non-current liabilities	4(39)	689,991	692,986	-	-
Total non-current liabilities		60,106,553	51,995,001	12,664,218	5,867,792
Total liabilities		256,756,416	236,145,503	178,356,499	138,725,427
Shareholders' equity					
Share capital	4(40)	7,048,148	7,029,976	7,048,148	7,029,976
Capital surplus	4(42)	23,622,222	22,488,105	30,319,522	29,123,547
Less: Treasury stock	4(41)	(15,223,611)	(6,094,347)	(15,223,611)	(6,094,347)
Other comprehensive income	4(43)	(1,796,656)	(1,549,003)	2,917	(16,009)
General risk reserve		587,984	587,984	-	-
Special reserve		14,141	12,730	-	-
Surplus reserve	4(44)	7,966,362	7,966,362	7,966,362	7,966,362
Undistributed profits	4(45)	91,021,819	87,074,453	18,222,337	25,795,300
Total equity attributable to shareholders of the Company		113,240,409	117,516,260	48,335,675	63,804,829
Minority interests		10,214,377	6,720,840	-	-
Total shareholders' equity		123,454,786	124,237,100	48,335,675	63,804,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		380,211,202	360,382,603	226,692,174	202,530,256

Legal representative:
Fang Hongbo

Principal in charge of accounting:
Zhong Zheng

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

Item	Note	For the six months ended	For the six months ended	For the six months ended	For the six months ended
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		Consolidated	Consolidated	Company	Company
Total revenue		174,846,895	139,719,278	940,047	899,031
Including: Operating revenue	4(46), 17(3)	173,809,565	139,067,022	940,047	899,031
Interest income	4(47)	1,037,174	652,099	-	-
Fee and commission income		156	157	-	-
Total operating cost		(157,800,033)	(124,653,986)	564,220	385,840
Including: Cost of sales	4(46)	(133,436,369)	(103,523,657)	(21,460)	(21,392)
Interest costs	4(47)	(41,149)	(78,092)	-	-
Fee and commission expenses		(3,400)	(5,332)	-	-
Taxes and surcharges	4(48)	(833,157)	(754,845)	(23,317)	(21,822)
Selling and distribution expenses	4(49)	(16,241,154)	(12,631,101)	-	-
General and administrative expenses	4(50)	(4,251,893)	(4,102,149)	(461,254)	(244,510)
Research and development expenses	4(51)	(5,314,637)	(4,410,737)	-	-
Financial income	4(52)	2,321,726	851,927	1,070,251	673,564
Including: Interest expenses		(681,864)	(637,348)	(1,091,508)	(879,011)
Interest income		2,501,014	1,674,669	2,034,935	1,555,529
Add: Other income	4(58)	578,265	580,359	96,380	123,400
Investment income	4(56), 17(4)	1,080,896	1,088,547	2,233,559	6,211,279
Including: Investment income from associates and joint ventures		309,013	261,136	142,640	134,639
Including: Profits or losses arising from derecognition of financial assets measured at amortised costs		-	-	-	-
Gains/(Losses) on changes in fair value	4(55)	(801,944)	247,700	(250,070)	199,470
Asset impairment losses	4(53)	(178,230)	(133,419)	-	-
Credit impairment losses	4(54)	(154,460)	(461,998)	(1,081)	(6,808)
Losses on disposal of assets	4(57)	(17,833)	(11,070)	(964)	140
Operating profit		17,553,556	16,375,411	3,582,091	7,812,352
Add: Non-operating income		176,544	108,692	26,929	9,490
Less: Non-operating expenses		(105,716)	(88,032)	(48,764)	(71,527)
Total profit		17,624,384	16,396,071	3,560,256	7,750,315
Less: Income tax expenses	4(59)	(2,407,939)	(2,329,061)	(71,539)	(115,433)
Net profit		15,216,445	14,067,010	3,488,717	7,634,882
(1) Classified by continuity of operations					
Net profit from continuing operations		15,216,445	14,067,010	3,488,717	7,634,882
Net profit from discontinued operations		-	-	-	-
(2) Classified by ownership of the equity					
Attributable to shareholders of the Company		15,009,046	13,928,295	3,488,717	7,634,882
Minority interests		207,399	138,715	-	-
Other comprehensive income, net of tax		(225,356)	(510,722)	18,926	(7,410)
Other comprehensive income attributable to equity owners of the Company, net of tax		(247,653)	(295,974)	18,926	(7,410)
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss		121,268	(55,359)	-	-
1) Changes arising from remeasurement of defined benefit plan		120,835	(55,359)	-	-
2) Changes in fair value of investments in other equity instruments		433	-	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss		(368,921)	(240,615)	18,926	(7,410)
1) Other comprehensive income that will be transferred subsequently to profit or loss under the equity method		24,624	(8,721)	18,926	(7,410)
2) Cash flow hedging reserve		(359,040)	79,279	-	-
3) Differences on translation of foreign currency financial statements		(34,505)	(311,173)	-	-
Other comprehensive income attributable to minority shareholders, net of tax		22,297	(214,748)	-	-
Total comprehensive income		14,991,089	13,556,288	3,507,643	7,627,472
Attributable to equity owners of the Company		14,761,393	13,632,321	3,507,643	7,627,472
Attributable to minority interests		229,696	(76,033)	-	-
Earnings per share:					
(1) Basic earnings per share	4(60)	2.17	2.01	Not applicable	Not applicable
(2) Diluted earnings per share	4(60)	2.16	2.01	Not applicable	Not applicable

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 SIX MONTHS ENDED 30 JUNE 2021**

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

Item	Note	For the six months ended	For the six months ended	For the six months ended	For the six months ended
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		Consolidated	Consolidated	Company	Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		151,628,820	117,528,304	-	-
Net increase in customer deposits and deposits from banks and other financial institutions		-	458	-	-
Net decrease in deposits with the Central Bank, banks and other financial institutions		1,167,441	57,283	-	-
Cash received from interest, fee and commission		973,445	675,825	-	-
Refund of taxes and surcharges		4,567,109	3,212,805	-	-
Cash received relating to other operating activities	4(61)(a)	3,795,388	2,306,941	39,536,448	22,962,990
Sub-total of cash inflows		162,132,203	123,781,616	39,536,448	22,962,990
Cash paid for goods and services		(99,315,226)	(67,151,645)	-	-
Net increase in loans and advances		(1,947,468)	(1,827,796)	-	-
Net decrease in customer deposits and deposits from banks and other financial institutions		(68,391)	-	-	-
Cash paid for interest, fee and commission		(45,029)	(84,445)	-	-
Cash paid to and on behalf of employees		(17,098,011)	(14,977,605)	(10,281)	(14,713)
Payments of taxes and surcharges		(7,493,467)	(6,423,500)	(419,819)	(286,463)
Cash paid relating to other operating activities	4(61)(b)	(15,988,201)	(14,911,134)	(6,307,651)	(1,259,268)
Sub-total of cash outflows		(141,955,793)	(105,376,125)	(6,737,751)	(1,560,444)
Net cash flows from operating activities	4(61)(c)	20,176,410	18,405,491	32,798,697	21,402,546
2. Cash flows from investing activities					
Cash received from disposal of investments		76,492,455	57,675,750	42,246,499	42,310,300
Cash received from returns on investments		3,033,825	2,872,302	3,122,815	7,820,383
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		79,031	12,502	2	255
Net cash received from disposal of subsidiaries and other business units		69,824	7,679	-	-
Cash received relating to other investing activities		-	-	-	-
Sub-total of cash inflows		79,675,135	60,568,233	45,369,316	50,130,938
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,447,518)	(2,060,864)	(167,543)	(96,957)
Cash paid to acquire investments		(65,061,652)	(82,911,329)	(57,395,753)	(65,660,000)
Net cash paid to acquire subsidiaries and other business units		(2,028,912)	(540,395)	-	-
Cash paid relating to other investing activities		-	-	-	-
Sub-total of cash outflows		(70,538,082)	(85,512,588)	(57,563,296)	(65,756,957)
Net cash flows from investing activities		9,137,053	(24,944,355)	(12,193,980)	(15,626,019)
3. Cash flows from financing activities					
Cash received from capital contributions		881,832	1,509,026	859,332	1,509,026
Including: Cash received from capital contributions by minority shareholders of subsidiaries		22,500	-	-	-
Cash received from borrowings		11,292,776	9,934,879	6,800,000	799,314
Cash received from issuance of short-term financing bonds		2,999,629	9,998,771	2,999,629	9,998,771
Cash received relating to other financing activities		24,948	5,500	-	-
Sub-total of cash inflows		15,199,185	21,448,176	10,658,961	12,307,111
Cash repayments of borrowings		(6,893,639)	(1,539,392)	(4,799,314)	(350,064)
Cash paid for repayment of short-term financing bonds		(3,000,000)	-	(3,000,000)	-
Cash payments for interest expenses and distribution of dividends or profits		(11,889,373)	(11,853,774)	(12,234,993)	(11,932,163)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(128,450)	(162,955)	-	-
Cash payments relating to other financing activities		(9,975,752)	(1,021,859)	(9,512,267)	(936,777)
Sub-total of cash outflows		(31,758,764)	(14,415,025)	(29,546,574)	(13,219,004)
Net cash flows from financing activities		(16,559,579)	7,033,151	(18,887,613)	(911,893)
4. Effect of foreign exchange rate changes on cash and cash equivalents		(233,775)	76,254	-	-
5. Net increase in cash and cash equivalents		12,520,109	570,541	1,717,104	4,864,634
Add: Cash and cash equivalents at the beginning of the period		23,548,508	30,441,760	16,595,063	12,408,650
6. Cash and cash equivalents at the end of the period	4(61)(d)	36,068,617	31,012,301	18,312,167	17,273,284

Legal representative:
Fang Hongbo

Principal in charge of accounting:
Zhong Zheng

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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

[English translation for reference only]

Item	Amount in the current period										
	Attributable to equity owners of the Company									Minority interests	Total shareholders' equity
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Undistributed profits			
Ending balance of prior year	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	
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	
Balance at the beginning of the current year	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	
Movements for the current period	18,172	1,134,117	(9,129,264)	(247,653)	-	1,411	-	3,947,366	3,493,537	(782,314)	
(1) Total comprehensive income	-	-	-	(247,653)	-	-	-	15,009,046	229,696	14,991,089	
(2) Capital contribution and withdrawal by shareholders	18,172	1,180,220	(9,129,264)	-	-	-	-	-	3,298,041	(4,632,831)	
1) Capital contribution by shareholders	20,699	666,744	-	-	-	-	-	-	-	687,443	
2) Business combinations	-	-	-	-	-	-	-	-	3,147,807	3,147,807	
3) Share-based payments included in shareholders' equity	-	613,685	-	-	-	-	-	-	31,756	645,441	
4) Others	(2,527)	(100,209)	(9,129,264)	-	-	-	-	-	118,478	(9,113,522)	
(3) Profit distribution	-	-	-	-	-	-	-	(11,061,680)	(47,833)	(11,109,513)	
1) Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	
2) Appropriation to general risk reserve	-	-	-	-	-	-	-	-	-	-	
3) Profit distribution to shareholders	-	-	-	-	-	-	-	(11,061,680)	(47,833)	(11,109,513)	
4) Others	-	-	-	-	-	-	-	-	-	-	
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-	
1) Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-	-	
2) Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-	
3) Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	
4) Others	-	-	-	-	-	-	-	-	-	-	
(5) Specific reserve	-	-	-	-	-	1,411	-	-	353	1,764	
1) Appropriation in the current period	-	-	-	-	-	1,422	-	-	356	1,778	
2) Utilisation in the current period	-	-	-	-	-	(11)	-	-	(3)	(14)	
(6) Others	-	(46,103)	-	-	-	-	-	-	13,280	(32,823)	
Ending balance of the current period	7,048,148	23,622,222	(15,223,611)	(1,796,656)	587,984	14,141	7,966,362	91,021,819	10,214,377	123,454,786	

Legal representative:
Fang Hongbo

Principal in charge of accounting:
Zhong Zheng

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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

[English translation for reference only]

Item	Amount in prior year										
	Attributable to equity owners of the Company									Minority interests	Total shareholders' equity
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Undistributed profits			
Ending balance of prior year	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	
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	
Balance at the beginning of the current year	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 current year	58,076	2,847,792	(2,334,615)	(837,449)	221,037	12,730	1,518,704	14,360,822	893,906	16,741,003	
(1) Total comprehensive income	-	-	-	(837,449)	-	-	-	27,222,969	(56,787)	26,328,733	
(2) Capital contribution and withdrawal by shareholders	58,076	2,472,429	(2,334,615)	-	-	13,618	-	-	1,291,135	1,500,643	
1) Capital contribution by shareholders	63,801	2,157,530	-	-	-	-	-	-	89,465	2,310,796	
2) Business combinations	-	-	-	-	-	13,618	-	-	1,663,792	1,677,410.00	
3) Share-based payments included in shareholders' equity	-	508,256	-	-	-	-	-	-	55,314	563,570	
4) Others	(5,725)	(193,357)	(2,334,615)	-	-	-	-	-	(517,436)	(3,051,133)	
(3) Profit distribution	-	-	-	-	221,037	-	1,518,704	(12,862,147)	(417,486)	(11,539,892)	
1) Appropriation to surplus reserve	-	-	-	-	-	-	1,518,704	(1,518,704)	-	-	
2) Appropriation to general risk reserve	-	-	-	-	221,037	-	-	(221,037)	-	-	
3) Profit distribution to shareholders	-	-	-	-	-	-	-	(11,122,406)	(417,486)	(11,539,892)	
4) Others	-	-	-	-	-	-	-	-	-	-	
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-	
1) Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-	-	
2) Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-	
3) Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	
4) Others	-	-	-	-	-	-	-	-	-	-	
(5) Specific reserve	-	-	-	-	-	(888)	-	-	(222)	(1,110)	
1) Appropriation in the current period	-	-	-	-	-	165	-	-	41	206	
2) Utilisation in the current period	-	-	-	-	-	(1,053)	-	-	(263)	(1,316)	
(6) Others	-	375,363	-	-	-	-	-	-	77,266	452,629	
Ending balance of the current year	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	

