
Midea Group Co., Ltd.

2014 Annual Report



31 March 2015

A Letter to Shareholders

Despite adverse conditions that have caused a general slowdown in growth in the household appliance industry in 2014, we firmly upheld our strategy of “advanced products, efficiency-driven and global operations” and continued to strengthen our transformation. As a result, we found ourselves at a new starting point, with operating revenues exceeding RMB140 billion and net profits exceeding RMB10 billion. At the same time, our product power and operating efficiency were effectively increased, our functional quality was thoroughly improved, our overseas network of business was further optimized and our own brands were developed at a high speed. Meanwhile, we set up the “Central Research Institute”, the “Smart Home Research Institute”, a four-level R&D system and the “Global Innovation Center” to pursue technological backup for our growth resumption. We also established an E-commerce subsidiary to operate our official online shopping mall and have vigorously expanded our online business. Meanwhile, we unveiled our M-SMART Intelligent Home Strategy to help form a network and eco-chain in the Internet-based home sector through open cooperation while providing integrated solutions for consumers. Furthermore, we put forward an equity incentive plan to formulate a long-term incentive mechanism consequently stepping up our corporate governance to a higher level. In 2014, thanks to the attention and support from all our investors, our market value exceeded RMB100 billion for the first time.

The history of Midea has been one of constant reform and development. Without operational transformation, our perseverance for quality operation and growth and the focus on business and products that have been the essence of the company since 2011, today’s Midea would not even exist. However, the world is changing faster than we might have imagined, and there is no time for us to sit back and enjoy what we have achieved. We either reform or face the fate of being phased out.

This is a significant era, an era where we can touch the sky, as long as we are not afraid to reach out with our hands and an era in which our dreams may just come true provided we never give up. This is also an era of great change where changes are becoming greater and faster than our imagination and where change has become the norm. Mobile Internet has radically changed the development course of the whole world and how people live and work. There is not a single day that passes by without a fierce collision between both traditional and modern thinking, amid conservativeness and innovation, or whether to stay the same or to change. Profound changes have been happening to the

entire world's thinking, logic and business models as mobile Internet moves forward.

The Internet has directly connected users with enterprises. Fundamental changes have been taking place in the relationship between products and users, and users have become the core in business operation. Fundamentally by firmly embedding Internet thinking with technology, unconnected and stationary household appliances will change. Mobile Internet will not only restructure the industry and rebuild the competitiveness of enterprises, but it will also result in a broader industry with unclear boundaries. All industries will go through revolutionary changes due to this Internet thinking. The future of household appliance manufacturers depends on public systems or platforms, leaving it extremely difficult for any enterprise to try to build such a platform or system on its own. Being in such an era requires us to review all our business and management processes, growth patterns and operating models. We are not shifting to an Internet company but using Mobile Internet technology, tools and thinking to recreate a space dimension for the restructuring of our business and operating models, which is the real challenge for us at present.

Midea is to become an up-to-date enterprise that keeps up with the times and not an old-fashioned enterprise that stands still. How can we become a more modern enterprise? Through disruptive innovation and opening up, we will redesign our development strategy and direction. Disruptive innovation involves rethinking our ways of growth, management concepts, governance mechanism, incentive mechanisms, business model, strategic direction, form of organizational development and our successful experiences and traditions in the past. To open up is to, with an open mind, set up open organizations and utilize all social resources in an open transparent manner with the intention of working towards the right path for sustained growth.

We are never afraid of change. An excellent mechanism and culture as well as high-efficient execution are our core competitive edges. With an innovative mind and an attitude of open-up cooperation, we will embrace progress and any changes brought about by new technology reform as well as by various public systems and platforms. Meanwhile, we shall never forget where we began. We will uphold the hardworking spirit and our persistence in good product quality. High-quality products and services will always be our foundation. We can only have a future through competitive products of good quality.

We have dreams; through our persistence, our willingness to change, our improved technology and

product strength, and our expanding global business network, we shall enjoy a leading position in the domestic household appliance industry as well as a strong position in the global industry. We have a good culture. We will care more about employees, improve the long-term incentive mechanisms, perform our social responsibilities, devote ourselves to new products, technologies and fields that are helpful to the society and recognized by consumers consequently enabling a lot more people to realize their dreams.

In 2015, competition will become fiercer in the industry, posing tougher challenges and to deal with this, we will work on the following aspects. Firstly, we will carry out bold in-depth transformation on our existing traditional business by increasing product competitiveness, efficiency and lean management. Secondly, we will make bold innovations to boost development of the four platforms of e-commerce, logistics, capital and internationalization, and carry out open cooperation to reform our existing household appliance business and strengthen the development of intelligent products and the building of platforms that will provide integrated solutions. Finally, we will introduce new business lines alongside our existing household appliance business and unflinchingly seek new business directions and models to find new growth points for our development, within five or ten years.

We are grateful for the companionship of all shareholders. To have investors, who share respect and embrace the same values, is an important source of power for us to persist in our dreams and ultimately to realize them. We will work harder to become the most welcomed and trusted enterprise among investors and we look forward to sharing this promising future of Midea with you. Our best wishes to all shareholders and investors!

Board of Directors of Midea Group Co., Ltd.

March 2015

Section I Important Notes, Contents and Definitions

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

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

The financial statements of the Company for 2014 have been audited by Pan-China Certified Public Accountants Co., Ltd. and have obtained a standard unqualified audit report.

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

The Board has considered and approved the following profit distribution plan for the year 2014: Based on the Company’s share capital at the end of 2014, it is proposed that the Company will distribute cash dividends of RMB10 per 10 shares (tax inclusive) to all shareholders.

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

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

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Definitions

Term	Definition
Company, the Company, or Midea Group	Midea Group Co., Ltd.
Midea Holding	Midea Holding Co., Ltd.
GD Midea Holding	GD Midea Holding Co., Ltd.
Little Swan	Wuxi Little Swan Company Limited
SDE Bank	Guangdong Shunde Rural Commercial Bank Co., Ltd.
Midea Group Finance	Midea Group Finance Co., Ltd.
Reporting Period	1 Jan. 2014 to 31 Dec. 2014

Section II Corporate Profile

1. Corporate Information

Stock abbreviation	Midea Group
Stock code	000333
Stock exchange where the shares of the Company are listed	Shenzhen Stock Exchange
Name of the Company in Chinese	美的集团股份有限公司
Abbr. of the Company name in Chinese	美的集团
Name of the Company in English (if any)	MIDEA GROUP CO.,LTD.
Legal representative	Fang Hongbo
Registered address	Midea Headquarters Building, No. 6 Meidi Dadao, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China
Postal code	528311
Business address	Midea Headquarters Building, No. 6 Meidi Dadao, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China
Postal code	528311
Company website	http://www.midea.com
E-mail	IR@midea.com

2. Contact us

	Company Secretary	Representative for Securities Affairs
Name	Jiang Peng	Wang Jing
Address	Midea Headquarters Building, No. 6 Meidi Dadao, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China	
Tel.	0757-26334559	0757-22607708
Fax	0757-26651991	
E-mail	IR@midea.com	

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

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

4. Company Registration and Alteration

	Registration date	Place of registration	Registration No. of business license for a legal entity	Taxation registration No.	Organization code
Initial registration	2000-04-07	Administration for Industry and Commerce of Shunde District in Foshan City, Guangdong Province, China	4406812005736	440681722473344	72247334-4
Registration at the end of the Reporting Period	2014-09-19	Market Security Supervision Bureau of Shunde District in Foshan City, Guangdong Province, China	440681000038581	440681722473344	72247334-4
Changes in main business activities since the Company was listed		None			
Changes of controlling shareholders of the Company		None			

5. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	Pan-China Certified Public Accountants Co., Ltd. (Special General Partnership)
Business address of the accounting firm	4-10F, Xinhua Commercial Tower, No. 128 Xixi Road, Hangzhou, Zhejiang Province, China
Name of accountants for writing signature	Zhang Weigang, Huang Zhiheng

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

Name of the sponsor	Business office of the sponsor	Representative of the sponsor	Supervisory period
CITIC Securities Company Limited	North Block of Times Square Excellence (Phase II), No. 8 Zhongxin San Road. Futian District, Shenzhen City, Guangdong Province, China	Wu Hongri, Qin Chengdong	2013.9.18-2015.12.31
China International Capital Corporation Limited	27 and 28F, International Trade Building 2, No. 1 Jianguomenwai Avenue, Beijing, China	Li Xiaodai, Zhao Liang	2013.9.18-2015.12.31

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

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

Notes: Upon the receipt of a personnel change notice from China International Capital Corporation Limited (CICC) on 30 Jan. 2014, the Company issued an announcement stating that Mr. Song Yong of the CICC was no longer responsible for relevant work during the supervisory period due to his job change. Mr. Zhao Liang and Mr. Zeng Luhai would replace him to work with Mr. Li Xiaodai as a representative of the listing sponsor and as a financial advisor respectively during the supervisory period.

The Company received another personnel change notice from the CICC on 30 Apr. 2014 and then issued an announcement stating that Mr. Zeng Luhai had ceased to be the financial advisor sponsor for this continuous supervision due to his resignation and that the CICC had replaced him with Ms. Gao Shu.

Section III Summary of Accounting Data and Financial Indicators

1. Key Accounting Data and Financial Indicators

Whether the Company performed a retroactive adjustment to or restatement of accounting data due to changes of accounting policies and correction of accounting errors: No

	2014	2013	Increase/decrease (%)	2012
Operating revenues (RMB'000)	141,668,175.16	120,975,003.14	17.11%	102,598,110.49
Net profits attributable to shareholders of the Company (RMB'000)	10,502,220.26	5,317,458.06	97.50%	3,259,290.95
Net profits attributable to shareholders of the Company after non-recurring gains and losses (RMB'000)	9,476,847.98	3,903,375.90	142.79%	3,027,493.05
Net cash flows from operating activities (RMB'000)	24,788,511.13	10,054,196.41	146.55%	8,089,566.65
Basic earnings per share (RMB/share)	2.49	1.73	43.93%	1.30
Diluted earnings per share (RMB/share)	2.49	1.73	43.93%	1.30
Weighted average ROE (%)	29.49%	24.87%	4.62%	23.92%
	At the end of 2014	At the end of 2013	Increase/decrease (%)	At the end of 2012
Total assets (RMB'000)	120,292,088.16	96,946,024.77	24.08%	87,736,526.98
Net assets attributable to shareholders of the Company (RMB'000)	39,470,499.84	32,847,431.04	20.16%	14,313,530.86

Notes: 1. Midea Group granted 15 additional shares for every 10 shares using the capital reserve on 30 Apr. 2014. According to relevant accounting standards, the EPS data for the comparative periods shall be remeasured on the basis of the restated share capitals (1,686,323,389 shares at the end of 2013, restated as 4,215,808,472 shares; and 1,000,000,000 shares at the end of 2012, restated as 2,500,000,000 shares).