Legal representative:
Fang Hongbo

Principal in charge of accounting:
Zhong Zheng

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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

[English translation for reference only]

Item	Amount in the current period							
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
Ending balance of prior year	7,029,976	29,123,547	(6,094,347)	(16,009)	-	7,966,362	25,795,300	63,804,829
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Balance at the beginning of the current year	7,029,976	29,123,547	(6,094,347)	(16,009)	-	7,966,362	25,795,300	63,804,829
Movements for the current period	18,172	1,195,975	(9,129,264)	18,926	-	-	(7,572,963)	(15,469,154)
(1) Total comprehensive income	-	-	-	18,926	-	-	3,488,717	3,507,643
(2) Capital contribution and withdrawal by shareholders	18,172	1,195,682	(9,129,264)	-	-	-	-	(7,915,410)
1) Capital contribution by shareholders	20,699	666,744	-	-	-	-	-	687,443
2) Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-	-
3) Share-based payments included in shareholders' equity	-	629,147	-	-	-	-	-	629,147
4) Others	(2,527)	(100,209)	(9,129,264)	-	-	-	-	(9,232,000)
(3) Profit distribution	-	-	-	-	-	-	(11,061,680)	(11,061,680)
1) Appropriation to surplus reserve	-	-	-	-	-	-	-	-
2) Profit distribution to shareholders	-	-	-	-	-	-	(11,061,680)	(11,061,680)
3) Others	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-
1) Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-
2) Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-
3) Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-
4) Others	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-	-	-	-	-
1) Appropriation in the current year	-	-	-	-	-	-	-	-
2) Utilisation in the current year	-	-	-	-	-	-	-	-
(6) Others	-	293	-	-	-	-	-	293
Ending balance of the current period	7,048,148	30,319,522	(15,223,611)	2,917	-	7,966,362	18,222,337	48,335,675

Legal representative:
Fang Hongbo

Principal in charge of accounting:
Zhong Zheng

Head of accounting department:
Chen Lihong

MIDEA GROUP CO., LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

[English translation for reference only]

Item	Amount in prior year							
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
Ending balance of prior year	6,971,900	26,592,959	(3,759,732)	1,735	-	6,447,658	23,249,372	59,503,892
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Balance at the beginning of the current year	6,971,900	26,592,959	(3,759,732)	1,735	-	6,447,658	23,249,372	59,503,892
Movements for the current year	58,076	2,530,588	(2,334,615)	(17,744)	-	1,518,704	2,545,928	4,300,937
(1) Total comprehensive income	-	-	-	(17,744)	-	-	15,187,038	15,169,294
(2) Capital contribution and withdrawal by shareholders	58,076	2,530,340	(2,334,615)	-	-	-	-	253,801
1) Capital contribution by shareholders	63,801	2,157,530	-	-	-	-	-	2,221,331
2) Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-	-
3) Share-based payments included in owners' equity	-	566,167	-	-	-	-	-	566,167
4) Others	(5,725)	(193,357)	(2,334,615)	-	-	-	-	(2,533,697)
(3) Profit distribution	-	-	-	-	-	1,518,704	(12,641,110)	(11,122,406)
1) Appropriation to surplus reserve	-	-	-	-	-	1,518,704	(1,518,704)	-
2) Profit distribution to shareholders	-	-	-	-	-	-	(11,122,406)	(11,122,406)
3) Others	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-
1) Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-
2) Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-
3) Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-
4) Others	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-	-	-	-	-
1) Appropriation in the current year	-	-	-	-	-	-	-	-
2) Utilisation in the current year	-	-	-	-	-	-	-	-
(6) Others	-	248	-	-	-	-	-	248
Ending balance of the current year	7,029,976	29,123,547	(6,094,347)	(16,009)	-	7,966,362	25,795,300	63,804,829

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 SIX MONTHS ENDED 30 JUNE 2021

(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 involving 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 30 June 2021, the Company’s share capital is RMB 7,048,148,178, and the total number of shares in issue is 7,048,148,178, of which 160,823,545 shares are restricted tradable A shares and 6,887,324,633 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 Hitachi Compressor (Thailand) Ltd., and Beijing Wandong Medical Technology Co., Ltd. and its subsidiaries (“Wandong Medical”), and are detailed in Note 5(1); 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 30 August 2021.

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”).

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

(1) Basis of preparation (Cont'd)

The financial statements are prepared on a going concern basis.

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

The financial statements of the Company for the six months ended 30 June 2021 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company's financial position of the Company as at 30 June 2021 and their financial performance, cash flows and other information for the six months then ended.

(3) Accounting period

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

(4) Functional currency

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

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. If the absorbed 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.

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

(5) Business combinations (Cont'd)

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

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

(6) Preparation of consolidated financial statements

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

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

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

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' 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 income attributed to minority 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 owners' equity, the excess is deducted against minority interests. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the parent company. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the parent 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 sale 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.

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

(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 other cash balances and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency 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.

(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.

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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)

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.

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.

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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 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. 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 the fair value is positive and as liabilities when the fair value is negative.

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.

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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)

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).

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	Domestic/overseas business 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

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

The Group, on the basis of the exposure at default and the 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.

(iii) Derecognition of financial assets

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

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.

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

(9) Financial instruments (Cont'd)

(b) Financial liabilities (Cont'd)

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.

(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.

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

(11) Inventories (Cont'd)

(b) Costing of inventories

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

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

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

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

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

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

(d) Inventory system

The Group adopts the perpetual inventory system.

(e) Amortisation method 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 ventures.

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. An associate is an investee that the Group has significant influence on their financial and operating policies.

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

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

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

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing the party's share of the carrying amount of owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party 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. Owners' equity, which is recognised due to changes in investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, is accordingly transferred into profit or loss for the period in which the investment is disposed.

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

For long-term equity investments acquired not through a business combination: for long-term equity 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.

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

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

(b) Subsequent measurement and recognition methods of gains and losses

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

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 amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. The changes of the Group's share in investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution are recognised in capital surplus with a corresponding adjustment to the carrying amount of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. 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.

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 making the decisions on financial and operating policies of the investee, but is not control or joint control over making those policies.

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

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

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures 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	30 to 50 years	-	2% to 3.33%

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

The estimated useful lives, the estimated net residual values of the investment properties 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 cost 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 for 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% to 10%	6.7% to 1.8%
Machinery and equipment	2 to 25 years	0% to 10%	50% to 3.8%
Motor vehicles	2 to 20 years	0% to 10%	50% to 4.5%
Electronic equipment and others	2 to 20 years	0% to 10%	50% to 4.5%
Overseas land	Permanent	Not applicable	Not applicable

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

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

(14) Fixed assets (Cont'd)

(c) 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)).

(d) Disposal of fixed assets

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

(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 construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below its carrying amount (Note 2(19)).

(16) Borrowing costs

The borrowing costs that are directly attributable to 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 general 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 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 30 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, management considers that these trademarks have an indefinite useful life and are presented based upon the carrying amount after deducting the provision for impairment (Note 4(20)).

(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

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 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 collected.

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

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

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

(20) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance, maternity insurance, housing funds, labour union funds, employee education costs, short-term paid absences, etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at 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 Wandong Medical, 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 the bases and percentage prescribed 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 on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligations less the fair value of the 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. Service costs related to supplementary retirement benefits (including current service costs, historical service costs and gains or losses on settlement) and net interest are recognised in profit or loss for the current period or included in the cost of asset, and the changes arising from remeasurement in net liabilities or net assets of defined benefit plans are recognised 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 a 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 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 subsidiaries 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 and etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

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

(23) Provisions (Cont'd)

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

(24) Share-based payments

(a) Types of share-based payments

A share-based payment is a transaction in which the Group grants equity instruments or assumes liabilities that are determined based on the price of equity instruments, in exchange for services rendered by employees. 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 payments

The Group's equity-settled share-based payments contain 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 exercisable or unlockable 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 exercisable or unlockable equity instruments, and capital surplus is increased accordingly. If the subsequent information indicates the number of exercisable or unlockable equity instruments differs from the previous estimate, an adjustment is made and, on the exercise or deactivation date, the estimate is revised to equal to the number of actual vested equity instruments.

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

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

(b) Determination of 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 unlockable 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 unlockable equity instruments, and amend the estimated number of exercisable or unlockable equity instruments. On the exercise or deactivation date, the final number of estimated exercisable or unlockable equity instruments is consistent with the actual number of exercisable or unlockable equity instruments.

(25) Treasury stock

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

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.

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

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

(26) Revenue

Revenue is the gross inflow of economic benefit arising from the ordinary course of the Group's activities, which will lead to an increase in shareholders' equity and are irrelevant to capital contributions by shareholders.

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

When any of the following conditions is 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.

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.

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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 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.

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.

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

(26) Revenue (Cont'd)

(c) Interest income

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

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and the interest income or 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.

(f) Fee and commission income

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

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

(27) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a reasonable and systemic basis over the useful lives of the assets.

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 directly in profit or loss for the current period.

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

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

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the interests by loan principals and the favourable interest rates. The interest subsidies directly received from government are recorded as a reduction of interest expenses.

(28) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible 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 losses). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

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[English translation for reference only]

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

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

Deferred tax assets are only recognised for deductible temporary differences, deductible 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 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 contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as the lessee:

At the commencement date, the Group shall recognise the right-of-use assets and measure the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease. Variable lease payments in proportion to sales are excluded from lease payments and recognised in profit or loss as incurred. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current liabilities.

Right-of-use assets of the Group comprise leased buildings, machinery and equipment, etc. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group may, instead of recognising right-of-use assets and lease liabilities, include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term.

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

(29) Leases (Cont'd)

The Group shall account for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate, except that the contract changes directly resulting from COVID-19 are accounted for by applying the practical expedient. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group correspondingly decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other leases which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

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 undiscounted waivers in profit or loss when the agreement is reached to dismiss the original payment obligation with corresponding adjustment of lease liabilities.

The Group as the lessor:

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

Where the Group leases out self-owned buildings under operating leases, rental income therefrom is recognised on a straight-line basis over the lease term. Variable rental that is linked to a certain percentage of sales is recognised in rental income as 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, accounts for the waivers as variable lease payments and records the waivers in profit or loss during the waiving period.

Except that the above contract changes directly resulting from COVID-19 are accounted for by applying the practical expedient, for a lease modification, the Group accounts for it as a new lease from the effective date of the modification, and considers any lease payments received in advance and receivable relating to the lease before modification as receivables of the new lease.

(b) Finance leases

At the commencement date, the Group recognises the lease payments receivable under a finance lease and derecognises relevant assets. The lease payments receivable under a finance lease are presented as long-term receivables; the lease payments receivable under a finance lease due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets.

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

(30) Segment information

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

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

(31) Critical accounting estimates and judgements

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

Critical accounting estimates and key assumptions

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

(i) Provision for impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the asset group and sets of asset groups that contain the apportioned goodwill is determined by the higher value between the use value and the net value that is calculated by the fair value less the disposal costs. Accounting estimate is required for the calculation of the recoverable amount. The impairment testing is performed by assessing the recoverable amount of the 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

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.

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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. 21 - Lease* (hereinafter referred to “new lease standard”) in 2018 and released the *Circular on the Amendment to the Formats of Corporate Financial Statements for the Year of 2019* (Cai Kuai [2019] No. 6) in 2019. The Group has prepared the financial statements for the year ended 31 December 2021 in accordance with the above standard and circular, and impacts on the Group’s and the Company’s financial statements are as follows:

The Group and the Company initially adopted the new lease standard on 1 January 2021. According to relevant regulations, the Group and the Company would not reassess the contracts that have already existed prior to the date of initial application. The Group and the Company recognised the cumulative effect of the standard as an adjustment to the opening balance of retained earnings in 2021 and relevant line items in the financial statements. The comparatives for the year ended 31 December 2020 were not restated.

(i) The nature and the reasons of the changes in accounting policies

For operating leases that have already existed prior to the initial application of the new lease standard, the Group and the Company adopted different transition approaches based on the remaining lease term: If the remaining lease term is more than 12 months, the Group and the Company recognised lease liabilities based on the remaining lease payments and the incremental borrowing rate as at 1 January 2021. Right-of-use assets are measured at the amount equivalent to lease liabilities and adjusted as necessary depending on prepaid rent. The Group and the Company applied the practical expedient for leases with a remaining term of 12 months or less, under which the right-of-use assets and lease liabilities were not recognised. There was no significant impact on the financial statements.