2. Midea Group merged with GD Midea Holding through share issuance and share exchange in Sept. 2013. Pursuant to the accounting standards for income statement preparation, the net profit for the current period was after Midea Group merged with GD Midea Holding, while the net profit for the same period of last year was before Midea Group merged with GD Midea Holding when Midea Group held a 41.17% stake in GD Midea Holding. In order to help investors compare and analyze the overall business performance of Midea Group on the same basis, relevant items are adjusted as follows based on the pro-forma income statement (i.e. the merger of

Midea Group and GD Midea Holding is deemed to have been finished on 1 Jan. 2013):

	2014	2013	Increase/decrease (%)
Net profits attributable to shareholders of the Company (RMB'000)	10,502,220.26	7,299,511.99	43.88%
Minority interest income (RMB'000)	1,144,108.40	997,984.44	14.64%
EPS (RMB/share)	2.49	1.73	43.93%

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

Total share capital of the Company on the last trading session before disclosure (share)	4,215,808,472
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Whether the Company's share capital changed and the change affected the owners' equity due to reasons such as the issuance of new shares, allotment of shares, equity incentive plans, and repurchases during the time from the end of the Reporting Period to the date when the Annual Report was released: No

Whether there are any corporate bonds: No

Whether the Company operated at a loss in the past two years: No

2. Differences in Accounting Data under Domestic and Overseas Accounting Standards: N/A

3. Items and Amounts of Extraordinary Gains and Losses

Unit: RMB'000

Item	2014	2013	2012
Profit or loss from disposal of non-current assets	-223,943.21	-215,390.26	-28,117.10
Government grants accounted for, in the profit or loss for the current period (except for the government grants closely related to the business of the Company and given at a fixed amount or quantity in accordance with the State's uniform standards)	790,500.54	656,458.32	467,659.00
Except for effectively hedging business related to normal business operations of the company, profit or loss arising from the change in the fair value of held-for-trading financial assets and liabilities, as well as investment profit or loss produced from the disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets	-268,421.83	1,502,894.81	490,055.10
Profit or loss from debt restructuring	7,708.29	2,567.24	9,520.20
Gains or losses arising from entrusted investments or entrusted asset management	953,662.11	250,371.75	79,934.10
Corporate restructuring costs (e.g. staff replacement costs and expenses for consolidation)	-17,259.18	-9,634.38	-4,085.00

Net profit and loss for the current period produced by the subsidiary between the beginning of the period and the merger date due to the merger of entities under common control			23.9
Other non-operating income and expenditure except above-mentioned items	-69,779.97	141,301.96	-26,114.70
Other extraordinary profit and loss items			-524,550.30
Corporate income tax	-204,645.85	-419,965.38	-174,290.90
Minority interests (after tax)	57,551.38	-494,521.90	-58,236.40
Total	1,025,372.28	1,414,082.16	231,797.90

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the <Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses>, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item: N/A

Section IV Report of the Board of Directors

1. Overview

As China's economy keeps deepening its transformation and reform, it has stepped into a "new normal" state. Affected by multiple factors such as a downward macro-economy, a withdrawal of consumption stimulus policies and real estate macro-control, along with product and consumption upgrading, the household appliance industry has slowed down in growth and has entered a new stage of restructuring. The promotion of innovation in products, technology, channels and service modes as well as the transformation towards an Internet-based industry has become a core driving force for household appliance manufacturers to sustain growth. With the general upgrading of product structures and price fluctuations of raw materials, which were at their lowest levels in 2014, the household appliance industry has still maintained steady growth. According to the National Bureau of Statistics, the data showed that in 2014 there was a main business income of RMB1,400 billion in the household appliance industry, up 10.0% from the year earlier; and there were total profits of RMB93.16 billion, up 18.4% from last year.

In the short and long term, the impetus factors for China's household appliance industry will remain unchanged, which are mainly as follows:

(1) As the government pushes forward the “Income Doubling Program” and the “Urbanization with Chinese Characteristics”, the total number of household appliances is still expected to keep rising. In 2014, the average per capita income for urban residents in 31 provinces and regions in China exceeded USD4,500, such as those in Shanghai, Beijing, Zhejiang Province, and Shenzhen, reaching or approaching USD7,000. The increased per capita disposal income has resulted in an increased consumption of household appliances for daily use. Meanwhile, considering China’s current urbanization rate of approximately 54%, there is still plenty of room for urbanization to increase in both quantity and quality. Provided China’s urbanization rate increases 1% per year, which means a new urban population of about 150 million converted from the rural population, a great demand for household appliances is expected.

(2) The constant and stable demand for renewal from over 1.6 billion units of household appliances in total is an important impetus for the sales volume. The functional and quality improvements of household appliances in energy saving, environmental protection, intelligence, Internet and industrial design, will further promote an upgrade in consumption, optimize product structures and will increase the profitability of household appliance manufacturers. According to market monitoring data, cabinet and inverter air conditioners, roller washing machines, multi-door and side-by-side combination refrigerators, various high-end quality kitchen appliances and health-focused small household appliances are taking up a bigger and bigger share, with their sales growth increasing faster than the total sales in their respective sectors.

(3) As intelligent controlled technology, electronic information technology, Internet of Things technology and relevant technologies grow more mature and various mobile intelligent end-products become more popularized, the development of intelligent household appliances will be effectively boosted. Intelligent homes have gradually become a common trend in the industry. Perfecting unconnected high-level intelligent products to provide integrated solutions for intelligent homes ultimately leads to the creation of an intelligent home platform eco-chain characterized by integration, cooperation and sharing. There will be enormous growth room for leading household appliance makers with core resources. According to the AVC forecast, the total output value of intelligent household appliances will exceed RMB1 trillion by 2020, and figures for intelligent hardware hitting over RMB600 billion.

(4) The O2O model, integrating online and offline channels and the Internet popularization of big data application will continue to promote the transformation and upgrade of household (home) appliance makers. The new E-commerce channel has entered its fast growth stage, with the information platform for household appliance

industry beginning to take shape, and the cross-field cooperation between household appliances and Internet enterprises shows a promising future. According to iResearch data, the online sales in 2014 stood at RMB2,800 billion, up 48.7% from last year, with the annual penetration rate of total retail sales of consumer goods exceeding 10% for the first time, of which mobile devices sales exceeded RMB900 billion, soaring 239.3% from the year earlier.

(5) Relying on a huge market nurtured by a population of 1.4 billion in a vast territory, and in parallel with existing competitive edges in scale, product clusters and complete industrial chains, China's household appliances industry will remain competitive around the world. Meanwhile, India, South America, Africa, Middle East and other emerging markets which have large populations and are in their economic growth stage, are gradually entering the popularization period of household appliances, consequently providing an expected growth boost to China's household appliance exports to these developing countries and thus creating new opportunities for export and global operations of China's household appliances.

(6) With new conditions and means of competition, the ecology (environment) of the household appliance industry will further improve and the markets will become increasingly centralized. Relying on their competitive edges such as the brand, technology, industrial chain, service, channel, the leading household appliance makers are expected to further increase their market shares and profitability, and as a result promoting orderly competition and sound progress in the industry.

2. Analysis of Main Business

2.1 Overview

In 2014, guided by the three main strategies of “advanced products, efficiency-driven and global operations”, we strengthened our transformation by focusing on improving products and efficiency, clarifying our business structure, streamlining our organization at all levels and building a synergy platform. We also carried out forward innovation in the technological mechanism and building of the R&D system, enhanced our consumer study (research) and product development, and reinforced our institutional building and process optimization to ensure “One Midea, One Standard, One System”. As a result, our product reputation and quality have kept improving. Our profitability, operating quality and efficiency have continued to increase and our competitive edge with multiple products was further solidified. Compared with 2013, the Company recorded operating revenues of RMB142.311 billion (17.36% increase) in 2014, of which revenue from large home appliances (air conditioners,

refrigerators and washing machines) was RMB92.402 billion (17.92% increase) and revenue from small appliances was RMB32.71 billion (17.48% increase). The gross profit rate of the Company reached 25.46%, a year-on-year growth of 2.17 percentage points, because of an upgrade of our product structure, our cost controls and the stable costs of raw materials. Net cash flows from operating activities stood at RMB24.789 billion, up 146.55% from last year. Furthermore the Company's own funds (the net amount of monetary assets such as monetary funds, notes receivable and bank wealth management products after long-term and short-term borrowings, bonds payable and other interest-bearing monetary liabilities) reached RMB47.3 billion, up 99% from the year earlier.

In 2014, according to the All-China Federation of Industry and Commerce, China Enterprise Confederation, and Guangdong Provincial Enterprise Confederation, Midea was ranked 13th on the list of China's Top 500 Private Companies and 43rd in China's Top 500 Manufacturing Firms rankings. The "Midea" brand, valued at RMB68.315 billion continued to rank 5th in 2014 China's Most Valuable Brands. At the 16th China Patent Awards, Midea Group was awarded the China Design Patent Golden Award, the China Patent Merit Award and four other accolades, with the calibre and number of these awards second to none in the household appliance industry. In addition, Midea Group was honoured with the "Honorable Enterprise Award" (the only one of its kind) at the 2014 Guangdong Province Economic Awards.

By 2014, we had a total of 15,145 granted patents, including 1,200 for invention. We applied for 7,378 patents in 2014, including 2,585 applications for invention.

The main work accomplished in 2014 includes the following.

(a) Endless consumer research and development input, continuous product structure optimization and a steady improvement in product lifecycle.

In the field of household air conditioners: The emphasis was on the upgrade in energy conservation usage in products. The ECO energy saving series of "1 kwh for one night" has been expanded to three series and 16 products, including the luxurious, high-end and middle-end marketing mix together with competitive prices in the market. Midea's IOT intelligent air conditioners relied on the Internet of Things, cloud computing and other advanced technologies that have been utilized in the implementation of 12 top intelligent technologies, including voice control, sleep mode, reservation access, power management and information notification, which focus on customer differentiated demands. Midea's self-developed high-efficient filter smoke exhaust, refrigerant kitchen

air conditioning system and children's air conditioner with sleep mode have been sold in the market. The one-stop air conditioning solutions for Midea air conditioners, air purifiers, humidifiers and dehumidifiers have been created using the new indoor smart air system allowing for the integrated adjustment of temperature, humidity, cleanliness and wind speed.

With its core technologies and excellent quality, Midea air conditioners were awarded second prize by the National Prize for Progress in Science and Technology for its research and industrialization of core technologies for room air conditioners. Thus Midea has become the first enterprise in China to obtain the National Progress Awards in the field of air conditioning energy conservation. The Midea split floor type air conditioner (single crossflow B) was granted the 16th National Patent Gold Prize for the first time in 2014. Meanwhile, the inverter air conditioners and wall-mounted indoor air conditioners (KB) won the National Outstanding Patent Awards. Midea's research in core techniques and application of double hydraulic turbine for intelligent mobile air conditioner, efficient energy conservation for intelligent photovoltaic air conditioner, superhigh temperature refrigeration for inverter air conditioner and energy conservation for inverter dehumidifier have achieved international leading levels. In 2014 China Air Conditioning Industry Submit Forum, Midea air conditioners were granted honorable prizes such as the 2014 Refrigeration Star of Frequency Conversion and Intelligent star. The Midea brand was awarded the 2014 leading brand in the area of inverter air conditioner. The Midea R290 environmental-friendly refrigerant air conditioner was the first product approved with the 3C accreditation certificate in China and the Guangdong High-Tech Product Certificate. Midea household air conditioner projects successfully bid for 23 venues at the Nanjing 2014 Youth Olympic Games. In the field of industrial design, Midea's household air conditioner the YA300 (single crossflow) and the Q2000 series (ultrathin wall-mounted) were awarded the 2014 American IDEA Industrial Design Excellence Award. The Portable Air-Conditioner and Window Air-Conditioner earned the 2015 German IF Product Design Awards for its creative design. The Solar AC was presented with the 2014 Red Dot Award Design Concept Award while the Midea QA100 totally-enclosed air conditioner won the 2014 AWE Fashion Award.