For finance leases prior to the date of initial application, the Company, at the initial application date, measures the right-of-use assets and lease liabilities respectively based on the original carrying amounts of assets under finance lease and the finance lease payable. Due to the implementation of the new standard on leases, the Group and the Company reclassify fixed assets held under finance leases originally recognised in fixed assets to right-of-use assets, and reclassify payables for finance lease originally recognised in long-term payables to lease liabilities.

The line items affected	The amounts affected	
	1 January 2021	
	The Group	The Company
Fixed assets	(26,348)	-
Right-of-use assets	2,155,516	10,340
Current portion of non-current liabilities	629,002	7,693
Lease liabilities	1,513,426	2,647
Long-term payables	(13,260)	-

As at 1 January 2021, when measuring lease liabilities, the Group and the Company adopted the same discount rate for lease contracts with similar characteristics, and the weighted average of incremental borrowing rates adopted was 1.01% - 13.21%.

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

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

As at 1 January 2021, the Group and the Company reconciled the outstanding minimum operating lease payments calculated under the old lease standard to lease liabilities under the new lease standard as follows:

	The Group	The Company
Future minimum operating lease payments as at 31 December 2020	2,523,731	10,653
Present value of the above minimum operating lease payments discounted using the incremental borrowing rate	2,253,525	10,340
Add: Finance lease payable as at 31 December 2020	20,943	-
Less: Payments for short-term leases (including leases with a remaining lease term of less than 12 months) and leases of low-value assets	(124,357)	-
Lease liabilities recognised as at 1 January 2021 (including current portion of non-current liabilities)	2,150,111	10,340

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3 Taxation

(1) Main tax category and rate

Category	Tax base	Tax rate
Enterprise income tax	Levied based on taxable income	Note (a)
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	Note (b)
City maintenance and construction tax	The amount of VAT paid	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 2021 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

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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 2021 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
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 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	9 December 2020	3 years
Anhui Meizhi Compressor Co., Ltd.	GR201934000046	9 September 2019	3 years
Foshan Shunde Midea Water Dispenser Manufacturing Company Limited	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

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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 2021 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
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 Electric Co., Ltd.	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
Beijing Wandong Medical Technology Co., Ltd.	GR202011009515	2 December 2020	3 years
Wanliyun Medical Information Technology (Beijing) Co., Ltd.	GR201911005106	2 December 2019	3 years

(a-2) According to the *Ministry of Finance, the State Taxation Administration on the Notice of Enterprise Income Tax Preferential Policy for Hainan Free-trade Enterprise, Financial Tax (2020) (No.31)*, the Company's subsidiary in Hainan was subject to enterprise income tax at a rate of 15% from 1 Jan 2020 to 31 Dec 2024.

(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.

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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-4) 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 2021.
- (a-5) The Company's subsidiaries in Mainland China other than those mentioned in (a-1) and (a-4) are subject to enterprise income tax at the rate of 25%.
- (a-6) 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 2021. 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-7) 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-8) 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-9) Springer Carrier Ltda., the Company's subsidiary in Brazil, is subject to Brazil enterprise income tax at the rate of 34%.
- (a-10) 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%.
- (a-11) 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-12) KUKA Group, the Company's subsidiary in Germany, is subject to Germany enterprise income tax at the rate of 32%.
- (a-13) Servotronix 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%.

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3 Taxation (Cont'd)

- (1) Main tax category and rate (Cont'd)
- (b) Notes to the VAT tax 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 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, 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.

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4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

Item	Ending balance	Opening balance
Cash on hand	2,811	2,538
Cash at bank (a)	38,776,642	51,253,132
Other cash balances (b)	950,475	688,481
Statutory reserve deposits with the Central Bank (c)	540,204	1,707,645
Surplus reserve with the Central Bank	104,174	344,860
Deposits with banks and other financial institutions (d)	22,643,800	26,515,276
Accrued interest	408,620	698,550
Total	63,426,726	81,210,482
Including: Total amounts deposited with banks overseas (including Hong Kong, China, Macau, China, Singapore, Japan, Italy, Brazil, Germany, etc.)	7,674,709	7,014,620

- (a) As at 30 June 2021, cash at bank included fixed deposits with the term of over 3 months, amounting to RMB 19,814,537,000 (31 December 2020: RMB 37,067,298,000).
- (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 30 June 2021, deposits with banks and other financial institutions included fixed deposits with the term of over 3 months, amounting to RMB 6,000,000,000 (31 December 2020: RMB 17,500,000,000).

(2) Financial assets held for trading

Item	Ending balance	Opening balance
Structural deposits (a)	1,737,119	25,626,631
Investments in equity instrument held for trading (b)	1,764,101	2,314,965
Others	722,448	298,005
	4,223,668	28,239,601

- (a) As at 30 June 2021, structural deposits were deposits with financial institutions due within 1 year, which were measured at fair value through profit or loss.
- (b) As at 30 June 2021, investments in equity instrument held for trading referred to equity investments in listed companies, which were measured at fair value through profit or loss.

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

(3) Notes receivable

Item	Ending balance	Opening balance
Bank acceptance notes	5,710,733	5,086,749
Trade acceptance notes	148,597	218,108
Less: Provision for bad debts	(7,047)	(347)
Total	5,852,283	5,304,510

(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 30 June 2021, the Group 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.

(4) Accounts receivable

Item	Ending balance	Opening balance
Accounts receivable	28,468,544	23,854,936
Less: Provision for bad debts	(876,710)	(876,573)
Total	27,591,834	22,978,363

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

Ageing	Ending balance	Opening balance
Within 1 year	27,675,691	23,015,280
1 to 2 years	453,431	580,644
2 to 3 years	175,123	159,427
3 to 5 years	127,743	87,938
Over 5 years	36,556	11,647
Sub-total	28,468,544	23,854,936

As at 30 June 2021, the Group had no significant overdue accounts receivable.

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

As at 30 June 2021, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

Category	Ending balance			Reason
	Book balance	Lifetime ECL rate	Provision for bad debts	
Domestic business grouping	10,840	100.00%	(10,840)	The debtor encountered financial distress, etc.
Overseas business grouping	1,559	100.00%	(1,559)	The debtor encountered financial distress, etc.
Total	12,399		(12,399)	

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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 30 June 2021, accounts receivable for which the related provision for bad debts was provided on the grouping basis are analysed as follows:

Category	Ending balance		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Domestic business grouping	12,644,497	2.97%	(375,512)
Overseas business grouping	15,811,648	3.09%	(488,799)
Total	28,456,145		(864,311)

- (c) The provision for bad debts reversed during the six months ended 30 June 2021 amounted to RMB 147,147,000.

For the six months ended 30 June 2021, the accounts receivable written off by the Group were arising from transactions with third parties and no accounts receivable with significant amounts were written off.

As at 30 June 2021, the five largest accounts receivable aggregated by debtor were summarised and analysed as follows:

Item	Amount	Provision for bad debts	% of total balance
Total amount of the five largest accounts receivable	3,156,994	(78,925)	11.09%

(5) Other receivables

Item	Ending balance	Opening balance
Other receivables	2,525,075	3,026,970
Less: Provision for bad debts	(73,304)	(53,025)
Total	2,451,771	2,973,945

- (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:

Ageing	Ending balance	Opening balance
Within 1 year	2,227,541	2,708,730
1 to 2 years	212,451	222,785
2 to 3 years	45,401	50,457
3 to 5 years	28,590	30,867
Over 5 years	11,092	14,131
Sub-total	2,525,075	3,026,970

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

(5) Other receivables (Cont'd)

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

Item	Stage 1				Stage 3		Sub-total Provision for bad debts
	12-Month ECL (Grouping)		12-month ECL (Individual)		Lifetime ECL (Credit impaired)		
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts	
1 January 2021	2,983,653	47,449	37,741	-	5,576	5,576	53,025
Transfer to Stage 3	-	-	-	-	-	-	-
Net (decrease)/increase in the current year	(558,997)	20,450	57,204	-	(102)	(102)	20,348
Including: Write-off in the current period	-	-	-	-	(102)	(102)	(102)
Derecognition	-	-	-	-	-	-	-
Differences on translation of foreign currency financial statements		(69)		-		-	(69)
30 June 2021	2,424,656	67,830	94,945	-	5,474	5,474	73,304

(c) As at 30 June 2021, other receivables of the Group at Stage 1 and Stage 3 were analysed as follows:

(i) As at 30 June 2021, 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	94,945	0%	-	Relatively low bad debt risks

	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 3	5,474	100.00%	(5,474)	The debtor encountered financial distress, etc.

(ii) As at 30 June 2021, other receivables for which the related provision for bad debts was provided on the grouping basis were all at Stage 1, which were analysed as follows:

	Ending balance			Opening balance		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	Provision ratio	Amount	Amount	Provision ratio
Stage 1						
Security deposit/guarantee payables grouping	2,424,656	(67,830)	2.80%	2,983,653	(47,449)	1.59%

(iii) For the six months ended 30 June 2021, the provision for bad debts reversed amounted to RMB 8,295,000.

For the six months ended 30 June 2021, no other receivables with significant amounts were written off.

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

(5) Other receivables (Cont'd)

(d) As at 30 June 2021, the five largest other receivables aggregated by debtor were summarised and analysed as follows:

Item	Amount	Provision for bad debts	% of total balance
Total amount of the five largest other receivables	441,250	(16,511)	17.47%

(e) As at 30 June 2021, the Group had no significant government grants recognised at amounts receivable.

(6) Receivables financing

Item	Ending balance	Opening balance
Receivables financing	15,394,251	13,901,856

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

No provision for bank acceptance notes was individually provided. As at 30 June 2021, 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 30 June 2021, the Group's notes receivable and accounts receivable transferred, endorsed or discounted but not matured presented in receivables financing were as follows:

Item	Derecognised	Not derecognised
Receivables financing	21,987,321	3,362,422

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4 Notes to the consolidated financial statements (Cont'd)**(7) Advances to suppliers**

Item	Ending balance	Opening balance
Prepayments for raw materials and others	3,519,045	2,763,710

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

Ageing	Ending balance		Opening balance	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	3,346,558	95.10%	2,562,904	92.73%
1 to 2 years	141,871	4.03%	163,765	5.93%
2 to 3 years	13,611	0.39%	17,579	0.64%
Over 3 years	17,005	0.48%	19,462	0.70%
Total	3,519,045	100.00%	2,763,710	100.00%

As at 30 June 2021, advances to suppliers over 1 year with a carrying amount of RMB 172,487,000 (31 December 2020: RMB 200,806,000) were mainly unsettled prepayments for raw materials.

As at 30 June 2021, the five largest advances to suppliers aggregated by debtors were analysed as follows:

Item	Amount	% of total balance
Total amount of the five largest advances to suppliers	705,529	20.05%

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

(8) Contract assets

Item	Ending balance	Opening balance
Contract assets	4,401,261	3,289,783
Less: Provision for impairment of contract assets	(47,088)	(52,935)
Total	4,354,173	3,236,848

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 30 June 2021, the Group's contract assets were not overdue, and the provision for impairment was made on the grouping basis.

As at 30 June 2021, contract assets for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

Grouping	Ending balance		
	Book balance	Lifetime ECL rate	Provision for bad debts
Domestic business grouping	1,008,533	3.56%	(35,884)
Overseas business grouping	3,392,728	0.33%	(11,204)
Total	4,401,261		(47,088)

(9) Loans and advances to customers

(a) By individual and corporation:

Item	Ending balance	Opening balance
Loans and advances measured at amortised cost		
Loans and advances to individuals	2,123,382	2,235,275
Loans and advances to corporations	17,725,662	15,660,149
Including: Loans	13,474,854	10,133,447
Discount bills	4,250,808	5,526,702
Sub-total	19,849,044	17,895,424
Less: Provision for bad debts	(380,300)	(312,854)
Total	19,468,744	17,582,570

As at 30 June 2021, loans and advances over 1 year amounted to RMB 980,144,000 (31 December 2020: RMB 1,113,501,000).

(b) By type of collateral held:

Item	Ending balance	Opening balance
Unsecured loans	2,115,109	1,645,282
Guaranteed loans	615,116	885,659
Pledged loans	17,118,819	15,364,483
Sub-total	19,849,044	17,895,424
Less: Provision for bad debts	(380,300)	(312,854)
Total	19,468,744	17,582,570

MIDEA GROUP CO., LTD.

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

(10) Inventories

(a) Inventories are summarised by categories as follows:

Item	Ending balance			Opening balance		
	Book balance	Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Goods in stock	22,866,092	(478,260)	22,387,832	21,718,749	(372,474)	21,346,275
Raw materials	9,962,047	(93,775)	9,868,272	7,402,034	(70,221)	7,331,813
Work in progress	1,726,813	-	1,726,813	1,875,881	-	1,875,881
Consigned processing materials, etc.	516,608	-	516,608	522,560	-	522,560
Total	35,071,560	(572,035)	34,499,525	31,519,224	(442,695)	31,076,529

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

Item	Opening balance	Increase of provision in the current period	Decrease by reversal or write-off in the current period	Differences on translation of foreign currency financial statements	Ending balance
Goods in stock	372,474	145,785	(22,672)	(17,327)	478,260
Raw materials	70,221	35,896	(8,563)	(3,779)	93,775
Total	442,695	181,681	(31,235)	(21,106)	572,035

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

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

(11) Current portion of non-current assets

Item	Ending balance	Opening balance
Current portion of long-term receivables	418,458	-
Less: Provision for bad debts	(9,007)	-
Sub-total	409,451	-
Current portion of other debt investments	7,210,384	-
Total	7,619,835	-

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[English translation for reference only]**4 Notes to the consolidated financial statements (Cont'd)**

(12) Other current assets

Item	Ending balance	Opening balance
Monetary investment products (a)	64,832,531	25,542,595
Input VAT to be deducted	4,274,260	4,336,260
Prepaid expenses	804,576	786,140
Others	2,016,918	2,414,923
Total	71,928,285	33,079,918

- (a) Monetary investment products were fixed income products with financial institutions due within 1 year, which were mainly measured at amortised cost.

(13) Other debt investments

Item	Ending balance	Opening balance
Fair value through other comprehensive income		
- Transferable certificate of deposit	16,764,387	21,456,155
Less: Provision for impairment of other debt investments	-	-
Total	16,764,387	21,456,155

As at 30 June 2021, the cost of the Group's transferable certificate of deposit approximated its fair value.

As at 30 June 2021, 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.

(14) Long-term receivables

Item	Ending balance	Opening balance
Long-term receivables	1,112,523	981,623
Less: Provision for bad debts	-	-
Total	1,112,523	981,623

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

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

(15) Long-term equity investments

Long-term equity investments are classified as follows:

Item	Ending balance	Opening balance
Investments in associates (a)	3,016,023	2,901,337
Less: Provision for impairment of long-term equity investments	-	-
Total	3,016,023	2,901,337

- (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.

(16) Other non-current financial assets

Item	Ending balance	Opening balance
Measured at fair value		
- Equity of unlisted companies, etc.	4,154,677	3,360,849
Less: Provision for impairment of other non-current assets	-	-
Total	4,154,677	3,360,849

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

(17) Fixed assets

Item	Buildings	Overseas land	Machinery and equipment	Motor vehicles	Electronic equipment and others	Total
Cost						
Ending balance of prior year	19,012,262	1,394,439	20,891,842	812,751	5,003,386	47,114,680
Changes in accounting policies	-	-	(97,510)	-	-	(97,510)
Opening balance	19,012,262	1,394,439	20,794,332	812,751	5,003,386	47,017,170
Increase in the current period	1,231,525	29,364	881,734	15,181	259,360	2,417,164
1) Purchase	35,040	-	741,196	10,912	220,699	1,007,847
2) Transfer from construction in progress	370,249	-	45,574	1,916	25,839	443,578
3) Increase by business combinations	778,995	29,364	94,964	2,353	12,822	918,498
4) Others	47,241	-	-	-	-	47,241
Decrease in the current period	(36,598)	(11,628)	(210,944)	(54,167)	(106,614)	(419,951)
1) Disposal or retirement	(6,202)	-	(172,443)	(18,041)	(105,381)	(302,067)
2) Others	(30,396)	(11,628)	(38,501)	(36,126)	(1,233)	(117,884)
Differences on translation of foreign currency financial statements	(165,650)	(41,164)	(141,029)	(750)	(41,071)	(389,664)
Ending balance	20,041,539	1,371,011	21,324,093	773,015	5,115,061	48,624,719
Accumulated depreciation						
Ending balance of prior year	8,179,081	-	12,462,365	560,134	3,585,113	24,786,693
Changes in accounting policies	-	-	(71,162)	-	-	(71,162)
Opening balance	8,179,081	-	12,391,203	560,134	3,585,113	24,715,531
Increase in the current period	479,771	-	747,551	44,654	359,755	1,631,731
1) Provision	455,869	-	747,551	44,654	359,755	1,607,829
2) Others	23,902	-	-	-	-	23,902
Decrease in the current period	(15,322)	-	(149,345)	(12,206)	(90,810)	(267,683)
1) Disposal or retirement	(5,188)	-	(145,577)	(8,347)	(90,586)	(249,698)
2) Others	(10,134)	-	(3,768)	(3,859)	(224)	(17,985)
Differences on translation of foreign currency financial statements	(19,288)	-	(60,203)	(314)	(15,752)	(95,557)
Ending balance	8,624,242	-	12,929,206	592,268	3,838,306	25,984,022
Provision for impairment						
Ending balance of prior year	7,331	5,892	33,601	33,171	8,778	88,773
Changes in accounting policies	-	-	-	-	-	-
Opening balance	7,331	5,892	33,601	33,171	8,778	88,773
Increase in the current period	-	-	-	-	-	-
1) Provision	-	-	-	-	-	-
Decrease in the current period	-	-	(766)	(31)	-	(797)
1) Disposal or retirement	-	-	(766)	(31)	-	(797)
Differences on translation of foreign currency financial statements	(204)	(457)	(50)	(21)	(641)	(1,373)
Ending balance	7,127	5,435	32,785	33,119	8,137	86,603
Carrying amount at the end of the period	11,410,170	1,365,576	8,362,102	147,628	1,268,618	22,554,094
Carrying amount at the end of prior year	10,825,850	1,388,547	8,395,876	219,446	1,409,495	22,239,214
Changes in accounting policies	-	-	(26,348)	-	-	(26,348)
Carrying amount at the beginning of the period	10,825,850	1,388,547	8,369,528	219,446	1,409,495	22,212,866

- (a) For the six months ended 30 June 2021, the depreciation of fixed assets amounted to RMB 1,607,829,000 (for the six months ended 30 June 2020: RMB 1,652,587,000) and was included in the income statement in full amount.
- (b) As at 30 June 2021, the Company was still in the course of obtaining the ownership certificate for the fixed asset with a carrying amount of RMB 258,054,000 (31 December 2020: RMB 123,789,000).

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

(18) Construction in progress

Project name	Ending balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Midea Headquarters A04 Land Parcel Project	271,163	-	271,163	197,540	-	197,540
Indian Science Park	157,401	-	157,401	364,554	-	364,554
Other projects	1,205,653	(47,234)	1,158,419	964,524	(49,316)	915,208
Total	1,634,217	(47,234)	1,586,983	1,526,618	(49,316)	1,477,302

(a) Movements of significant projects of construction in progress

Project name	Opening balance	Increase in the current period	Transfers to fixed asset	Other decreases	Differences on translation of foreign currency financial statements	Ending balance	Source of funds
Midea Headquarters A04 Land Parcel Project	197,540	73,623	-	-	-	271,163	Self-financing
Indian Science Park	364,554	12,557	(213,623)	-	(6,087)	157,401	Self-financing
Other projects	964,524	516,435	(229,955)	(22,822)	(22,529)	1,205,653	Self-financing
Total	1,526,618	602,615	(443,578)	(22,822)	(28,616)	1,634,217	

- (i) For the six months ended 30 June 2021, the Group had no borrowing costs eligible for capitalisation.
- (ii) As at 30 June 2021, 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)

(19) Right-of-use assets

Item	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment and others	Total
Cost					
Opening balance	1,983,934	193,960	10,868	37,916	2,226,678
Increase in the current period	427,342	25,957	634	10,345	464,278
1) New lease contracts	424,537	25,957	634	10,345	461,473
2) Increase by business combinations	2,805	-	-	-	2,805
Decrease in the current period	(36,953)	(3,705)	(60)	(172)	(40,890)
1) Changes in leases	(36,953)	(3,705)	(60)	(172)	(40,890)
Differences on translation of foreign currency financial statements	(37,470)	(11,458)	(443)	(1,608)	(50,979)
Ending balance	2,336,853	204,754	10,999	46,481	2,599,087
Accumulated depreciation					
Opening balance	-	71,162	-	-	71,162
Increase in the current period	353,623	36,819	1,823	10,110	402,375
1) Provision	353,623	36,819	1,823	10,110	402,375
Decrease in the current period	-	-	-	-	-
Differences on translation of foreign currency financial statements	(9,868)	(6,659)	(22)	(468)	(17,017)
Ending balance	343,755	101,322	1,801	9,642	456,520
Provision for impairment					
Opening balance	-	-	-	-	-
Increase in the current period	-	-	-	-	-
Decrease in the current period	-	-	-	-	-
Differences on translation of foreign currency financial statements	-	-	-	-	-
Ending balance	-	-	-	-	-
Carrying amount at the end of the period	1,993,098	103,432	9,198	36,839	2,142,567
Carrying amount at the beginning of the period	1,983,934	122,798	10,868	37,916	2,155,516

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

(20) Intangible assets

Item	Land use rights	Patents and non-patent technologies	Trademark rights	Trademark use rights	Others	Total
Cost						
Opening balance	4,827,841	2,191,179	5,259,116	2,646,807	5,481,621	20,406,564
Increase in the current period	2,146,015	1,050,177	-	-	349,962	3,546,154
1) Purchase	2,139,916	-	-	-	160,455	2,300,371
2) Increase by business combinations	-	1,047,967	-	-	168,392	1,216,359
3) Others	6,099	2,210	-	-	21,115	29,424
Decrease in the current period	-	(980)	-	-	(13,723)	(14,703)
1) Disposal	-	(980)	-	-	(13,723)	(14,703)
Differences on translation of foreign currency financial statements	(1,688)	(74,961)	(208,967)	(201,777)	(192,318)	(679,711)
Ending balance	6,972,168	3,165,415	5,050,149	2,445,030	5,625,542	23,258,304
Accumulated amortisation						
Opening balance	1,000,511	775,427	113,266	329,992	2,571,447	4,790,643
Increase in the current period	69,359	75,161	31,187	30,059	376,329	582,095
1) Provision	66,553	75,161	31,187	30,059	376,329	579,289
2) Transfer from investment properties and others	2,806	-	-	-	-	2,806
Decrease in the current period	-	(980)	-	-	(4,608)	(5,588)
1) Disposal	-	(980)	-	-	(4,608)	(5,588)
Differences on translation of foreign currency financial statements	9	(29,922)	(373)	(23,775)	(81,176)	(135,237)
Ending balance	1,069,879	819,686	144,080	336,276	2,861,992	5,231,913
Provision for impairment						
Opening balance	-	114,609	-	-	78,919	193,528
Increase in the current period	-	-	-	-	-	-
1) Provision	-	-	-	-	-	-
Decrease in the current period	-	-	-	-	-	-
1) Disposal	-	-	-	-	-	-
Differences on translation of foreign currency financial statements	-	(910)	-	-	(3,377)	(4,287)
Ending balance	-	113,699	-	-	75,542	189,241
Carrying amount at the end of the period	5,902,289	2,232,030	4,906,069	2,108,754	2,688,008	17,837,150
Carrying amount at the beginning of the period	3,827,330	1,301,143	5,145,850	2,316,815	2,831,255	15,422,393

(a) For the six months ended 30 June 2021, the amortisation of intangible assets amounted to RMB 579,289,000 (for the six months ended 30 June 2020: RMB 504,713,000) and was included in the income statement in full amount.

(b) As at 30 June 2021, 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)

(21) Goodwill

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

Name of investee	Ending balance	Opening balance
KUKA Group	21,872,190	22,836,294
TLSC Group	2,720,588	2,944,486
Little Swan	1,361,306	1,361,306
Others	3,889,088	2,931,654
Sub-total	29,843,172	30,073,740
Less: Provision for impairment	(511,392)	(516,522)
Total	29,331,780	29,557,218

(22) Long-term prepaid expenses

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

(23) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

Item	Ending balance		Opening balance	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	3,255,750	746,580	2,825,364	693,098
Provision for asset impairment	2,329,160	486,333	2,023,621	409,576
Employee benefits payable	1,726,895	426,630	1,821,805	426,845
Other current liabilities	31,817,561	5,581,528	29,914,787	5,305,009
Others	6,197,421	1,695,467	6,615,646	1,700,311
Total	45,326,787	8,936,538	43,201,223	8,534,839

(b) Deferred tax liabilities before offsetting

Item	Ending balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value	1,028,870	169,555	1,495,449	205,628
Business combinations involving enterprises not under common control	12,384,192	3,459,430	11,673,627	3,415,470
Others	12,265,757	3,053,167	11,296,707	2,929,060
Total	25,678,819	6,682,152	24,465,783	6,550,158

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

Item	Balance after offsetting at the end of the period	Balance after offsetting at the beginning of the period
Deferred tax assets	7,636,799	7,208,635
Deferred tax liabilities	5,382,413	5,223,954

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

(24) Other non-current assets

Item	Ending balance	Opening balance
Monetary investment products (a)	10,436,128	10,128,172
Others	795,541	1,127,707
Total	11,231,669	11,255,879

- (a) As at 30 June 2021, 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)

(25) Asset impairment and provision for loss

Item	1 January 2021	Increase in the current period	Decrease in the current period		Differences on translation of foreign currency financial statements	30 June 2021
			Reversal	Write-off		
Provision for bad debts	1,242,799	310,305	(155,845)	(45,140)	(5,751)	1,346,368
Including: Provision for bad debts of accounts receivable	876,573	197,941	(147,147)	(45,038)	(5,619)	876,710
Provision for losses on loans and advances	312,854	67,577	(131)	-	-	380,300
Provision for bad debts of notes receivable	347	6,972	(272)	-	-	7,047
Provision for bad debts of other receivables	53,025	28,745	(8,295)	(102)	(69)	73,304
Provision for bad debts of long-term receivables	-	9,070	-	-	(63)	9,007
Provision for decline in the value of inventories	442,695	181,681	(2,639)	(28,596)	(21,106)	572,035
Provision for impairment of fixed assets	88,773	-	-	(797)	(1,373)	86,603
Provision for impairment of intangible assets	193,528	-	-	-	(4,287)	189,241
Provision for impairment of contract assets	52,935	401	(1,213)	-	(5,035)	47,088
Provision for impairment of investment properties	12,576	-	-	-	-	12,576
Provision for impairment of construction in progress	49,316	-	-	-	(2,082)	47,234
Provision for impairment of goodwill	516,522	-	-	-	(5,130)	511,392
Total	2,599,144	492,387	(159,697)	(74,533)	(44,764)	2,812,537

MIDEA GROUP CO., LTD.**NOTES TO THE FINANCIAL STATEMENTS
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[English translation for reference only]**4 Notes to the consolidated financial statements (Cont'd)****(26) Assets with use rights restricted**

As at 30 June 2021, assets with use rights restricted were as follows:

Item	Ending balance	Opening balance
Cash at bank and on hand		
Including: Cash at bank (Note 4(1))	19,814,537	37,067,298
Other cash balances (Note 4(1))	594,748	688,481
Statutory reserves with the Central Bank (Note 4(1))	540,204	1,707,645
Deposits with banks and other financial institutions (Note 4(1))	6,000,000	17,500,000
Total	26,949,489	56,963,424

(27) Short-term borrowings

Item	Ending balance	Opening balance
Unsecured borrowings	3,432,579	2,281,509
Guaranteed borrowings	7,288,828	7,402,260
Pledged borrowings	1,224,713	192,569
Mortgage borrowings	-	67,591
Total	11,946,120	9,943,929

As at 30 June 2021, the annual interest rate range of short-term borrowings was 0.90% to 5.65% (31 December 2020: 0.90% to 9.40%).