In the field of Commercial Air Conditioner, Midea has successfully bid for important international projects because of its advanced techniques, extensive product line, excellent quality and local convenient services. Projects included 9 of the 12 stadia at the 2014 FIFA World Cup Brazil, 5000 villas in United Arab Emirates, the

centrifuge governmental project in Russia, Singapore Changi Airport, Thailand Don Mueang International Airport, Indonesia Jakarta Soekarno-Hatta International Airport, Komodo Airport, Mauritius Plaisance International Airport, Mozambique Maputo International Airport, Turkey Long Beach Resort & Spa Deluxe, National Library of Tajikistan, Albanian President Office and the Vietnam Exhibition and Fair Centre. Most projects have been used as pilot models, such as the India Treasure Island Commercial real estate, Turkey's Harley University, Vietnam's Meisheng Textile Company, and UAE Dalma Mall. Midea's commercial air conditioning system already has the competitive strength in the international market and has broken through the monopoly of foreign manufacturers.

Midea Central Air Conditioner (MCAC) acquired the North American HVAC certificate issued by CSA Group. Midea's high efficient falling-film screw air source heat pump and MD VS direct injection heat-flash multiple air conditioner have also been endorsed by AHRI (Air-conditioning Heating and Refrigeration Institute). The Midea MDV-X DC inverter intelligent air conditioner, the enamel liner water tank heat-pump water heater, the TR series DC inverter high efficient multiple air conditioner, the DC household cool-hot water unit, the H type module machine series and the North American wind machine have all been approved as high-tech products. The ultrahigh efficient two-stage compress falling-film centrifuge has been selected on the National New Products Program. Midea Central Air Conditioner (MCAC) has won three successive titles at the Annual China Most Popular Hotel Supplier and China Best Partner for Purchasers in Real Estate and Annual Most Reliable Central Air Conditioner Supplier. The MDV-X series DC, an all variable speed intelligent multi-connected air conditioner, has won the first national five-star energy performance certificate and the 10th China Household Appliance Innovation Prize. Midea's split-type air-source water heater secured the American IDEA Silver Award for its excellent performance. Last but not least Midea's vertical type air energy heat pump water heater and double crossflow refinement air conditioner triumphed at the Japan G-MARK design awards.

Within the washing machine industry, more than 200 new products have been developed. The sub-brand, *LittleSwan*, has developed 3rd generation automatic washing machines. This Intelligent series has 15 types comprising both covered roller and impeller products to estimate the accurate weight of clothing and determine the amount of washing detergent needed for different washing settings and levels of dirt. The aerospace scientific piston pump can input the cleaning agent accurately to within $\pm 1\text{ml}$ in different environments with different

brands, was honored with the 2014 Innovative and Leading Brand of Intelligent Washing Machine and the first prize in the Taihu Design Competition. Midea's FCS Intelligent System shortens the washing time by one-third, and through intelligent input reduces any residue remaining from washing agents, which has become representative in the industry of washing machine. The Phase III self-developed washing machine controller series has gained UL certification and the America Entry Permit. Several Midea brands of washing machines have won the AWE Low-carbon and Environmental-Friendly Prize, the German IF Design Award, the German Red Dot Design Award and the National Key New Products resulting in the innovation ability of Midea being widely recognized in the market.

In the area of refrigerators, Midea focuses on technical research and achievements in the transformation of food preservation technology, materials technology, intelligent technology, refrigeration technology, packaging technology, CAE technology (simulation model) and doorseal technology. Midea Refrigerator Division has signed a LBA cooperation agreement with US Trade and Development Agency (USTDA) to develop a new generation fluid blowing agent so as to meet strict energy efficiency standards and ensure cost benefits, allowing customers to enjoy the benefits of energy conservation, intelligence and health. Midea refrigerators manufactured with ultra-low energy conservation of "1 kwh in four days" have been approved by CSC. The high-end series products, G-ZONE Series 450L multi-door and Flush-Arc Series four-door refrigerator have obtained 2014 German Red Dot Design Awards. Moreover, at the 2014 Refrigerator Submit Forum, Midea was honored with the Energy Conservation Star, Frostless Star, and Refrigerator Leading Brand. In the 2014 leaders list issued by Energy Efficiency Label Management Center of China National Institute of Standardization, Midea refrigerator was recognized with the 2014 Leader in Intelligent Household Appliances and 2014 Most Favorite Household Appliance Brand. Midea was one of the biggest winners in the industry.

In the field of small household appliances production, Midea's intelligent integrated kitchen adopts WIFI technique and IGRS interconnection agreement to establish a cloud N-terminal IOT technical framework to manage the integration of kitchen household appliances with supporting kitchen appliances thus providing a total solution for the kitchen. The Midea steam-cleaning exhaust hood has 32 patents including the intelligent functions of auto detection and alarm. Midea's microwave oven X7 integrates the techniques of IOT and cloud for auto cooking, remote control and an intelligent menu download using bar code scanning for that new cooking

experience. The Midea gas stove has six core innovation techniques, including gas leakage alarm, auto-off for flame failure, child safety lock, skidpan bracket, timing function and fire-retardant walls. Midea's non-tank water purifier with its unique and patented three spiral membranes upgrades the single channel to multi-channel for water-making, which helps to improve water purification efficiency. The Midea "Zero Cold Water" heater allows hot running water immediately when starting up the machine. Also Midea's "Flowing-Water" heater adopts a patented outlet structure to remove incrustation scale and improve the water quality. Midea's research into and the industrialization of the rice cooker, centering on micro-negative pressure foam distinction for continuous boiling at high temperatures and the water purifier based on nanometer filtration for low output have reached the advanced international level. The international standard proposal for the induction cooker put forward by Midea is the second international standard proposal since revisions of IEC standards for pressure cooker.

In the field of small household appliances, Midea products have been awarded many international and domestic awards. Midea's Souski rice cooker, Souski tea tray, One Touch X5 intelligent cooker, MB-FZ4086 IH rice cooker and slim vertical-type water purifier have been granted 2014 iF Design Award. The Anxiang rice cooker was granted the 2014 Japan G-Mark Design Award and the Midea heater achieved the Second Wave of Competitive Brand Product in Light Industry, the 2014 America IDEA Design Award and the IFA 2014 China Household Appliances Innovations in Products, Technologies and Design. New electrical products have won Appliance Technical Innovation Award. Electric heating products have been awarded the AWE Scientific and Technical Innovation Award. The most popular products, the Xiongmaokaka electric pressure cooker and Midea multifunctional rice cooker attained first and second prize separately in the 3rd Taihu Design Award. The high-end dish-washing machine G-ZONE was granted the Red Dot Design Award. The smoke exhauster was successfully awarded the 2014 China Leading Brand of Steam Smoke Exhauster and 2014 China Popular Type of Auto-cleaning Smoke Exhauster. Midea's high-end intelligent embedded dish-washing machine, the Storm American dish-washing machine and Phantasm intelligent dish-washing machine have been awarded the honor of high-tech products. The Midea water purifier has been attained one of the ten top brands in water purification industry at the Golden Tripod Awards. The ultrathin fan (FS40-13HR) has been acknowledged with the Korean GD Award. Our air conditioning fan (FS40-15HZRD) and stool fan (FST30-15HR) have been presented with the PIN UPP Special Award of Excellence. The thin counterbalance warmer (NDK22-13A) earned the China Innovative Design Red Star Award.

(b) Strengthening the establishment of core channels and promoting the development of E-commerce

Up to the end of 2014, there were more than 1,900 flagship stores integrating retail, after-sale service, delivery and our member community, of which 1,400 newly opened stores achieved a better earning performance. Today, Midea flagship stores cover more than 70% of third and fourth-tier markets with retail revenue exceeding more than 10 billion Yuan. Our after-sale services have improved considerably, resulting in better strategic channel values and leading to the emergence of special competitive advantages for flagship stores. The E-commerce O2O business has been implemented gradually, based mainly in the flagship stores. Simultaneously, the Company is strengthening important channel partnerships, especially with Suning, Gome and some other 70 household appliances chain stores as a means to providing policy support to customization, exclusive sales, scale award, brand sale and multiple joint sales promotions, with the intention of improving shares of Midea in the market.

Our E-commerce Company was set up to promote the deployment of our e-commerce business channel strategy. The online operation starts with Midea's Tmall flagship store and upgrades these online sales to the user interactive O2O platform. The strategic cooperation has been reinforced through partnerships with Jingdong, Tmall and Suning, which allows us to sustain the internal logistics resource coordination with the social logistics resource integration, accelerate the construction of main line and branch line and overall arrangement, initiate a 24-hour national distribution for small household appliances, integrate Midea flagship stores, exclusive stores and our after-sale service outlets into the e-commerce businesses and therefore improve the service level of online and offline combination and the "Last One Kilometer" project. In 2014, with retail sales in excess of 10 billion RMB, Midea's retail sales ranked 1st in the household appliance industry, with 11 of those individual appliances coming first in their respective categories. Online sales growth of washing machines, commercial air conditioners, heaters, refrigerators and other household appliances exceeding 200%.

(c) Coordinating space for the growth of new businesses and promoting intelligent home strategies

The Company has released the M-Smart intelligent home strategies, which are to create intelligent services, such as the Air Intelligent manager, the Nutrition Intelligent manager, the Healthy Water Intelligent manager, the Energy, Security and Protection Intelligent manager, based on the complete global product group and their user bases. It is devoted to providing the most professional smart experience to customers. Moreover, the smart home

research institute was established to integrate the advantages of both the industrial cluster and research and development technology, and accelerate the establishment of a smart home design platform for household appliances. In 2014, the Company integrated internal resources to develop 30 intelligent prototype products and 30 intelligent single items. The management system was created as an initial prototype and applications have been released on both Android and Apple operating systems. The cloud platform for the Midea intelligent system has launched for an accumulation of users. Cooperation with Alibaba, Jingdong, Huawei, Qualcomm, Neusoft, TI, Broadcom, Marvel, LeTV, National Wireless Radio Detection and Inspection Center, China Household Electric Appliances Research Institute and Hong Kong University of Science and Technology will promote the breakthrough of a single intelligent item, create open applications and systems, develop and test general WIFI modules without attributes and connect to third-party cloud platform. In December 2014, Midea signed a strategic cooperation framework agreement with Xiaomi for a comprehensive collaboration in the intelligent industry chain and online e-commerce businesses.

(d) Controlling quality, promoting process reform and improving quality management

The continuous enhancement of our quality control system would perfect the three-level quality management system of the Group, Business Divisions and Product Divisions, overhaul product quality level, apply a pass-fail system for quality, set up assessment standards for competitive products, inspect the implementation of product quality level for R&D, suppliers, incoming materials, process and finished products, promote quality engineering, foster quality awareness and strengthen our exchanging or refunding mechanisms. In 2014, the maintenance rate of Midea products dropped by 51% and quality loss rate was reduced by 39% ensuring that the Midea product brand and its reputation have received positive reviews for its dependability and reliability.

The principle of “One Midea, One System and One Standard” creates an internal and external value chain that establishes a market-orientated and efficient operation process. As an important supporter, the 632 Midea projects have current working targets including united processes, unified master data, and unified IT system, comprising six operation systems (PLM, ERP, APS, MES, SRM, CRM), three management platforms (BI, FMS, HRMS), and two technical platforms (MIP, MDP). The 632 Midea projects have been implemented and supported using pilot projects. The management and operation of quality control has integrated processes, data and systems for overall optimization and has boosted the improvement of customer experiences, management practices, fair operation and

internal and external collaboration with different parties.

Its aim is to improve quality management levels, reduce organizational hierarchy, establish a flexible organization, motivate operating dynamism, improve operation efficiency, promote benchmarking management and a scientific assessment system, optimize inventory structure, revitalize idle assets, strengthen funds management, control non-operating expenditures, promote the transformation and upgrading of intelligent technologies, automated and information technologies, increase the investment of automated equipment of robot applications, automated assembly line and low cost automation, and improve production efficiency. At the end of 2014, there were more than 800 robots in operation.

(e) Strengthening overseas business control, perfecting overall arrangement of overseas business and promoting the increase of own brand and marketing growth

The purpose behind this was to establish an overseas control system and an international strategic management platform for overseas expansion, joint ventures and promotion of our own international based brands. The recruitment of top international talents, the establishment of a multinational management platform, the construction of an internationalized basic process framework, the setting up of key risk warnings and its correction system have been integrated into the internal financial control, external auditing, compliance management and legal management processes to strengthen business control.

Reinforcing these control procedures helped to promote the rapid growth of local businesses for investment projects in overseas emerging market, expand our overseas channels and insure against fluctuation risks of our OEM export businesses. In 2014, there were 3,800 new overseas branches, with year-on-year growth of 46%. Our overseas business is making positive changes with the rapid growth of overall sales volume and profits. Based on the same foreign currency exchange rates of the last year, our overseas sole proprietorship businesses and joint ventures business have increased 30%, including 35% in Latin America and 42% in the Indian market. Midea's own brand business revenue has increased by 70%. The Midea-Carrier Manaus residential air conditioning manufacturing base has become the largest manufacturing base in Latin America. Our market share for the Midea air conditioner fan is ranked 1st in Brazil and an microwave oven assembly line has already been put into operation.

(f) Launching an initial stock option incentive plan and long-term buyback mechanism and further reinforcing governance advantages

During this year, 600 top and middle level managers forming the spine of the company's operations participated in an initial stock option incentive plan and long-term buyback mechanism compatible with the current shareholding structure and benefits. The long-term incentive mechanism will be further improved. Top and middle level managers, including the backbone of the company the management team and middle-level hold 9% shares either directly or indirectly or have stock option incentive plans.

Reasons for the difference of less than or over 20% between the Company's operating results and the earnings forecast publicly disclosed by the Company: N/A

Change of the main operational model: N/A

2.2 Revenues

Whether revenue from physical sales is higher than service revenue: Yes

Unit: ('0,000)

Industry	Item	2014	2013	Increase/ decrease (%)
Home appliance industry	Sales volume	26,498.79	20,027.47	32.31%
	Output volume	27,198.96	19,641.58	38.48%
	Inventory	3,829.78	3,214.86	19.13%

According to the statistics above, the Company's sales grew in pace with production. This is because the Company adopted the policy of adjusting production volume based on sales volume to strike a balance between sales and production. Consequently, the Company's inventory also remained at an appropriate level with inventory structure further improved. (Note: The aforementioned statistics about production volume, sales volume and inventory were calculated based on internal standards. Lighting products are excluded because they are difficult to count).

Retail market share of the Company's major products

Product category	2014		2013	
	Market share	Market ranking	Market share	Market ranking
Air-conditioners	24.7%	2	21.6%	2
Refrigerators	8.2%	4	7.3%	6

Washing machines	18.4%	2	16.8%	2
Electric rice cookers	42.2%	1	42.9%	1
Induction cookers	47.5%	1	47.4%	1
Electric pressure cookers	42.1%	1	41.3%	1
Electric kettles	31.7%	1	28.6%	1
Microwave ovens	45.1%	2	40.8%	2
Water purifiers	33.6%	1	36.7%	1
Kitchen stoves	6.7%	4	6.0%	5
Range hoods	7.8%	4	6.6%	4
Vacuum cleaners	12.5%	3	10.6%	3
Water heaters	10.8%	3	8.5%	3

Note: Market share data is sourced from China Market Monitor.

Explanation on why the related data varied by more than 30%

Based on consumer research, Midea's products such as range hoods, kitchen stoves, water purifiers and air purifiers have been designed with improved performance to meet customers' requirements for a safe, smart, convenient and healthy life. Therefore, the sales volume of all products grew fast.

Major orders of the Company: N/A

Significant change in or adjustment of the products or services of the Company during the Reporting Period: N/A

Sales to major customers of the Company

Total sales to top five customers (RMB'000)	9,987,528.27
Total sales to top five customers as a percentage of the total sales for the year (%)	7.05%

Information on top five customers

No.	Sales amount (RMB'000)	As a percentage of the total sales for the year (%)
1.	2,913,049.25	2.06%
2	2,175,572.60	1.54%
3	1,875,195.46	1.32%
4	1,832,023.98	1.29%
5	1,191,686.98	0.84%
Total	9,987,528.27	7.05%

2.3 Costs

Unit: RMB '0,000

Product	Item	2014		2013		Increase/decrease (%)
		Amount	As a percentage of operating costs (%)	Amount	As a percentage of operating costs (%)	
Home appliances	Raw materials	8,254,722.77	84.84%	7,159,460.48	84.97%	-0.13%
	Labor costs	536,979.42	5.52%	462,909.16	5.49%	0.03%
	Depreciation	208,576.80	2.14%	188,331.47	2.24%	-0.10%
	Energy	145,104.26	1.49%	124,221.47	1.47%	0.02%

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

Major suppliers of the Company

Total purchases from top five suppliers (RMB'000)	6,493,681.86
Total purchases from top five suppliers as a percentage of the total purchases for the year (%)	7.37%

Information on top five suppliers of the Company

No.	Purchases (RMB'000)	As a percentage of the total purchases for the year (%)
1	1,782,771.43	2.02%
2	1,497,641.65	1.70%
3	1,188,779.13	1.35%
4	1,117,155.11	1.27%
5	907,334.54	1.03%
Total	6,493,681.86	7.37%

2.4 Expense

Unit: RMB'000

Item	Amount during the year	Amount during the previous year	Increase/decrease (RMB)	Increase/decrease (%)
Selling expenses	14,733,917.42	12,432,343.86	2,301,573.56	18.51%
Administrative expenses	7,498,255.09	6,733,456.28	764,798.81	11.36%
Financial costs	251,326.94	564,220.53	-312,893.59	-55.46%

Income tax expenses	2,344,355.93	1,714,275.57	630,080.36	36.75%
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Due to increased sales volume and greater investment in marketing, selling expenses increased by 18.51%.

Due to improved fund management and decreased note discounts, financial costs decreased by 55.46%.

2.5 R&D expenditure

During the year, guided by customer requirements and based on a long term and ongoing competitive advantage, we increased investment in research and development expenditure to improve production capacity and product quality, streamline manufacturing processes and optimize technical procedures. We also set up the “Central Research Institute”, the “Intelligent Home Research Institute” and the “Global Innovation Center” to work on key technologies. Meanwhile, we reinforced the recruitment of and support for high-end talent specializing in cutting-edge technology. In 2014, our R&D expenditure amounted to more than RMB4 billion.

2.6 Cash flows

Unit: RMB'000

Item	2014	2013	Increase/decrease (%)
Subtotal of cash inflows from operating activities	112,215,465.63	84,525,154.16	32.76%
Subtotal of cash outflows from operating activities	87,426,954.50	74,470,957.75	17.40%
Net cash flows from operating activities	24,788,511.13	10,054,196.41	146.55%
Subtotal of cash inflows from investing activities	2,618,925.13	1,682,928.90	55.62%
Subtotal of cash outflows from investing activities	31,481,322.62	2,149,610.84	1364.51%
Net cash flows from investing activities	-28,862,397.49	-466,681.94	6084.60%
Subtotal of cash inflows from financing activities	37,296,774.04	31,657,009.89	17.82%
Subtotal of cash outflows from financing activities	44,706,903.94	37,021,138.71	20.76%
Net cash flows from financing activities	-7,410,129.90	-5,364,128.82	38.14%
Net increase in cash and cash	-11,491,635.45	4,219,795.03	-372.33%

equivalents			
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Explanation of why the related data varied by more than 30%

Mainly due to increased operating profits and enhanced capital management, cash inflows and net cash flows from operating activities increased 32.76% and 146.55% respectively. Mainly due to investment and wealth management, cash inflows and outflows from investing activities increased 55.62% and 1364.51%. respectively. Due to the aforesaid two reasons, net cash flows from investing activities increased 6084.60%. Meanwhile, due to borrowing changes, net cash flows from financing activities increased 38.14%.

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

3. Main Business Breakdown

Unit: RMB'000

	Revenue	Operating costs	Gross profit margin (%)	Increase/decrease of revenue as compared to prior year (%)	Increase/decrease of operating costs as compared to prior year (%)	Increase/decrease of gross profit margin as compared to prior year (%)
By industry						
Manufacturing	129,095,703.90	95,577,734.39	25.96%	16.68%	13.43%	2.13%
Logistics transportation	1,966,344.60	1,717,526.83	12.65%	11.76%	10.42%	1.06%
By product						
Large home appliances	92,402,439.88	67,622,503.71	26.82%	17.92%	13.78%	2.66%
Air conditioners and components	72,704,842.97	53,110,596.68	26.95%	16.93%	13.14%	2.45%
Refrigerator and components	9,723,780.64	7,382,156.97	24.08%	19.59%	12.16%	5.03%
Washing machines and components	9,973,816.27	7,129,750.06	28.52%	23.85%	20.63%	1.91%
Small appliances	32,709,715.23	24,618,302.79	24.74%	17.48%	16.63%	0.54%
Motors	7,219,614.08	6,219,753.97	13.85%	4.85%	5.31%	-0.37%
Logistics	3,564,558.63	3,222,811.60	9.59%	35.47%	38.58%	-2.03%
By geographical segment						
PRC	81,277,239.11	58,611,453.01	27.89%	20.74%	19.52%	0.74%

Other countries and regions	49,784,809.39	38,683,808.21	22.30%	10.43%	5.18%	3.88%
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Note: In order to help investors learn about the actual scale of operation and operational capability in terms of motors and logistics, the above mentioned data include the sales of motors and logistics within the Company. Please refer to the notes to the financial statements in this Annual Report for the data excluding the sales within the Company.