(28) Notes payable

Item	Ending balance	Opening balance
Bank acceptance notes	31,022,281	28,233,818
Trade acceptance notes	312	16,121
Total	31,022,593	28,249,939

(29) Accounts payable

Item	Ending balance	Opening balance
Materials cost payable	59,672,519	49,451,076
Others	4,791,522	4,479,185
Total	64,464,041	53,930,261

As 30 June 2021, accounts payable with ageing over 1 year with a carrying amount of RMB 1,130,980,000 (31 December 2020: RMB 985,248,000) were mainly unsettled accounts payable for materials.

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

(30) Contract liabilities

Item	Ending balance	Opening balance
Advances for construction projects	2,129,364	1,889,487
Advances on sales and services	18,204,956	16,511,435
Total	20,334,320	18,400,922

(31) Employee benefits payable

Item	Ending balance	Opening balance
Short-term employee benefits payable (a)	5,361,752	6,666,830
Others	195,087	287,992
Total	5,556,839	6,954,822

(a) Short-term employee benefits

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Wages and salaries, bonus, allowances and subsidies	6,181,736	13,325,527	(14,555,259)	4,952,004
Staff welfare	341,810	854,741	(936,112)	260,439
Social security contributions	73,818	833,012	(838,751)	68,079
Including: Medical insurance	71,639	782,987	(789,233)	65,393
Work injury insurance	1,056	15,264	(14,940)	1,380
Maternity insurance	1,123	34,761	(34,578)	1,306
Housing funds	23,537	245,955	(242,295)	27,197
Labour union funds and employee education funds	17,513	56,717	(49,872)	24,358
Other short-term employee benefits	28,416	43,358	(42,099)	29,675
Sub-total	6,666,830	15,359,310	(16,664,388)	5,361,752

(32) Taxes payable

Item	Ending balance	Opening balance
Enterprise income tax payable	2,587,760	3,121,236
Unpaid VAT	999,510	1,013,378
Others	1,160,972	1,623,444
Total	4,748,242	5,758,058

(33) Other payables

Item	Ending balance	Opening balance
Other payables	4,780,388	4,501,391

(a) Other payables are mainly restricted share repurchase obligation, deposit and security deposit payable, reimbursed logistics expense, manufacturing equipment expense, dividend payable, etc.

(b) As at 30 June 2021, other payables with ageing over 1 year with a carrying amount of RMB **1,159,998,000** (31 December 2020: RMB 1,392,059,000) 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)

(34) Current portion of non-current liabilities

Item	Ending balance	Opening balance	Ending balance of prior year
Current portion of long-term borrowings	673,131	6,284,643	6,284,643
Current portion of lease liabilities	776,014	636,685	
Current portion of long-term payables	9,169	17,855	25,538
Total	1,458,314	6,939,183	6,310,181

(35) Other current liabilities

Item	Ending balance	Opening balance
Accrued sale rebates	33,670,248	31,192,652
Short-term financing bonds payable (a)	3,020,791	3,030,785
Others	15,505,802	15,628,802
Total	52,196,841	49,852,239

- (a) As at 30 June 2021, 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 178 days, and a coupon rate of 2.72%.

(36) Long-term borrowings

Item	Ending balance	Opening balance
Mortgage borrowings (a)	28,404,608	29,673,661
Guaranteed borrowings (b)	7,309,299	7,785,898
Unsecured borrowings	14,329,909	11,633,434
Pledged borrowings	18,722	18,937
Total	50,062,538	49,111,930
Less: Current portion of mortgage borrowings	(77,168)	(48,962)
Current portion of guaranteed borrowings	-	(2,174,775)
Current portion of unsecured borrowings	(589,722)	(4,054,593)
Current portion of pledged borrowings	(6,241)	(6,313)
Total	49,389,407	42,827,287

- (a) As at 30 June 2021, bank mortgage borrowings were mainly mortgage borrowings with a cost of EUR 3,684,357,000, equivalent to RMB 28,318,702,000 (31 December 2020: a cost of EUR 3,691,857,000, equivalent to RMB 29,627,150,000) 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 30 June 2021, bank guaranteed borrowings mainly included: (i) guaranteed borrowings with a cost of EUR 271,000,000, equivalent to RMB 2,082,960,000 (31 December 2020: a cost of EUR 271,000,000, equivalent to RMB 2,174,775,000) guaranteed by the Company, with interest paid every 3 months, which will be due in April 2024; (ii) guaranteed borrowings with a cost of JPY 69,460,000,000, equivalent to RMB 4,058,409,000 (31 December 2020: a cost of JPY 69,460,000,000, equivalent to RMB 4,392,373,000) guaranteed by the Company, with interest paid on a monthly basis, which will be due in May 2024.
- (c) As at 30 June 2021, the annual interest rate range of long-term borrowings was 0.49% to 5.85% (31 December 2020: 0.49% to 6.08%).

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

(37) Lease liabilities

Item	Ending balance	Opening balance
Lease liabilities	2,206,271	2,150,111
Less: Current portion of lease liabilities	(776,014)	(636,685)
	1,430,257	1,513,426

(38) Long-term employee benefits payable

Item	Ending balance	Opening balance
Supplementary retirement benefits	1,600,309	2,014,651
Others	187,484	145,024
Total	1,787,793	2,159,675

(39) Other non-current liabilities

Other non-current liabilities are mainly equity purchase payables.

(40) Share capital

Item	Opening balance	Movements for the current period				Ending balance
		Share-based payment incentive plan	Desterilisation	Repurchases and write-offs	Sub-total	
RMB-denominated ordinary shares -						
RMB-denominated ordinary shares subject to trading restriction	182,863	9,940	(29,453)	(2,527)	(22,040)	160,823
RMB-denominated ordinary shares not subject to trading restriction	6,847,113	10,759	29,453	-	40,212	6,887,325
Total	7,029,976	20,699	-	(2,527)	18,172	7,048,148

- (a) For the six months ended 30 June 2021, the share-based payment incentive plan increased the share capital by 20,699,000 shares.

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

(41) Treasury stock

Item	Opening balance	Movements for the current period		Ending balance
		Increase in the current period	Decrease in the current period	
Treasury stock used for share-based payment incentive plan	6,094,347	8,665,148	(317,261)	14,442,234
Repurchased shares that have not yet been written off	-	781,377	-	781,377
Total	6,094,347	9,446,525	(317,261)	15,223,611

For the six months ended 30 June 2021, the Group's repurchased treasury stock amounted to RMB 9,446,525,000. As at 30 June 2021, treasury stock mainly comprised treasury stock of RMB 10,028,492,000 used for share-based payment incentive plan, and restricted shares amounting to RMB 4,413,742,000 that have not met unlock condition, and repurchased shares amounting to RMB 781,377,000 that were recognised in accordance with the *Proposal on the Scheme for the Repurchase of Certain Social Public Shares* approved at the 33rd meeting of the third Board of Directors and the 2020 annual shareholders' meeting held on 9 May 2021 and 21 May 2021 respectively, amounting to RMB 15,223,611,000 in total.

(42) Capital surplus

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Share premium (a)	18,185,028	787,034	(100,209)	18,871,853
Share-based payment incentive plan (b)	1,414,842	781,398	(288,003)	1,908,237
Others	2,888,235	31,351	(77,454)	2,842,132
Total	22,488,105	1,599,783	(465,666)	23,622,222

- (a) The increase in share premium arose from the exercise of share options with the amount of RMB 666,744,000, and the unlocking of restricted shares with the amount of RMB 120,290,000; the decrease in share premium arose from the repurchase of restricted shares with the amount of RMB 100,209,000.
- (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 781,398,000, while the decrease arose from the transfer of RMB 288,003,000 to share premium due to exercise of share-based payment incentive plan.

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

(43) Other comprehensive income

Item	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement				
	1 January 2021	Attributable to the parent company after tax	30 June 2021	Amount arising before income tax in the current period	Less: Reclassification of previous other comprehensive income to current profit or loss	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive income items which will not be reclassified subsequently to profit or loss								
Changes arising from remeasurement of defined benefit plan	19,210	120,835	140,045	155,645	-	(27,806)	120,835	7,004
Changes in fair value of investments in other equity instruments	493	433	926	565	-	(66)	433	66
Other comprehensive income items which will be reclassified subsequently to profit or loss								
Other comprehensive income that will be transferred subsequently to profit or loss under the equity method	(86,181)	24,624	(61,557)	24,624	-	-	24,624	-
Effective portion of gains or losses on hedging instruments in a cash flow hedge	311,341	(359,040)	(47,699)	(69,350)	(348,437)	43,519	(359,040)	(15,228)
Differences on translation of foreign currency financial statements	(1,793,866)	(34,505)	(1,828,371)	(4,050)	-	-	(34,505)	30,455
Total	(1,549,003)	(247,653)	(1,796,656)	107,434	(348,437)	15,647	(247,653)	22,297

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

(44) Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	7,966,362	-	-	7,966,362

(45) Undistributed profits

Item	Current period	Same period of prior year
Undistributed profits at the beginning of the year	87,074,453	72,713,631
Add: Net profit attributable to owners of the parent company for the current period	15,009,046	13,928,295
Less: Ordinary share dividends payable	(11,061,680)	(11,122,406)
Appropriation to general risk reserve	-	-
Undistributed profits at the end of the period	91,021,819	75,519,520

(a) Ordinary share dividends distributed in the current year

In accordance with the resolution at the Board of Shareholders' meeting, dated 21 May 2021, the Company distributed a cash dividend to the shareholders at RMB 1.60 per share, amounting to approximately RMB 11,066,392,000 calculated by 6,913,968,359 issued shares less those repurchased; 2,527,000 repurchased incentive shares in the restricted shares incentive plan were written off (Note 4(40)), and cash dividend amounting to RMB 4,712,000 was cancelled. The actual cash dividend distributed in the current year amounted to RMB 11,061,680,000.

(46) Revenue and cost of sales

Item	Current period	Same period of prior year
Revenue from main operations	157,035,631	128,394,989
Revenue from other operations	16,773,934	10,672,033
Sub-total	173,809,565	139,067,022

Item	Current period	Same period of prior year
Cost of sales from main operations	118,713,346	94,233,389
Cost of sales from other operations	14,723,023	9,290,268
Sub-total	133,436,369	103,523,657

(a) Revenue and cost of sales from main operations

Product or business category	Current period		Same period of prior year	
	Revenue	Cost of sales	Revenue	Cost of sales
Heating & ventilation, as well as air-conditioner	76,408,470	60,476,097	64,030,471	48,535,087
Consumer appliances	64,964,319	45,732,392	53,034,680	36,271,844
Robotics and automation system	12,589,884	9,729,927	9,523,415	7,714,140
Others	3,072,958	2,774,930	1,806,423	1,712,318
Sub-total	157,035,631	118,713,346	128,394,989	94,233,389

For the six months ended 30 June 2021, cost of sales from main operations was mainly material costs and labour costs, which accounted for over 80% of total cost of sales from main operations (for the six months ended 30 June 2020: over 80%).

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

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

(b) Revenue and cost of sales from other operations

Item	Current period		Same period of prior year	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from sales of materials	15,044,049	14,407,177	9,418,740	8,902,097
Others	1,729,885	315,846	1,253,293	388,171
Sub-total	16,773,934	14,723,023	10,672,033	9,290,268

For the six months ended 30 June 2021, cost of sales from other operations was mainly material costs, which accounted for over 80% of total cost of sales from other operations (for the six months ended 30 June 2020: over 80%).

(c) For the six months ended 30 June 2021, 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.