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

4. Analysis of Assets and Liabilities

4.1 Material changes of asset items

Unit: RMB'000

	As at the end of 2014		As at the end of 2013		Change in percentage (%)	Explanation about any material change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary funds	6,203,282.81	5.16%	15,573,683.04	16.06%	-10.90%	
Accounts receivable	9,362,102.75	7.78%	7,928,438.25	8.18%	-0.40%	
Inventories	15,020,030.26	12.49%	15,197,723.84	15.68%	-3.19%	
Investment properties	171,634.90	0.14%	205,834.70	0.21%	-0.07%	
Long-term equity investments	951,874.39	0.79%	912,427.64	0.94%	-0.15%	
Fixed assets	19,521,814.06	16.23%	19,572,161.32	20.19%	-3.96%	
Construction in progress	661,882.29	0.55%	612,601.28	0.63%	-0.08%	

4.2 Material changes of liability items

Unit: RMB'000

	2014		2013		Change in percentage (%)	Explanation about any material change
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		

		(%)		(%)		
Short-term borrowings	6,070,879.03	5.05%	8,872,173.98	9.15%	-4.10%	
Long-term borrowings	19,205.03	0.02%	711,464.64	0.73%	-0.71%	

4.3 Assets and liabilities measured at fair value

Unit: RMB'000

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Closing balance
Financial assets					
1. Financial assets measured at fair value with fair value changes included in profit and loss for the year	0.00	0.00	0.00	0.00	0.00
2. Derivative financial assets	814,968.20	-598,141.18	-54,313.19	0.00	162,513.84
3. Financial assets available for sale	1,068.60	0.00	222.37	0.00	1,290.97
Sub-total of financial assets	816,036.80	-598,141.18	-54,090.82	0.00	163,804.81
Investment real estate	0.00	0.00	0.00	0.00	0.00
Productive living assets	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00
Sub-total of the above	816,036.80	-598,141.18	-54,090.82	0.00	163,804.81
Financial liabilities	11,260.18	63,700.52	285,732.99	0.00	360,693.69

Whether there were any material changes on the measurement attributes of major assets of the Company during the Reporting Period: No

4.4 Main assets overseas: N/A

5. Core Competitiveness Analysis

5.1 Steadily leading innovation and R&D capabilities

Having been committed to product innovation and research, Midea Group has acquired leading high-end technical talents within the industry and maintained technical cooperation with leading domestic and foreign research institutions. Relying on a sound innovation mechanism and sustained strong investment in research resources, the Group has maintained its advanced level of science and technology at home and abroad. With the “Central Research Institute”, the “Smart Home Research Institute” and the “Global Innovation Center”, it is trying to build a globally competitive system for technology research. Meanwhile, it has taken the lead in developing and launching a series of innovative products, such as the full DC inverter air conditioner consuming "1 kWh per night", the “air conditioners designed for children”, the "intelligent auto-dispensing" washer-dryer, the "Steam Cube" (Zhenglifang) Series microwave ovens, the IH smart electric rice cooker, the high-temperature steam cleaning range hood and the running water heater, which are highly recognized within the market.

5.2 Broad and stable channel network

By virtue of years of development and layout, Midea Group has formed all-dimensional market coverage. In the mature first and second-tier markets, the Company has maintained good cooperation relationships with large home appliance retail chains such as Gome and Suning. While in the extensive third and fourth-tier markets, the Company uses flagship stores, exclusive shops, traditional channels and new channels as effective supplements. Already, the Company has achieved full coverage of the first and second-tier markets and over 95% coverage of the third and fourth-tier markets. Besides, the Company's dominance in branding, products, offline channels and logistics distribution have also created powerful guarantees for the Company's rapid expansion of its e-commerce business and channels. In China, Midea Group have established operative long-lasting relationships with a majority of our original distributors over the years therefore cultivating good brand loyalty. Internationally, Midea Group has set up a number of overseas branches, opening production bases in six countries, hence accelerating the construction of its marketing network that covers Southeast Asia, North America, South America, Europe, Middle East and other potential markets.

5.3 Integrating capabilities in industry chain collaboration and resource sharing

As the only white goods enterprise with a whole industrial chain and full product line in China, Midea Group has developed a complete industrial chain combining R&D, manufacturing and sales of key components and finished products, supported by industry-leading R&D and manufacturing technology of home appliance's core components (such as compressors, electrical controls and magnetrons), and based on the powerful capabilities in

the production and logistics services of upstream parts and components, for example, motors. As for the product line, the Group produces major appliances such as air conditioners, refrigerators, washing machines, and almost all mainstream small household appliances like microwave ovens, rice cookers, dishwashers and other kitchen & bath appliances, so laying an innately favorable foundation for the provision of integrated solutions to consumers. After giving comprehensive consideration to regional distribution, supply support, logistics cost and other factors, the Group conducted systematic planning and rational distribution in productivity and structure while carrying out the integration of multi-product scale and flexible production, thus enabling the company to be more flexible in responding to market demands. Meanwhile, the Group has achieved a full sharing of resources and an all-round coordination in procurement, branding, technology, channels and other aspects because of the advantages of this whole industry chain and full product line.

5.4 Improving corporate governance mechanism and effective incentive mechanism

Paying close attention to the construction of a governance framework, its corporate control, the separation of powers, the centralization and decentralization system, the Group formed a mature management system for professional managers. The divisional system has been in operation for many years, and its performance-oriented evaluation and incentive mechanism featuring full decentralization has become a training and growth platform for the Group's professional managers. The Group's senior management team consists of professional managers who have been trained and forged in the operation practice of Midea Group. They have been working for Midea for more than 15 years, so they all have rich industry and management experience, a deep understanding of the home appliance industry of both China and the world, and an accurate understanding of the industry operating environment and corporate operation management. The Company's advantages in systems and mechanisms have laid a solid foundation for the promising, stable and sustaining development of the Company in the future.

Currently, the senior core management team and the key middle-level staff hold a total stake of approximately 9% in the Company through direct or indirect shareholdings, stock option incentive plans, marking the formulation of an equity architecture with convergent interests comprising the management level and all shareholders as well as an incentive mechanism featuring a combination of long and short-term incentives and disciplines.

5.5 Industry-leading advantages of scale

The Group has a complete industrial chain from air conditioners and refrigerators to washing machines, as well as a complete group of small household electrical appliances. With 16 production bases that cover 5 regions including southern, eastern, central, southwestern and northern parts of China, the Group also has production

bases in Vietnam, Belarus, Egypt, Brazil, Argentina and India. The Company ranks forefront both at home and abroad in terms of production capacity, yield and sales volume of major household appliances.

Meanwhile, Midea Group has a strong supply capacity of upstream components of household appliances, with overall production capacity for nearly 200 million motors, remaining at the forefront of the production and sales scale of main motor products. Furthermore, the strong transportation and distribution ability of the Group's logistics sector has provided a powerful guarantee for the development of the company's household appliances industry.

Midea Group has a large-scale layout in household appliances and related industries, which reinforces the Company's position at the cutting edge of the industry and protects the Company's comprehensive advantages in terms of cost control, quality control, resource integration and timeliness of delivery.

6. Analysis of Investments

6.1 External equity investments

(a) External investments: N/A

(b) The Company's shareholdings in financial corporations

Company name	Type of company	Initial investment amount (RMB'000)	Number of shares held at the beginning of the period	Shareholding percentage at the beginning of the period (%)	Number of shares held at the end of the period	Shareholding percentage at the end of the period (%)	Carrying value as at the end of the period (RMB'000)	Profit and loss for the Reporting Period (RMB'000)	Accounting title	Source of shares
Golden Eagle Asset Management Co., Ltd.	Fund company	50,000.00	50,000,000	20.00%	50,000,000	20.00%	27,948.13	188.10	Long-term equity investment	Promoter shares in establishment
Bank of Jiangsu Co., Ltd.	Commercial bank	13,220.45	2,202,564	0.00%	5,232,676	0.00%	13,330.45	365.81	Long-term equity investment	Non-public issue
Hubei Bank Corporation Limited	Commercial bank	5,000.00	5,870,266	1.29%	5,870,266	1.29%	5,000.00	429.12	Long-term equity investment	Non-public issue
Foshan Shunde	Commercial bank	1,263,773.60	186,104,160	6.33%	328,874,160	9.40%	1,263,773.60	59,214.97	Long-term equity	Non-public issue

Rural Commercial Bank Company Limited									investment	
Zhangshu Shunyin County Bank Company Limited	Commercial bank	6,000.00	6,000,000	6.00%	6,000,000	6.00%	6,000.00	180.00	Long-term equity investment	Non-public issue
Fengcheng Shunyin County Bank Company Limited	Commercial bank	6,000.00	6,000,000	6.00%	6,000,000	6.00%	6,000.00	60.00	Long-term equity investment	Non-public issue
Total		1,343,994.05	256,176,990.00	--	401,977,102.00	--	1,322,052.18	60,438.00	--	--

(c) Securities investments: N/A

(d) Shareholdings in other listed companies: N/A

6.2 Entrusted asset management, derivatives investments and entrusted loans

(a) Entrusted asset management

Unit: RMB'0,000

Name of trustee	Related party or not	Whether it is a related-party transaction	Product type	Value of entrusted assets	Commencement date	Termination date	Method of remuneration	Actual principal amount recovered for the period	Amount provided for impairment (if applicable)	Projected income	Actual profit and loss amount for the period
Bank	No	No	Bank financial product	11,661,606	1 Jan. 2014	31 Dec. 2014	Agreement	10,298,338	-	95,366.21	95,366.21
Total				11,661,606	--	--	--	10,298,338	-	95,366.21	95,366.21
Source of entrusted assets				All from the Company's own funds							
Cumulative amount of principal and				0							

revenue overdue	
Litigation involved (if applicable)	N/A
Disclosure date of the announcement about the board's consent for the asset management entrustment (if any)	29 Mar. 2014
Disclosure date of the announcement about the general meeting's consent for the asset management entrustment (if any)	22 Apr. 2014

(b) Derivatives investments

Unit: RMB'0,000

Operating Parties	Related party or not	Whether it is a related-party transaction	Investment type	Initial investment amount	Commencement date	Termination date	Investment amount at the beginning of the period	Amount provided for impairment (if applicable)	Investment amount at the end of the period	Ratio of investment amount at the end of the period to the Company's net asset at the end of the period (%)	Actual profit and loss amount for the period
Futures company	No	No	Futures contracts	0.00	2014.01.01	2014.12.31	0.00	0.00	-327.94	-0.007%	147.32
Bank	No	No	Forward forex contracts	80,370.80	2014.01.01	2014.12.31	80,370.80	0.00	-19,490.04	-0.426%	-66,489.91
Total				80,370.80	--	--	80,370.80	0.00	-19,817.98	-0.433%	-66,342.59
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)				29 Mar. 2014							
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)				22 Apr. 2014							
Risk analysis of positions held in derivatives during the Reporting Period and explanation of				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							

control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk and legal risk)	<p>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 price or fair value of derivatives product invested during the Reporting Period: specific methods used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives	<p>1. Profit/loss from futures hedging contracts incurred during the Reporting Period was RMB1,473,200;</p> <p>2. Profit/loss from forward forex contracts incurred during the Reporting Period was RMB-664,899,100;</p> <p>3. Public quotations in futures market or forward forex quotations announced by Bank of China are used in the analysis of derivatives fair value.</p>
Explanation of significant changes in accounting policies and specific financial	No change

accounting principles in respect of the 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.