(47) Interest income and interest expenses

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

Item	Current period	Same period of prior year
Interest income from loans and advances	857,905	582,039
Including: Interest income from loans and advances to corporations and individuals	809,354	526,175
Interest income from note discounting	48,551	55,864
Interest income from deposits with banks, other financial institutions and the Central Bank	179,269	70,060
Interest income	1,037,174	652,099
Interest expenses	(41,149)	(78,092)

(48) Taxes and surcharges

Item	Current period	Same period of prior year
City maintenance and construction tax	336,013	320,145
Educational surcharge	248,069	235,154
Others	249,075	199,546
Total	833,157	754,845

(49) Selling and distribution expenses

Item	Current period	Same period of prior year
Selling and distribution expenses	16,241,154	12,631,101

For the six months ended 30 June 2021, selling and distribution expenses were mainly maintenance expenses, advertisement and promotion fee, transportation and storage fee, employee benefits and rental expenses, which accounted for over 70% of total selling and distribution expenses (for the six months ended 30 June 2020: over 70%).

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4 Notes to the consolidated financial statements (Cont'd)**(50) General and administrative expenses**

Item	Current period	Same period of prior year
General and administrative expenses	4,251,893	4,102,149

For the six months ended 30 June 2021, general and administrative expenses were mainly employee benefits, depreciation and amortisation expenses, technical maintenance expenses, and administrative office expenses, which accounted for over 70% of total general and administrative expenses (for the six months ended 30 June 2020: over 70%).

(51) R&D expenses

Item	Current period	Same period of prior year
R&D expenses	5,314,637	4,410,737

For the six months ended 30 June 2021, 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 (for the six months ended 30 June 2020: over 80%).

(52) Financial income

The Group's financial income, other than those arising from financial business (Note 4(47)), are presented as follows:

Item	Current period	Same period of prior year
Interest expenses	(681,864)	(637,348)
Less: Interest income	2,501,014	1,674,669
Add: Exchange gains or losses	616,849	(97,209)
Add: Others	(114,273)	(88,185)
Total	2,321,726	851,927

(53) Asset impairment losses

Item	Current period	Same period of prior year
Losses on decline in the value of inventories (Note 4(10))	179,042	132,274
Impairment losses on contract assets (Note 4(8))	(812)	
Impairment losses on fixed assets (Note 4(17))	-	1,145
Total	178,230	133,419

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

(54) Credit impairment losses

Item	Current period	Same period of prior year
Losses on bad debts of accounts receivable (Note 4(4))	50,794	321,266
Losses on bad debts of other receivables (Note 4(5))	20,450	41,998
Impairment losses on notes receivable (Note 4(3))	6,700	-
Impairment losses on contract assets (Note 4(8))		50,131
Impairment losses on loans and advances (Note 4(9))	67,446	48,603
Impairment losses on long-term receivables (Note 4(11))	9,070	-
Total	154,460	461,998

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

Item	Current period	Same period of prior year
Derivative financial assets and liabilities	(86,610)	(144,928)
Other financial assets	(715,334)	392,628
Total	(801,944)	247,700

(56) Investment income

Item	Current period	Same period of prior year
Investment income from holding of financial assets held for trading	505,877	745,038
Investment income from disposal of financial assets held for trading	137,681	-
Investment income from disposal of derivative financial assets and liabilities	222,211	147,205
Investment income from associates and joint ventures	309,013	261,136
Others	(93,886)	(64,832)
Total	1,080,896	1,088,547

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

(57) Losses on disposal of assets

Item	Current period	Same period of prior year
Gains on disposal of non-current assets	2,388	14,319
Losses on disposal of non-current assets	(20,221)	(25,389)
Total	(17,833)	(11,070)

(58) Other income

Item	Current period	Same period of prior year	Assets related/ Income related
Special subsidy, etc.	578,265	580,359	Income related

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

(59) Income tax expenses

Item	Current period	Same period of prior year
Current income tax expenses according to tax laws and other regulations	2,677,644	2,714,255
Deferred income tax expenses	(269,705)	(385,194)
Total	2,407,939	2,329,061

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:

Item	Current period	Same period of prior year
Total profit	17,624,384	16,396,071
Income tax calculated at tax rate of 25%	4,406,096	4,099,018
Effect of different tax rates applicable to subsidiaries	(1,462,481)	(1,379,513)
Effect of income tax annual filing for prior periods	40,903	(49,614)
Income not subject to tax	(149,474)	(130,465)
Costs, expenses and losses not deductible for tax purposes	193,728	167,828
Utilisation of previous temporary differences or deductible losses for which no deferred tax assets were recognised in prior periods	(57,946)	(27,277)
Others	(562,887)	(350,916)
Income tax expenses	2,407,939	2,329,061

(60) 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:

Item	Unit	Current period	Same period of prior year
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	15,009,046	13,928,295
Less: Dividends payable to restricted shares	RMB'000	(104,901)	(64,930)
Consolidated net profit attributable to ordinary shareholders of the parent company (excluding dividends payable to restricted shares)	RMB'000	14,904,145	13,863,365
Weighted average number of outstanding ordinary shares	Thousands shares	6,878,509	6,896,105
Basic earnings per share	Yuan/share	2.17	2.01

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

(60) 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 parent company by the diluted weighted average number of outstanding ordinary shares:

Item	Unit	Current period	Same period of prior year
Consolidated net profit attributable to ordinary shareholders of the Company	RMB'000	15,009,046	13,928,295
Weighted average number of outstanding ordinary shares	Thousands shares	6,878,509	6,896,105
Weighted average number of ordinary shares increased from share options	Thousands shares	72,495	30,868
Weighted average number of diluted outstanding ordinary shares	Thousands shares	6,951,004	6,926,973
Diluted earnings per share	Yuan/share	2.16	2.01

(61) Notes to the cash flow statement

- (a) Cash received relating to other operating activities

Item	Current period	Same period of prior year
Non-operating income	145,631	107,900
Other income	747,933	595,782
Revenue from other operations	1,686,486	1,170,031
Financial interest income	508,692	6,819
Others	706,646	426,409
Total	3,795,388	2,306,941

- (b) Cash paid relating to other operating activities

Item	Current period	Same period of prior year
General and administrative expenses and R&D expenses (excluding employee benefits and taxes and surcharges)	4,401,999	4,500,046
Selling and distribution expenses (excluding employee benefits and taxes and surcharges)	11,330,954	9,442,152
Others	255,248	968,936
Total	15,988,201	14,911,134

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

(61) 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:

Supplementary Information	Current period	Same period of prior year
1) Reconciliation of net profit to cash flows from operating activities:		
Net profit	15,216,445	14,067,010
Add: Asset impairment losses	178,230	133,419
Credit impairment losses	154,460	461,998
Depreciation and amortisation	2,954,858	2,503,345
Net loss on disposal of non-current assets	17,867	11,117
Losses on changes in fair value	801,944	(247,700)
Financial expenses	(1,046,382)	(920,100)
Investment income	(1,080,896)	(1,088,547)
Decrease in deferred tax assets	(289,035)	(498,512)
Increase in deferred tax liabilities	(202,799)	117,269
Decrease in inventories	(3,582,020)	8,082,466
Decrease in operating receivables	(8,694,721)	(7,527,241)
Increase in operating payables	14,935,305	2,852,407
Share-based payments and others	813,154	458,560
Net cash flows from operating activities	20,176,410	18,405,491
2) Net increase/(decrease) in cash and cash equivalents:		
Cash and cash equivalents at the end of the period	36,068,617	31,012,301
Less: Cash and cash equivalents at the beginning of the period	(23,548,508)	(30,441,760)
Net increase/(decrease) in cash and cash equivalents	12,520,109	570,541

(d) Composition of cash and cash equivalents

Item	Current period	Same period of prior year
Cash on hand	2,811	2,490
Cash at bank that can be readily drawn on demand	18,962,105	10,630,979
Other cash balances that can be readily drawn on demand	355,727	145,200
Deposits with the Central Bank that can be readily drawn on demand	104,174	470,326
Deposits with banks and other financial institutions	16,643,800	19,763,306
Cash and cash equivalents at the end of the period	36,068,617	31,012,301

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

(62) Monetary items denominated in foreign currencies

Item	30 June 2021		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand			
USD	737,641	6.4601	4,765,235
JPY	11,197,808	0.0584	653,952
HKD	2,392,765	0.8321	1,991,020
EUR	112,800	7.6862	867,003
BRL	116,783	1.2936	151,070
VND	543,110,000	0.0003	162,933
Other currencies	Not applicable	Not applicable	1,718,687
Sub-total			10,309,900
Accounts receivable			
USD	1,449,830	6.4601	9,366,047
JPY	15,253,459	0.0584	890,802
HKD	66,738	0.8321	55,533
EUR	420,716	7.6862	3,233,707
BRL	634,130	1.2936	820,311
VND	1,397,903,333	0.0003	419,371
Other currencies	Not applicable	Not applicable	2,106,597
Sub-total			16,892,368
Other receivables			
USD	97,330	6.4601	628,762
JPY	2,932,723	0.0584	171,271
HKD	1,990	0.8321	1,656
EUR	40,421	7.6862	310,684
BRL	71,792	1.2936	92,870
Other currencies	Not applicable	Not applicable	306,459
Sub-total			1,511,702
Total			28,713,970

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

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

Item	30 June 2021		
	Foreign currency balance	Exchange rate	RMB balance
Short-term borrowings			
USD	280,000	6.4601	1,808,828
EUR	151,632	7.6862	1,165,474
BRL	49,428	1.2936	63,940
Other currencies	Not applicable	Not applicable	123,171
Sub-total			3,161,413
Accounts payable			
USD	433,039	6.4601	2,797,475
JPY	4,853,784	0.0584	283,461
HKD	27,158	0.8321	22,598
EUR	191,954	7.6862	1,475,397
BRL	61,634	1.2936	79,730
Other currencies	Not applicable	Not applicable	1,920,108
Sub-total			6,578,769
Other payables			
USD	41,980	6.4601	271,195
JPY	7,750,651	0.0584	452,638
HKD	7,206	0.8321	5,996
EUR	2,587	7.6862	19,884
Other currencies	Not applicable	Not applicable	200,090
Sub-total			949,803
Current portion of non-current liabilities			
EUR	34,317	7.6862	263,767
USD	91,287	6.4601	589,723
Other currencies	Not applicable	Not applicable	96,295
Sub-total			949,785
Long-term borrowings			
USD	49,956	6.4601	322,721
EUR	4,211,336	7.6862	32,369,171
JPY	69,460,000	0.0584	4,058,409
Other currencies	Not applicable	Not applicable	24,109
Sub-total			36,774,410
Lease liabilities			
EUR	97,186	7.6862	746,991
JPY	1,145,223	0.0584	66,881
Other currencies	Not applicable	Not applicable	72,883
Sub-total			886,755
Total			49,300,935

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

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

Item	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			9,668,228
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			15,651,333
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			1,958,301
Total			27,277,862

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

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

Item	31 December 2020		
	Foreign currency balance	Exchange rate	RMB balance
Short-term borrowings			
USD	280,000	6.5249	1,826,972
BRL	105,884	1.2556	132,948
EUR	154,489	8.0250	1,239,777
Other currencies	Not applicable	Not applicable	122,280
Sub-total			3,321,977
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			5,390,484
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			730,336
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			2,262,326
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			36,961,989
Total			48,667,112

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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

The Group acquired Hitachi Compressor (Thailand) Ltd., in March 2021, and the acquisition has no significant impact on the Group's overall financial position.

The Group acquired Wandong Medical in May 2021, and the acquisition has no significant impact on the Group's overall financial position.

(2) Changes of consolidation scope due to other reasons

(a) Increase of consolidation scope

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Hainan Midea International Logistics Technology Co., Ltd. in January 2021, 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 Hainan Midea Household Kitchen Appliances Manufacturing Co., Ltd. in January 2021, 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 Hainan Midea HVAC Equipment Co., Ltd. in January 2021, 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 Hainan Maty Canghai E-commerce Service Co., Ltd. in January 2021, 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 Hainan Maty Hangjian Electric Appliance Co., Ltd. in January 2021, 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 Hainan Zhiwei Electric Appliance Co., Ltd. in January 2021, 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 MiSiliconn SemiConductor Technologies Co., Ltd. in January 2021, 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 Shanghai Xiongqi Technology Co., Ltd. in January 2021, holding 95% and 5% of the shares respectively.

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5 Changes of consolidation scope (Cont'd)

(2) Changes of consolidation scope due to other reasons (Cont'd)

(a) Increase of consolidation scope (Cont'd)

Guangdong Welling Motor Manufacturing Co., Ltd., a wholly-owned subsidiary of the Company, established Hainan Weiling Motor Sales Co., Ltd. in January 2021, holding 100% of the shares.

Midea Electrics Netherlands B.V., a wholly-owned subsidiary of the Company, established Meco Innovations Technology, LLC in January 2021, holding 100% of the shares.

Wuhu Annto Investment Co., Ltd. and Foshan Annto Logistics Technology Co., Ltd., the Company's wholly-owned subsidiaries, established Hainan Annto Supply Chain Management Co., Ltd. in January 2021, holding 99% and 1% 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 Hainan Midea Ice Washing Sales Co., Ltd. in January 2021, 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 (Beijing) Technology Group Co., Ltd. in February 2021, 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 (Hainan) Cross Border E-commerce Co., Ltd. in February 2021, 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 Investment Co., Ltd. in February 2021, 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 Wuhu Midea Intelligent Kitchen Appliances Manufacturing Co., Ltd. in February 2021, holding 95% and 5% of the shares respectively.