(c) Entrusted loans: N/A**6.3 Use of funds raised: N/A****6.4 Analysis of major subsidiaries and investees**

Company name	Company type	Industry	Principal products or services	Registered capital (RMB'0,000)	Total assets (RMB million)	Net assets (RMB million)	Revenue from operations (RMB million)	Operating profit (RMB million)	Net profit (RMB million)
Guangdong Midea Refrigeration Equipment Co., Ltd.	Subsidiary	Manufacturing	Air conditioner	RMB85,400.00	20,932.39	2,934.05	33,280.72	916.92	835.65
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	Subsidiary	Manufacturing	Air conditioner	USD692.80	12,048.32	1,285.26	19,913.33	565.22	485.63
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing	Kitchen & bathroom electric appliances	USD7,200.00	6,554.22	1,595.70	10,302.10	1,003.47	898.40
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	Subsidiary	Manufacturing	Air conditioner	RMB30,000.00	4,608.94	950.47	8,407.37	594.11	505.35
Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd.	Subsidiary	Manufacturing	Water heater	USD4,200.00	3,414.69	1,105.18	5,651.71	876.94	761.82
Wuhu Midea Kitchen & Bathroom Electric Appliances Manufacturing	Subsidiary	Manufacturing	Water heater	RMB6,000.00	2,563.79	455.39	3,428.56	402.03	347.62

Co., Ltd.									
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	Subsidiary	Manufacturing	Air conditioner	RMB106,000.00	2,479.03	1,642.85	2,131.11	641.79	549.69
Guangdong Midea Life Electric Manufacturing Co., Ltd.	Subsidiary	Manufacturing industry	Small household appliances	USD6,926.00	1,927.70	717.34	2,195.44	930.67	912.37

Note: Please refer to the 2014 Annual Report for Wuxi Little Swan Company Limited, a controlled subsidiary of the Company.

Acquisition and disposal of subsidiaries during the Reporting Period

Subsidiary name	Purpose to acquire and dispose subsidiaries during the Reporting Period	Purpose to acquire and dispose subsidiaries during the Reporting Period	Impact on overall production and results
Midea Electric Trading Thailand Co., Ltd.	Acquisition	Equity acquisition	Net profit increased by RMB170,500 for the Reporting Period.
Midea Group E-commerce Co., Ltd.	Incorporation	Incorporation	Net profit decreased by RMB17,996,600 for the Reporting Period.
Zhejiang GMCC Compressor Co., Ltd.	Incorporation	Incorporation	Net profit increased by RMB195,117,200 for the Reporting Period.
Tianjin Little Swan Washing Machine Co., Ltd.	Disposal of business	Cancellation	Net profit decreased by RMB100 from the beginning of the period to the disposal date.
Wuxi Little Swan Washing Machinery Co., Ltd.	Disposal of business	Cancellation	Net profit increased by RMB17,100 from the beginning of the period to the disposal date.
Wuxi Meitian Refrigerator Sales Co., Ltd.	Disposal of business	Cancellation	Net profit increased by RMB0 from the beginning of the period to the disposal date.
Hefei Midea Washing Equipment Manufacturing Co., Ltd.	Disposal of business	Cancellation	Net profit increased by RMB622,700 from the beginning of the period to the disposal date.
Foshan Midea Kitchen Electric Appliances Manufacturing Co., Ltd.	Disposal of business	Cancellation	Net profit increased by RMB1,636,900 from the beginning of the period to the disposal date.
Foshan Shunde Midea Environment-friendly Electric Appliances Manufacturing Co., Ltd.	Disposal of business	Cancellation	Net profit decreased by RMB29,900 from the beginning of the period to the disposal date.

Foshan Weite Road Maintenance Equipment Co., Ltd.	Disposal of business	Cancellation	Net profit decreased by RMB398,200 from the beginning of the period to the disposal date.
Ningbo Mei'an Logistics Investment Co., Ltd.	Disposal of business	Merger	Net profit increased by RMB23,456,100 from the beginning of the period to the disposal date.
Midea Air Conditioning Equipment (Vietnam) Co., Ltd.	Disposal of business	Merger	Net profit increased by RMB31,533,100 from the beginning of the period to the disposal date.
Anhui GMCC Compressor Co., Ltd.	Disposal of business	Cancellation	Net profit decreased by RMB23,000 from the beginning of the period to the disposal date.
Foshan Kaiyuan Trading Co., Ltd.	Disposal of business	Cancellation	Net profit decreased by RMB66,300 from the beginning of the period to the disposal date.
Libao International Co., Ltd.	Disposal of business	Cancellation	Net profit increased by RMB23,569,200 from the beginning of the period to the disposal date.

6.5 Highlights of the major investments not financed by the proceeds: N/A

7. Forecast of Business Performance from January to March in 2015

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

N/A

8. Entities Controlled by the Company for Special Purposes: N/A

9. Outlook for the future development of the Company

9.1 Industry structure and developing trends

As the overall growth of the household appliance industry is slowing down, enterprises of the industry should not only pursue profit increases by focusing on upgrading the industry, raising efficiency or enlarging the production of quality goods, but they also need to pay attention to the overturn caused by mobile internet, industry internet, and Industry 4.0. With regard to all aspects of business models, marketing models and company management, as well as concerning both production and manufacture, grasping consumption trends, boosting the reorganization, its expansion, and even its cross-industry cooperation for the industry chain by sustainably optimizing product

structure, the Group will continue to search for new market growth opportunities in the environment of internet economy.

In 2015, a year after the introduction of the smart home, household appliance enterprises will further speed up the planning of the smart home. The continuous upgrade of technologies, for example, internet of things, big data, cloud computing, and artificial intelligence, together with further improvements in the internet environment, will help push forward the diversification of business models. The continuous growth point in the Chinese household appliance market will be key innovative products that satisfy customer experience. The smart home application is now on the eve of explosion. The idea of how to make household appliance enterprises complement and mix with other internet enterprises, so as to establish an ecosphere of smart home, has become the new orientation for companies to explore and develop.

In respect of channel advantage, the demand in raising efficiency in the household appliance channel is becoming increasingly urgent. Challenges are faced layer-by-layer and the distribution marketing models of household appliances will further speed up the penetration of e-business. The transitive distinction between on-line and off-line by-products is gradually changing to integration between on-line and off-line products. Enterprises hope to get more rapid consumer feedback and more accurate consumer information, leading to product R&D and enhanced upgrades.

Industry consolidation is still a trend that will not change for a long time. The continuous price fall of bulk commodities such as copper, aluminum, steel, and plastics, as well as the “Leading Runner” system launched by the government regarding energy efficiency, will further hope to strengthen the competitiveness of industry flagships, and carry forward the growth in market share and optimization of industry ecosystem.

Speaking of the mid-to-long term, the household appliance industry has said good bye to the high growth situation for years, but the factors supporting the growth of household appliance industry have not changed in comparison with the low household appliance inventory seen in developed countries. These include the gradual advancement in new urbanization patterns, residential income raises, the improving export environment, emerging markets and countries are expanding, and the supply of household appliances in China is huge. As China, with a population of around 1.4bn is a leading power in household appliance manufacturing and export, and along with its integrated industrial clusters and product packages, our household appliance industry is still equipped with a long-term growth potential that cannot be overlooked.

9.2 Development strategies of the Company

Setting the strategic vision of “becoming the leader in the Chinese household appliance industry, and ranking among the top three global white household appliances corporations”, the Company will deepen transformation, reform innovation, drive the sustainable improvement of operation quality, realize leading products through technology innovation, improve quality and excel at engineering, therefore transferring from an element driving model to an efficiency driving model, thus creating new competitive edges of cost driven by efficiency through advancing management, manufacture, and asset competencies. The Company will focus on consumers, further promote industry cooperation and optimize channel layout in the domestic market, and consolidate our global operation footprint by further improving our management and control systems, as well as boosting joint ventures and growing new market expansion in overseas markets. The Company is facing new economic growth models in this internet era, which will further innovate and reform, rapidly strengthen the foundation of the Company’s e-business development, pragmatically drive the strategy of the smart home and industry automation, enhance strategy research and layout, and breed new growth points and industry platforms.

The Company proposed the “333” strategic scheme in 2014, which means to develop better products, consolidate the groundwork and organization, and improve our operation quality by about 3 years; to become the industry leader by standing out from the top three in Chinese household appliance industry within 3 years and to realize global operations by occupying a position in global household appliance industry within about 3 years.

9.3 Key operation points in Y2015

(a) Being determined to deepening the transformation, as well as improving product power, operation efficiency, and refining management

The Company will focus on consumers, continue to put more resources into R&D and product development, explore innovative selling points of products, strictly manage and control quality, and ensure the sustainable optimization of product structure and stable improvement in profitability. The Company will clearly position the role of research platforms including global innovation center, central research institute, smart home research institute and business divisions as well as positively build a globally competitive system of technology R&D, and raise innovation power. The Company will insist on and improve refining management levels, optimizing the management model of production and sales, improving asset turnover efficiency, and establishing new cost advantages. The Company will also try to succeed in the improvement of manufacturing efficiency, the research of

techniques and technologies, and the lean production of manufacturing and automation, gradually realize the transformation and upgrade of manufacturing, and promote the pilot project of unmanned benchmarking factories.

(b) Setting up platforms of e-business, logistics, internationalization, and capital at strategic level, and establish integrated synergy advantage

Regarding our E-business platform, the Company will set up a system focusing on consumer by means of big data application, improving the product planning process by truly taking consumer needs into consideration, rapidly iterating product R&D, increasing the success rate of product introduction to the market, and improving user experience. The Company will further perfect the distribution system, standardize sales tools, plan the overall on-line operation of the whole group, improve marketing efficiency, rectify the operation evaluation system for online consumers, and standardize the criteria involved in the introduction, evaluation, and exclusion of customers. The Company will establish the Midea member operation system, continue to reach out to users, upgrade customer service, and improve data management, so as to sharply increase the number of Midea members. The Company will open up an after-sales service, and realize the information exchange among users, after-sales workers, sales network, and the Company, so as to improve consumers' after-sales experiences. The target for Midea's Y2015 retail sales in E-business is RMB 16 billion.

For our Logistics platform, the Company will focus on the integration of channel resources, construction of a network platform, improvement in the integrated logistics operation capability of the Company to the end-user. Annto Logistics will become the integrated operation and service platform of Midea for storage layout, main routes transportation, channel distribution, and the delivery and installation for the "Last Mile", speed up information sharing and interaction, as well as the visualization management of the whole online and offline value chain therefore thoroughly improving logistics service and customer satisfaction, realizing the synergistic interaction of resources and maximization of benefits, and consequently generating integrated value.