Foshan Shunde Midea Household Appliances Industry Co., Ltd., and Foshan Shunde Shunsheng Investment Development Co., Ltd., wholly-owned subsidiaries of the Company, established Guangdong Midea Supply Chain Finance Co., Ltd. in March 2021, holding 85% and 15% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Handan Midea Intelligent Kitchen Appliances Manufacturing Co., Ltd. in March 2021, 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 Hefei Midea Biomedical Co., Ltd. in March 2021, holding 95% and 5% of the shares respectively.

Midea Group (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, established Zhejiang Meiqin Maternal and Infant Products Co., Ltd. in March 2021, holding 100% of the shares.

Midea Group (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, established Zhejiang Meixin Pet Technology Co., Ltd. in March 2021, holding 100% of the shares.

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5 Changes of consolidation scope(Cont'd)

(2) Changes of consolidation scope due to other reasons (Cont'd)

(a) Increase of consolidation scope (Cont'd)

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Midea (Hangzhou) E-commerce Co., Ltd. in April 2021, holding 95% and 5% of the shares respectively.

Guangdong Midea Cloud Technology Co., Ltd., the Company's subsidiary, established Wuhan Midea Cloud Technology Co., Ltd. in April 2021, holding 100% of the shares.

Foshan Shunde Midea Household Appliances Industry Co., Ltd., and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Tianjin Midea Leasing Co., Ltd. in May 2021, holding 95% and 5% of the shares respectively.

Swisslog Malaysia Sdn Bhd and Swisslog Singapore Pte Ltd., a wholly-owned subsidiary of the Company, established PT Swisslog Logistics Automation in May 2021, 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 Hubei Midea Commercial Refrigeration Equipment Co., Ltd. in June 2021, holding 95% and 5% of the shares respectively.

(b) Decrease of consolidation scope

Decrease of consolidation scope in the current year mainly includes deregistration of subsidiaries. Details are as follows:

Name of entity	Disposal method of the equity	Disposal time-point of the equity
Reis España S.L.	Deregistration	January 2021
Jiangsu Little Swan Marketing Co., Ltd.	Deregistration	March 2021
Wuxi Little Swan Import and Export Co., Ltd.	Deregistration	June 2021
Toshiba HA Manufacturing (Shenzhen) Co., Ltd.	Deregistration	June 2021
Hiconics (Tianjin) Co., Ltd.	Change of equity	January 2021
Beijing Ruihe New Energy Technology Co., Ltd.	Change of equity	January 2021
Wuhan Hiconics Intelligent Electric Co., Ltd.	Change of equity	March 2021
Guangzhou Changde Technology Co., Ltd.	Change of equity	March 2021
Wuhan Hiconics Power Technology Co., Ltd.	Change of equity	April 2021
Zhengzhou Changde Technology Co., Ltd.	Change of equity	June 2021

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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
Midea Group Finance Co., Ltd.	Foshan, PRC	Foshan, PRC	Finance	95%	5%	Establishment
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
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

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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) Interests in associates and joint ventures

The Group's associates and joint ventures have no significant influence on the Group and are summarised as follows:

Item	Current period	Same period of prior year
Aggregated carrying amount of investments	3,016,023	2,998,466
Aggregate of the following items in proportion		
Net profit (i)	309,013	261,136
Other comprehensive income (i)	24,624	(8,721)
Total comprehensive income	333,637	252,415

- (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 the different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 4 reportable segments as follows:

- Heating & ventilation, as well as air-conditioner
- Consumer appliances
- Robotics and automation system
- Others

Inter-segment transfer prices are 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 expenses, fee and commission expenses, taxes and surcharges, selling and distribution expenses, general and administrative expenses, R&D expenses and financial expenses.

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8 Segment reporting

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

Segment information as at and for the six months ended 30 June 2021 is as follows:

Item	Current period					Total
	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Elimination	
Revenue from external customers	89,094,203	68,877,276	12,627,376	4,248,040	-	174,846,895
Inter-segment revenue	1,585,955	338,135	91,109	3,800,787	(5,815,986)	-
Operating expenses	(82,720,464)	(61,540,893)	(12,476,531)	(6,806,929)	5,744,784	(157,800,033)
Segment profit	7,959,694	7,674,518	241,954	1,241,898	(71,202)	17,046,862
Other profit or loss						577,522
Total profit						17,624,384
Total assets	164,823,833	139,287,931	34,823,438	191,395,213	(150,119,213)	380,211,202
Total liabilities	117,342,017	107,014,609	24,510,854	182,432,488	(174,543,552)	256,756,416
Long-term equity investments in associates and joint ventures	247,711	128,357	24,380	2,615,575	-	3,016,023
Investment income from associates and joint ventures	110,218	5,494	(288)	193,589	-	309,013
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	1,414,789	896,323	374,733	4,349,352	-	7,035,197
Losses on/(Reversal of) asset impairment	70,592	89,860	17,778	-	-	178,230
Losses on/(Reversal of) credit impairment	(61,249)	(17,671)	87,584	181,396	(35,600)	154,460
Depreciation and amortisation	1,023,443	845,366	654,824	431,225	-	2,954,858

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8 Segment reporting (Cont'd)

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

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

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

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8 Segment reporting (Cont'd)**(b) Geographical area information**

The Group's revenue from external customers domestically and in foreign countries or geographical areas, and the total non-current assets other than long-term equity investments, financial assets, goodwill and deferred tax assets located domestically and in foreign countries or geographical areas (including Germany, Japan, Hong Kong, Macau, Singapore, Brazil, etc.) are as follows:

Revenue from external customers	Current period	Same period of prior year
Domestic	100,887,459	77,885,398
In other countries/geographical areas	73,959,436	61,833,880
Total	174,846,895	139,719,278

Total non-current assets	Current period	Same period of prior year
Domestic	39,689,984	23,375,157
In other countries/geographical areas	17,838,149	18,283,578
Total	57,528,133	41,658,735

9 Related parties and significant related party transactions**(1) Information of the parent company****(a) General information of the parent company**

Name of the parent company	Relationship	Place of registration	Nature of business
Midea Holding Co., Ltd.	Controlling shareholder	Shunde District, Foshan	Commercial

The Company's ultimate controlling person is Mr. He Xiangjian.

(b) Registered capital and changes in registered capital of the parent company

Name of the parent company	Registered capital
Midea Holding Co., Ltd.	330,000

(c) The percentages of shareholding and voting rights in the Company held by the parent company

Name of the parent company	At the end of the period			At the beginning of the period		
	Shareholding (%)		Voting rights (%)	Shareholding (%)		Voting rights (%)
	Direct	Indirect		Direct	Indirect	
Midea Holding Co., Ltd.	30.75%	-	30.75%	30.86%	-	30.86%

(2) Information of the Company's subsidiaries

Please refer to Note 6(1) for the information of the Company's main subsidiaries.

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

(3) Information of other related parties

Name of other related parties	Relationship
Guangdong Wellkey Electrician Material Co., Ltd.	Controlled by direct relatives of the Company's ultimate controlling shareholder in the past 12 months
Anhui Wellkey Electrician Material Co., Ltd.	Controlled by direct relatives of the Company's ultimate controlling shareholder in the past 12 months
Guangdong Infore Material-Tech Co., Ltd.	Controlled by direct relatives of the Company's ultimate controlling shareholder
Orinko New Material Co., Ltd.	Controlled by direct relatives of the Company's ultimate controlling shareholder
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Controlled by the Company's ultimate controlling shareholder
Foshan Micro Midea Filter Mfg. Co., Ltd.	Associate of the Company
Guangdong Shunde Rural Commercial Bank Co., Ltd.	Associate of the Company

(4) Information of related party transactions

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

(a) Purchase of goods:

Related parties	Nature of related party transactions	Pricing policies of related party transactions	Current period	Same period of prior year
Orinko New Material Co., Ltd.	Purchase of goods	Agreed price	671,628	518,566
Guangdong Wellkey Electrician Material Co., Ltd.	Purchase of goods	Agreed price	527,342	380,731
Foshan Micro Midea Filter Mfg. Co., Ltd.	Purchase of goods	Agreed price	180,676	132,510
Anhui Wellkey Electrician Material Co., Ltd.	Purchase of goods	Agreed price	279,685	125,375
Total			1,659,331	1,157,182

(b) Sales of goods:

Related parties	Nature of related party transactions	Pricing policies of related party transactions	Current period	Same period of prior year
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Sales of goods	Agreed price	93,907	74,206

(c) Investment income and interest income:

Related parties	Current period	Same period of prior year
Guangdong Shunde Rural Commercial Bank Co., Ltd.	100,448	61,222

(5) Receivables from and payables to related parties

Receivables from related parties:

Item	Related parties	Ending balance	Opening balance
Cash at bank and on hand, and other debt investments	Guangdong Shunde Rural Commercial Bank Co., Ltd.	6,285,872	3,653,592

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(5) Receivables from and payables to related parties (Cont'd)

Payables to related parties:

Item	Related parties	Ending balance	Opening balance
Accounts payable	Guangdong Wellkey Electrician Material Co., Ltd.	219,567	133,290
	Foshan Micro Midea Filter Mfg. Co., Ltd.	76,597	62,837
	Orinko New Material Co., Ltd.	148,094	218,888
	Anhui Wellkey Electrician Material Co., Ltd.	105,118	53,889
	Sub-total	549,376	468,904
Notes payable	Guangdong Wellkey Electrician Material Co., Ltd.	44,685	52,246
	Total	594,061	521,150

10 Share-based payment

(1) Share option incentive plan

- (a) Pursuant to the eighth share option incentive plan (the "Eighth Share Option Incentive Plan") approved at the 2020 annual shareholders' meeting in 2021, the Company granted 82,260,000 share options with exercise price of RMB 81.41 to 1,897 employees. Under the circumstance that the Company meets expected performance, 30%, 30% and 40% of the total share options granted will become effective after 2 years, 3 years and 4 years respectively since 4 June 2021.

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

Exercise price of options:	RMB 81.41
Effective period of options:	5 years
Current price of underlying shares:	RMB 77.73
Estimated fluctuation rate of share price:	35.78%
Estimated dividend rate:	2.42%
Risk-free interest rate within effective period of options:	2.34%

The fair value of the Eighth Share Option Incentive Plan calculated pursuant to the above parameters is: RMB 1,457,678,000.

(b) Movements in share options during the six months ended 30 June 2021

Item	For the six months ended 30 June 2021 (Share in thousands)	For the six months ended 30 June 2020 (Share in thousands)
Share options issued at the beginning of the year	168,231	182,905
Share options granted during the period	82,260	-
Share options exercised during the period	(20,699)	(41,353)
Share options lapsed during the period	(17,284)	(16,051)
Share options issued at the end of the period	212,508	125,501

As at 30 June 2021, the residual contractual maturity date of the Fifth Share Option Incentive Plan is 6 May 2024. The residual contractual maturity date of the Fifth Reserved Share Option Incentive Plan is 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. The residual contractual maturity date of the Eighth Share Option Incentive Plan is 4 June 2026.

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10 Share-based payment (Cont'd)

(2) Restricted share plan

(a) Pursuant to the restricted shares incentive plan for 2021 approved at the 2020 annual shareholders' meeting in 2021 (the "Restricted Shares Incentive Plan for 2021"), the Company granted 9,940,000 restricted shares with exercise price of RMB 39.92 to 139 employees. Under the circumstance that the Company meets expected performance, 30%, 30% and 40% of the total restricted shares granted will be unlocked after 2 years, 3 years and 4 years respectively, since 4 June 2021.

(b) Movements in restricted shares during the six months ended 30 June 2021

Item	For the six months ended 30 June 2021 (Share in thousands)	For the six months ended 30 June 2020 (Share in thousands)
Restricted shares issued at the beginning of the year	74,082	57,139
Restricted shares granted during the period	9,940	-
Restricted shares unlocked during the period	(4,739)	(10,577)
Restricted shares lapsed during the period	(2,527)	(3,507)
Restricted shares issued at the end of the period	76,756	43,055

(3) For the six months ended 30 June 2021, the total expenses due to the above share-based payment incentive plan were RMB 813,154,000. As at 30 June 2021, the balance relating to the share-based payment incentive plan and accrued from capital surplus was RMB 1,908,237,000.

11 Contingencies

As at 30 June 2021, the amount in tax disputes involving Brazilian subsidiary with 51% interests held by the Company is about BRL 670 million (equivalent to RMB 867 million) (Some cases have lasted for more than 10 years. The above amount includes the principal and interest). As at 30 June 2021, relevant cases are still at court. Original shareholders of Brazilian subsidiary have agreed to compensate the Company according to verdict results of the above tax disputes. The maximum compensation amount is about BRL 157 million (equivalent to RMB 203 million). With reference to judgements of third-party attorneys, management believes that the probability of losing lawsuits and making compensation is small, and expects no significant risk of tax violation.

12 Commitments

The Group had no significant commitments at the balance sheet date.

13 Events after the balance sheet date

Nil.

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14 Financial risk

The Group is exposed to various financial risks in the ordinary course of business, mainly including:

- Market risk (mainly including foreign exchange risk, interest rate risk and price risk)
- Credit risk
- Liquidity risk

The following mainly relates to the above risk exposures and relevant causes, objectives, policies and process of risk management, method of risk measurement, etc.

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

(1) Market risk

(a) Foreign exchange risk

The Group mainly operates in China, Europe, America, Asia, South America and Africa for the manufacturing, sales, investments and financing activities. Any foreign currency denominated monetary assets and liabilities other than in RMB would subject the Group to foreign exchange exposure.

The Group's finance department at its headquarters has a professional team to manage foreign exchange risk, with approach of the natural hedge for settling currencies, signing forward foreign exchange hedging contracts and controlling the scale of foreign currency assets and liabilities, to minimise foreign exchange risk, and to reduce the impact of exchange rate fluctuations on business performance.

(b) Interest rate risk

The Group's interest rate risk arises from interest bearing borrowings including long-term borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2021, the Group's long-term interest bearing borrowings at floating rates amounted to RMB 904,330,000 (31 December 2020: RMB 933,886,000) (Note 4(36)).

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.

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14 Financial risk (Con'd)

(1) Market risk (Con'd)

(c) Other price risk

The Group's other price risk arises mainly from financial assets held for trading (Note 4(2)), and other non-current financial assets (Note 4(16)) measured at fair value. As at 30 June 2021, if expected price of the investments held by the Group fluctuated, the Group's gains or losses on changes in fair value would be affected accordingly.

(2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, deposits with the Central Bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, receivables financing, loans and advances, other receivables, contract assets, other debt investments and derivative financial assets at fair value through profit or loss that are not included in the impairment assessment scope. As at the balance sheet date, the carrying amount of the Group's financial assets represented the maximum exposure of the Group and no guarantees that may allow the Group to undertake credit risk were provided.

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. The Group does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on notes receivable, accounts receivable, receivables financing, loans and advances, other receivables, contract assets, monetary investments in other current assets, structural deposits and other debt investments. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements. As at 30 June 2021, monetary assets held by the Group, including cash at bank and on hand, notes receivable, notes discount assets 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 154,477,672,000.

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14 Financial risk (Con'd)

(3) Liquidity risk (Con'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:

30 June 2021					
Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings (including interest)	12,015,419	-	-	-	12,015,419
Customer deposits and deposits from banks and other financial institutions (including interest)	19,158	-	-	-	19,158
Notes payable	31,022,593	-	-	-	31,022,593
Accounts payable	64,464,041	-	-	-	64,464,041
Other payables	4,780,388	-	-	-	4,780,388
Derivative financial liabilities	123,021	-	-	-	123,021
Other current liabilities (including interest)	18,546,602	-	-	-	18,546,602
Current portion of non-current liabilities (including interest)	1,540,439	-	-	-	1,540,439
Long-term borrowings (including interest)	638,154	29,674,879	20,458,280	-	50,771,313
Lease liabilities (including interest)	-	569,398	708,638	274,365	1,552,401
Other non-current liabilities	-	-	689,991	-	689,991
Sub-total	133,149,815	30,244,277	21,856,909	274,365	185,525,366

31 December 2020					
Ending balance	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
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
Sub-total	122,538,239	31,443,993	12,700,161	-	166,682,393

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.

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15 Fair value estimates (Cont'd)

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

As at 30 June 2021, the assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

Item	Fair value at the end of the period			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value -				
Financial assets held for trading	1,764,101	2,019,751	439,816	4,223,668
Derivative financial assets	-	289,883	-	289,883
Receivables financing	-	15,394,251	-	15,394,251
Other current assets - hedging instruments	-	387,965	-	387,965
Other debt investments	-	16,764,387	-	16,764,387
Other equity investments	-	-	46,857	46,857
Other non-current financial assets	-	-	4,154,677	4,154,677
Total assets	1,764,101	34,856,237	4,641,350	41,261,688
Financial liabilities measured at fair value -				
Derivative financial liabilities	-	123,021	-	123,021
Other current liabilities - hedging instruments	-	116,761	-	116,761
Total liabilities	-	239,782	-	239,782

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:

Item	Fair value at the beginning of the year			
	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
Other equity investments	-	-	46,651	46,651
Other non-current financial assets	-	-	3,360,849	3,360,849
Total assets	2,324,965	62,461,075	3,407,500	68,193,540
Financial liabilities measured at fair value -				
Derivative financial liabilities	-	161,225	-	161,225
Other current liabilities - hedging instruments	-	19,511	-	19,511
Total liabilities	-	180,736	-	180,736

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers.

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15 Fair value estimates (Cont'd)

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

There was no significant transfer of fair value measurement level of the above financial instruments among the three levels.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. Inputs of valuation technique mainly comprise risk-free interest rate, estimated interest rate and estimated annual yield.

There 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:

Item	Amount
1 January 2021	3,407,500
Increase	1,365,472
Decrease	(250,680)
Transfer into Level 3	28,665
Total gains for the current period	
Investment income recognised in the income statement	111,089
Losses recognised in other comprehensive income	(20,696)
30 June 2021	4,641,350

Item	Amount
1 January 2020	1,750,107
Increase	1,872,884
Decrease	(63,570)
Transfer into Level 3	(226,060)
Total gains for the current period	
Investment income recognised in the income statement	181,583
Losses recognised in other comprehensive income	(107,444)
31 December 2020	3,407,500

- (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.

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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 30 June 2021 and 31 December 2020 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 30 June 2021 and 31 December 2020, the Group's gearing ratio was as follows:

Item	Ending balance	Opening balance
Total liabilities	256,756,416	236,145,503
Total assets	380,211,202	360,382,603
Gearing ratio	67.53%	65.53%

17 Notes to the parent company's financial statements

- (1) Other receivables

Item	Ending balance	Opening balance
Other receivables	34,242,238	28,332,268
Less: Provision for bad debts	(14,679)	(13,598)
Total	34,227,559	28,318,670

- (a) Other receivables are analysed by ageing as follows:

Ageing	Ending balance	Opening balance
Within 1 year	34,005,159	28,205,960
1 to 2 years	235,955	125,127
Over 2 years	1,124	1,181
Total	34,242,238	28,332,268

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

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

Item	Stage 1				Stage 3		Sub-total Provision for bad debts
	12-month ECL (Grouping)		12-month ECL (Individual)		Lifetime ECL (Credit impaired)		
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts	
1 January 2021	423,516	13,540	27,908,694	-	58	58	13,598
Transfer to Stage 3 in the current year	-	-	-	-	-	-	-
Net increase in the current period	(147,768)	1,139	6,057,796	-	(58)	(58)	1,081
Including: Write-off in the current period	-	-	-	-	(58)	(58)	(58)
Derecognition	-	-	-	-	-	-	-
30 June 2021	275,748	14,679	33,966,490	-	-	-	14,679

As at 30 June 2021, the Company did not have other receivables at Stage 2.

(c) As at 30 June 2021, other receivables of the Company at Stage 1 and Stage 3 were analysed as follows:

(i) As at 30 June 2021, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

Item	Ending balance			
	Book balance	12-month ECL rate	Provision for bad debts	Reason
Stage 1	33,966,490	0%	-	Relatively low expected loss risk

(ii) As at 30 June 2021, other receivables for which the related provision for bad debts was provided on the grouping basis were all at Stage 1, which were analysed as follows:

Stage 1	Ending balance			Opening balance		
	Book balance	Provision for bad debts	Provision ratio	Book balance	Provision for bad debts	Provision ratio
	Amount	Amount		Amount	Amount	
Security deposit/guarantee payables grouping	275,748	(14,679)	5.32%	423,516	(13,540)	3.20%

(d) As at 30 June 2021, the five largest other receivables aggregated by debtors were analysed as follows:

Name of entity	Nature	Book balance	Ageing	% of total balance	Provision for bad debts
Company A	Current accounts	4,001,000	Within 1 year	11.68%	-
Company B	Current accounts	3,454,000	Within 1 year	10.09%	-
Company C	Current accounts	2,143,890	Within 1 year	6.26%	-
Company D	Current accounts	1,231,000	Within 1 year	3.59%	-
Company E	Current accounts	960,000	Within 1 year	2.80%	-
Sub-total		11,789,890		34.42%	

MIDEA GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(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)

(2) Long-term equity investments

Long-term equity investments are classified as follows:

Item	Ending balance	Opening balance
Subsidiaries (a)	60,300,750	53,320,578
Associates (b)	1,739,948	1,670,583
Sub-total	62,040,698	54,991,161
Less: Provision for impairment	-	-
Total	62,040,698	54,991,161

MIDEA GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(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

(a) Subsidiaries

Name of investee	Opening balance	Movements for the current period			Ending balance	Cash dividends declared to the parent company in the current period
		Increase in investment	Decrease in investment	Others		
Wuxi Little Swan Electric Co., Ltd.	20,194,240	-	-	36,071	20,230,311	1,120,685
Guangdong Midea Electric Co., Ltd.	5,000,000	-	-	-	5,000,000	-
Midea Group Finance Co., Ltd.	3,360,577	-	-	1,774	3,362,351	-
Foshan Shunde Midea Household Appliances Industry Co., Ltd.	2,949,000	-	-	-	2,949,000	-
Beijing Wandong Medical Technology Co., Ltd.	-	2,237,093	-	-	2,237,093	-
Guangdong Midea Microwave Oven Manufacturing Co., Ltd.	1,880,041	-	-	-	1,880,041	-
GD Midea Air-Conditioning Equipment Co., Ltd.	1,792,170	-	-	58,559	1,850,729	-
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	1,146,142	-	-	12,024	1,158,166	-
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	1,076,253	-	-	1,933	1,078,186	-
Guangdong Midea Intelligent Technologies Co., Ltd.	1,053,484	-	-	1,991	1,055,475	-
Midea Group (Shanghai) Co., Ltd.	903,368	-	-	3,254	906,623	-
Hubei Midea Refrigerator Co., Ltd.	855,003	-	-	8,615	863,618	-
Anhui Meizhi Precision Manufacturing Co., Ltd.	827,603	-	-	1,768	829,372	-
GD Midea Heating & Ventilating Equipment Co., Ltd.	780,128	-	-	34,148	814,276	-
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	764,440	-	-	4,205	768,645	-
Annto Logistics Technology Co., Ltd.	742,684	-	-	-	742,685	-
Hefei Midea Refrigerator Co., Ltd.	532,048	-	-	6,975	539,023	-
Ningbo Midea United Materials Supply Co., Ltd.	497,867	-	-	1,827	499,694	662,907
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	352,061	-	-	-	352,061	-
Hefei Hualing Co., Ltd.	265,630	-	-	19,168	284,798	-
Midea International Corporation Company Limited	176,974	-	-	-	176,974	-
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	172,612	-	-	8,691	181,303	-
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	110,327	-	-	3,016	113,343	-
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	83,953	-	-	1,881	85,834	-
Zhejiang Meizhi Compressor Co., Ltd.	66,280	-	-	167	66,447	-
Wuhu Midea Life Appliances Mfg Co., Ltd.	56,223	-	-	-	56,223	-
Others	7,681,470	4,174,510	-	362,502	12,218,479	56,461
Total	53,320,578	6,411,603	-	568,569	60,300,750	1,840,053

MIDEA GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(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

(b) Associates

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 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

Item	Current period	Same period of prior year
Investment income from long-term equity investments under cost method	1,840,053	5,686,153
Investment income from holding of financial assets held for trading	250,866	390,487
Investment income from long-term equity investment under equity method	142,640	134,639
Total	2,233,559	6,211,279

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)
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1 Details of non-recurring profit or loss

Item	Current period	Same period of prior year
Gains or losses on disposal of non-current assets, including write-off of provision for asset impairment	(17,085)	(11,070)
Except for the effective hedging activities related to the Company's ordinary activities, gains or losses on 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.	(101,719)	240,361
Others (mainly including government grants, compensation income, penalty income and other non-operating income and expenses)	544,913	422,455
Sub-total	426,109	651,746
Less: Effect of enterprise income tax (decrease in income tax expressed with "-")	(64,272)	(90,684)
Effect of minority interests (after tax)	10,698	(89,811)
Net non-recurring profit or loss attributable to shareholders of the parent company	372,535	471,251

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

Under the requirements of the *Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public - Non-recurring Profit or Loss [2008]* from CSRC, non-recurring profit or loss refers to that arises from transactions and events that are not directly relevant to ordinary activities, or that is relevant to ordinary activities, but is extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 Return on net assets and earnings per share

The Group's return on net asset and earnings per share calculated pursuant to the *Compilation Rules for Information Disclosure of Companies Offering Securities to the Public No. 9 - Calculation and Disclosure of Return on Net Asset and Earnings per Share* (revised in 2010) issued by CSRC and relevant requirements of accounting standards are as follows:

Item	Weighted average return on net assets		Earnings per share (Yuan/share)			
			Basic earnings per share		Diluted earnings per share	
	Current period	Same period of prior year	Current period	Same period of prior year	Current period	Same period of prior year
Net profit attributable to ordinary shareholders of the Company	12.63%	13.03%	2.17	2.01	2.16	2.01
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	12.31%	12.59%	2.11	1.94	2.10	1.94

MIDEA GROUP CO., LTD.

SUPPLEMENTARY INFORMATION

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

3 Differences in Accounting Data under Domestic and Overseas Accounting Standards

- (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.

- (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.

Midea Group Co., Ltd.

Legal Representative: Fang Hongbo

31 August 2021