In support of our internationalization platform, the Company will set up international operation platforms that can be sustainably propelled, taking channel enlargement, brand construction, product promotion, and market research as work and operation cores, and advancing the high-speed growth of Midea's overseas self-own brands. In respect of channel enlargement, the Company will focus on key regions and markets, push forward the transformation from traditional channels to modern channels with strategic site selection and districts, perfect channel management mechanism, improve channel sales capability, and improve the attractiveness of the end product and shopping experience of customers. Concerning brand construction, the Company is gradually forging

a consolidated brand pushing strategy for overseas, which includes an enhanced consolidated planning of our product categories and release of resources, the fortification of our Midea brand image profile overseas, and brand training for all staff. Relating to product promotion, the Company will further perfect the process of introducing products to the market. We will introduce unified standards on basic publicity materials such as product pictures, allow the headquarters to complete and be responsible for all market introduction materials for our core products, and improve our local market experience and overseas market capabilities. Concerning market research, the Company will strengthen the analysis and application of market data further refining our overall planning. Research results will be put into practice, allowing product promotion strategies to reflect on the practice of our research results.

For our Capital platform, the Company's principle will be the maximization of overall benefits of the Group. With the finance company acting as the operation body and collaborating with other operating units, three functional platforms of centralized fund management, professional financial service, and fund operation and appreciation will be implemented. The Company will apply a centralized fund management platform for centralizing cash, cutting down financial expenses, and keeping sufficient liquidity. The Company will launch a professional financial service platform to accelerate professional financial services, such as settlement, internal financing, ticket service, foreign exchange business, and industry chain business. The Company will establish a fund operation and appreciation system to support the Group's industrial mergers and any related industry fund investment, the fund operation for the whole industry chain, all services for the finance industry, as well as the management and operation of overseas funding.

(c) Opening partnerships, continuing Midea's smart home strategy, and improving the capability of offering solutions for system integration

The Company will transform from a single product manufacturer to a provider of solution services for system integration and system products, positively and pragmatically driving Midea's M-SMART smart home strategy; exploiting Midea's industrial cluster advantage, pushing forward with any cross-industry merger or collaboration, taking intelligence, health, and energy-saving as core functions, using sensing, big data, and smart control technologies as the means, and improving the capability of the overall smart home solutions characterized by air, nutrition, water wellness, energy, security and protection. In 2015, to ensure the main aim of meeting the demand for the development of the internal system of the Group, the smart home research institute will emphasize four functional aspects

1) Continuing to enrich the functions of the Mei Ju APP, improving the message push function of all household appliance information and establishing the message center, improving the socializing capability and e-business capability of Mei Ju APP, and putting efforts into building Mei Ju APP as a brand-new life style.

2) Pushing forward with the development of some thirty categories of smart products on the basis of the internet of things, and further constructing the smart home ecosphere.

3) Further opening Midea's smart home system, publishing the white paper of the smart home environment, realizing the seamless, low-cost, low-entry access and the application of external third-party enterprises, consequently guiding the smart home ecosystem for the whole industry.

4) Energetically boosting smart home's B2B business, accomplishing the development of solutions for smart hotel systems, and setting up the platform for Midea's smart home system entry into commercial markets.

(d) Seeking new tracks, expanding new businesses, and arranging new growth points for the future

The Company will apply mobile internet thinking and tools, positively transform our current commercial and operational models, establish an industry merger platform relating to industry chain investment, build an investment fund for new business and new industry, broadly recruit talents, foster partnerships, confidently pursue new business directions and new business models, and help to seek out new growth points for Midea's development within the next 5-10 years.

9.4 Future key capital expenditure plan

To adapt to changes in the industry environment, the Company will emphasize 2015 investment on aspects including technology innovation, quality improvement, IT information process excellence, channel expansion and capability improvement for e-business, as well as the execution of the overall M-SMART smart home strategy. Meanwhile, the Company will strictly control investment on projects of infrastructure and capacity expansion, and non-productive operation. The investment fund will mainly come from self-owned funds of the Company.

9.5 Main risks against future development

(a) Risk of macro economy fluctuation

Products sold by the Company include air conditioners, refrigerators, washing machines, and small household

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

(b) Risk of market competitions

The household appliance industry in China fits into a perfect competition industry. The quantity of enterprises producing household appliances is significant. Fierce competition exists among foreign-funded enterprises and local enterprises, overseas brands and self-own brands, and within different product categories. Although the Company has obtained certain competitive advantages in the household appliance industry, it is still faced with market risks from intense industry competition and impacts caused by new business models in internet economy, which might influence the business performance and financial situation of the Company.

(c) Risks in the fluctuation of production factors

The raw materials required by Midea Group to manufacture household appliances and electrical machines primarily include different grades of copper products, steel, aluminum products, and plastics. At present, household appliance manufacturing 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 adjustment, or the sale prices of end products cannot support the cost fluctuation, the Company's business will be certainly be influenced.

(d) Risk in expanding the overseas market

The internationalization and global operation is a long-term strategic goal of the Company. The Company has built joint-venture production and manufacturing bases in many countries around the world. However, there are still unpredictable risks associated such as local political and economic situations, significant changes of law and regulation systems, and sharp increases in production costs.

(e) Risk in product export and exchange losses caused by exchange rate fluctuation

The export earnings of the Company has accounted for over 40% of the overall sales. Exchange rate fluctuation might not only bring negative effects on product export for the Company, but can also lead to exchange losses and increase the financial costs of the Company.

(f) Market risks brought by trade barriers

While tariff barriers decrease, the non-tariff barriers among countries have become increasingly distinctive. These

can mainly be seen on compulsory security certificates, international standards and requirements, and certification requirements for product quality and management systems. Energy-saving requirements, call for increasingly strict environmental protection prerequisites, as well as rigorous requirements for recycling waste household appliances. The non-tariff barriers, and trade frictions caused by anti-dumping measures implemented by some countries and regions aggravate the burden in costs and expenses for household appliance enterprises, and have brought about new challenges to market expansion for enterprises.

10. The Board of Directors' Explanation Regarding the "Non-standard Audit Opinion" for the Reporting Period: N/A

11. Reason for Changes in Accounting Policies, Accounting Estimates and Accounting Methods as Compared to the Financial Report for the Prior Year: N/A

12. Reason for Retrospective Restatement of Major Accounting Errors during the Reporting Period: N/A

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

13.1 Newly consolidated companies

(a) According to the Equity Acquisition Agreement signed between Midea Electric Trading (Singapore) Pte Ltd and Mr. Somchai Pisitching, a Thailand citizen, resulted in Midea Electric Trading (Singapore) Pte Ltd acquiring a 51% stake in Midea Electric Trading Thailand Co., Ltd. in January 2014, which was thus included in the consolidated financial statements since said date.

(b) Midea Group E-commerce Co., Ltd. was incorporated in March 2014 and was thus included in the consolidated financial statements since said date.

(c) Zhejiang GMCC Compressor Co., Ltd. was incorporated in January 2014 and was thus included in the consolidated financial statements since said date.

13.2 Deconsolidation of companies

(a) Tianjin Little Swan Washing Machine Co., Ltd. was canceled in Jan. 2014.

(b) Wuxi Little Swan Washing Machinery Co., Ltd. was canceled in Jul. 2014.

(c) Wuxi Meitian Refrigerator Sales Co., Ltd. was canceled in Nov. 2014.

- (d) Hefei Midea Washing Equipment Manufacturing Co., Ltd. was canceled in Dec. 2014.
- (e) Anhui GMCC Compressor Co., Ltd. was canceled in Feb. 2014.
- (f) Libao International Co., Ltd. was canceled in Feb. 2014.
- (g) Foshan Shunde Kaiyuan Trading Co., Ltd. was canceled in Apr. 2014.
- (h) Ningbo Mei'an Logistics Investment Co., Ltd. was merged by Ningbo Midea United Material Supply Co., Ltd. in Jun. 2014 and thus canceled.
- (i) Midea Air Conditioning Equipment (Vietnam) Co., Ltd. was merged by Midea Life Electric Appliances (Vietnam) Co., Ltd. in Jul. 2014 and thus canceled.
- (j) Foshan Shunde Midea Environment-friendly Electric Appliances Manufacturing Co., Ltd. was canceled in Oct. 2014.
- (k) Foshan Weite Road Maintenance Equipment Co., Ltd. was canceled in Dec. 2014.
- (l) Foshan Midea Kitchen Electric Appliances Manufacturing Co., Ltd. was canceled in Dec. 2014.

14. Profit distribution and dividend payout by the Company

14.1 Formulation, implementation and adjustment of profit distribution policy during the Reporting Period

According to the Listed Company Regulatory Guideline No. 3—Distribution of Cash Dividends by Listed Companies, promulgated by China Securities Regulatory Commission, we supplemented and revised some articles in the Company's Articles of Association with the following revised articles being reviewed and approved at the 2nd Special General Meeting for 2014 dated 5th September 2014.

(a) Form of profit distribution: The Company shall use cash, stock or a combination of both to allocate dividends. If possible, cash will be the first method of allocation and it shall distribute cash dividends when the relevant conditions are met. The Board of Directors of the Company may propose interim profit distribution based on its earnings and capital needs.

(b) Specific conditions and proportions of the Company's cash dividends: If the Company achieves positive distributable profits for any year and there is no substantial investment plan or cash expenditure (excluding investments financed by the proceeds), in any three consecutive years, the cumulative profit distribution in cash by the Company for the last three year period shall not be less than 30% of the average of the same three years' annual distributable profits. With profit distribution, cash dividends shall account for at least 20%. If the Board of Directors did not make a cash bonus plan, as a result of significant investment plans or significant cash

expenditures, it should disclose in detail the reason for a no cash dividend payment, their future purpose and usage plan for these retained funds, in the profit distribution proposal and annual report.

(c) The dividend pre-plan and the three-year scheme of returns for shareholders put forward by the board shall be submitted to the general meeting for review, and can only be implemented upon consent from two thirds of the votes held by the shareholders (including shareholder proxies) attending the general meeting. The Company safeguards public shareholders' rights to attend general meetings. The board, independent directors and eligible shareholders may solicit voting rights for general meetings from shareholders. When reviewing a dividend pre-plan, the general meeting shall take the initiative to communicate and exchange opinions, through multiple channels, with shareholders, especially minority shareholders, to fully listen to their opinions and demands and answer their concerns in a timely manner. Where the Company makes a profit but does not put forward a cash dividend pre-plan for a Reporting Period, it shall offer an online voting platform to shareholders besides the on-site meeting when convening a general meeting.

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and the resolution of the general meeting	Yes
Specific and clear dividend standard and ratio:	Yes
Complete decision-making procedure and mechanism:	Yes
Independent directors fulfilled their responsibilities and played their due role:	Yes
Minority shareholders have the chance to fully express their opinion and desire and their legal rights and interests were fully protected:	Yes
In adjustment or alteration of the cash dividend policy, the conditions and procedure were in compliance with regulations and transparent:	Yes

14.2 The Company's preplans or plans for profit distribution and turning capital reserve into share capital for the recent three years (including the reporting year)

The Company went public on the Shenzhen Stock Exchange on 18 September 2013.

Plan for profit distribution and turning capital reserve into share capital for 2013: Based on its total of 1,686,323,389 shares as at 31 December 2013, the Company distributed a cash dividend of RMB20.00 (taxes included) for every 10 shares, resulting in a total cash dividend payment of RMB3,372,646,778 and at the same time increased shares by converting capital reserves into share capital on the basis of 15 shares for every 10 shares, representing a total increment of 2,529,485,083 shares. Implementation of the said plan was completed on 30 April 2014.

Profit distribution pre-plan for 2014: Based on its total of 4,215,808,472 shares as at 31 December 2014, the Company intends to distribute a cash dividend of RMB10 (taxes included) for every 10 shares of all shareholders.

The said pre-plan has been reviewed and approved by the board and will later be submitted to the general meeting for further review.

14.3 Cash dividend distribution of the Company over the recent three years

Unit: RMB

Year	Cash dividends (tax included)	Net profit attributable to shareholders of the listed company in the consolidated statement in the year	Ratio to net profit attributable to shareholders of the listed company in the consolidated statement in the year	Cash offering to buy back shares recorded as cash dividends	Ratio of cash offering to buy back shares to cash dividends
2014	4,215,808,472	10,502,220,260	40.14%	0	0.00%
2013	3,372,646,778	5,317,458,060	63.43%	0	0.00%

The Company made a profit in the Reporting Period and the retained profit of the Company (without subsidiaries) was positive, but it did not put forward a preplan for cash dividend distribution: N/A

15. Pre-plan for profit distribution and turning capital reserve into share capital for the Reporting Period

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax included)	10.00
Additional shares converted from capital reserves for every 10 shares (share)	0
Total shares as the basis for the distribution preplan (share)	4,215,808,472
Total cash dividends (RMB) (tax included)	4,215,808,472
Distributable profit (RMB)	7,282,924,240
Percentage of cash dividends in the total distributed profit (%)	100%
Cash dividend policy:	
If the Company achieves positive distributable profits for any year and there is no substantial investment plan or cash expenditure (excluding investments financed by the proceeds), in any three consecutive years, the cumulative profit distribution in cash by the Company for the last three year period shall be not less than 30% of the average of the same three years' annual distributable profits. In profit distribution, cash dividends shall account for at least 20%.	
Details about the pre-plan for profit distribution and turning capital reserves into share capital	
As audited by Pan-China Certified Public Accountants (LLP), the Company (excluding subsidiaries) realized a net profit of RMB6,202,470,000.00 for 2014. Pursuant to the relevant provisions under the Articles of Association, it provided 10% as statutory surplus reserves, namely RMB620,247,000.00. Plus undistributed profit at the beginning of the year of RMB5,073,348,030.00 and	

minus the distributed profit of RMB 3,372,646,790.00, the actual distributable profit would be RMB7,282,924,240.00.

Profit distribution pre-plan for 2014: Based on its total of 4,215,808,472 shares as at 31 December 2014, the Company intends to distribute a cash dividend of RMB10.00 (taxes included) for every 10 shares of all shareholders, resulting in a total cash dividend payment of RMB4,215,808,472. The remaining undistributed profit shall be carried forward for future distribution.

The pre-plan shall be submitted to the Company's 2014 Annual General Meeting for review.

16. Social responsibilities

The Company has shouldered its social responsibility. It has put much emphasis on preserving the legal interests of stakeholders, including creditors, staff, consumers, suppliers and community. It has reinforced the communication and coordination with these interested parties, insisting on a harmonious relationship and its coexistence with all parties, adhering to the principles of good faith and commitment, complying with laws and moral standards and striving to achieve the sustainable development of the society and environment (details of which can be found in the separately published 2014 Social Responsibility Report).

Whether the listed company and its subsidiaries belong to heavy polluting industries prescribed by the environmental protection departments of China: No

Whether the listed company and its subsidiaries have other major social security issues: No

Whether there were any administrative penalties during the Reporting Period: No

17. Researches, visits and interviews received in the Reporting Period

Date of reception	Location of reception	Type of reception	Type of visitor	Visitor
2014-01-09	Company	On-Site Survey	Institution	Guotai Junan Securities, E Funds, Yinhua Fund Management, Anbang Asset Management, New Value, Western Securities
2014-01-15	Company	On-Site Survey	Institution	CLSA Asia-Pacific Markets, CICC, Huabao Trust, Capital Securities
2014-01-22	Company	On-Site Survey	Institution	CICC UK, Genesis Investment Management
2014-02-13	Company	On-Site Survey	Institution	Morgan Stanley, Fallopian Capital, Wisefund Investment, Azentus Capital
2014-02-18	Company	On-Site Survey	Institution	Nomura, Value Partners Fund, BOCI-Prudential Asset Management, DIAM Asset Management, Allianz Global Investors, BlackRock, Manulife Asset Management, China Invest (HK), TPG-AXON Capital
2014-02-20	Company	On-Site Survey	Institution	CICC, First State Investments (Hong Kong)
2014-03-03	Company	New Product Release Meeting Of Kitchen Appliance	Institution	CICC, CITIC Securities, SWS Securities, Changjiang Securities, Haitong Securities, Sinolink Securities, UBS Securities, China Merchants Securities, China Galaxy Securities, Guosen Securities

2014-03-10	Company	Strategy Meeting Of Smart E-House	Institution	Orient Securities, Guotai Junan Securities, CICC, Sheng Ta Investment Management, Dongguan Securities, Shenzhen Fenghuangyuan Investment, First Capital Securities, GF Securities, China Life Pension, SWS Securities, Sinolink Securities, Guosen Securities, SWS Securities, Haitong Securities, Xinhua Asset Management, Guotai Junan Securities, Wuyuehua Investment, Huashang Fund, CITIC Securities, New Bergman Investment, Shenwan Hongyuan Securities, Bosera Funds, UBS Securities, China Galaxy Securities, Dacheng Fund Management, PICC, Changxin Asset Management, Shenzhen Dingshi Investment, Great Wall Fund, Harvest Fund, Guosen Securities, Industrial Securities, Changjiang Securities, Ping An Asset Management, Everbright Pramerica Fund, Greenwoods Asset Management, E Funds, Yinhua Fund Management
2014-03-17	Hangzhou	Press Meeting Of Intelligent Air Conditioner Of Internet Of Things	Institution	Taikang AMC, ABC-CA Fund Management, Greenwoods Asset, Binyuan Capital, Guosen Securities, Guotai Junan Securities, CITIC Securities, SWS Securities, Changjiang Securities, Dachang Fund Management, Galaxy Securities, Sinolink Securities, Galaxy Asset, Team-Top Investment, Haitong Securities, GTJA Allianz Fund, E Funds, Orient Securities
2014-03-31	Company	Annual Performance Seminar	Institution	E Funds, Guangzhou Jinjun Investment, Jin Huatai Investment, Industrial Securities, Galaxy Asset, Changsheng Fund, GTS Fund, Essence Securities, First Capital Securities, GF Securities, SWS Securities, Sinolink Securities, Yubang Asia Investment, Guotai Junan Securities, CDH Investments, CICC, China Merchants Securities, New Bergman Investment, CITIC Securities, China AMC, Bosera Funds, UBS Securities, Galaxy Securities, Haitong Securities, Harvest Fund Management, Guosen Securities, Changjiang Securities, ICBC Credit Suisse, Greenwoods Asset Management, Yinhua Fund
2014-04-08	Company	Teleconference	Institution	Zeal Asset Management
2014-04-15	Beijing	Road Show	Institution	China AMC, Yinhua Fund, Harvest Fund Management, Huashang Fund, Manulife Teda Fund Management, China Life, New China Life, Changsheng Fund, CCB Principal Asset Management, Minsheng Royal Fund Management, CCB Principal Asset Management, ICBC Credit Suisse, CUAM, Yimin Asset Management, CICC, Taikang AMC, StarRock Investment Management, CDH Investments, Shanghai Ivy Investment, Fosun Cultural Industry Group, Keywise Capital, Hillhouse Capital
2014-04-16	Company	Teleconference	Institution	Bernstein
2014-04-18	Company	On-Site Survey	Institution	New Idea Investment
2014-04-29	Company	Performance Seminar	Institution	CICC, Guosen Securities, CITIC Securities, SWS Securities, Greenwoods Asset, Citibank, Hillhouse Capital, Founder Securities, GF Fund, Anbang Asset Management, Bosera Funds, Penghua Fund, Dacheng Fund Management, Ping An Asset, CITIC-Prudential Fund Management,

				Galaxy Securities, Chongyang Investment, GF Securities, Haitong Securities, UBS Securities, Sinolink Securities, HSBC, China AMC, Harvest Fund Management, JPMorgan Chase & Co, Sunshine Insurance, Taikang AMC, Yinhua Fund, Zeal Asset Management
2014-04-30	Company	On-Site Survey	Institution	Marshall Wace
2014-05-12	Shanghai	Road Show	Institution	Hua An Future Asset, Ping An Asset Management, AIA China, Power Pacific, Bisheng Investment, SMBC
2014-05-13	Shanghai	Road Show	Institution	Schroders PLC, Guotai Asset Management, Kaiyu Capital, Rosefinch Investment
2014-05-14	Shanghai	Road Show	Institution	Temasek Investment, Norges Bank, AXA SPDB Investment Managers, Fullgoad Fund, China Nature Asset Management, BOC Investment Management, PIMCO, FAD Fund, Zongyi Holding, CITIC Securities, Nomura Investment, Greenwoods Asset Management
2014-05-15	Shenzhen	Road Show	Institution	Penghua Fund, Zexinyide, Infore Capital, Copower Investment, First Capital Securities, HIM, UBS SDIC, Team-Top Investment, Yujin Fund, Yinshi Investment, Baoying Fund
2014-05-18	Guangzhou	Road Show	Institution	E Funds, GF Fund
2014-05-19	Shenzhen	Road Show	Institution	Bosera Funds, Rongtong Fund Management, China Southern Fund, Southwest Securities, First Qianhai Fund
2014-05-21	Company	On-Site Survey	Institution	Yiheng Capital, CDH Investments, Samsung Investment, Changxin Asset Management, UBS Securities
2014-05-27	Company	On-Site Survey	Institution	BNP Paribas Investment Partners, Nomura (Hong Kong), Ping An Asset Management, China AMC, GMT Capital
2014-05-28	Company	On-Site Survey	Institution	Invesco Asset Management, CLSA Asia-Pacific Markets, Schroders, Keywise Capital, Martin Currie Investment Management
2014-06-04	Chengdu	Strategy Meeting	Institution	Northeast Securities, Orient Securities Asset Management, New Idea Investment, Cathay Investors, China International Fund Management, APS Asset Management, Great Wall Securities, Xiangying Asset Management, UBS SDIC, Topology Capital Investment, Excellent Capital Management, PD Fortune, Tianan Insurance, Jingyuan Capital, Hezhengzhichun Investment, Rosefinch Investment, Yinhua Fund, New Thinking Investment
2014-06-09	Company	On-Site Survey	Institution	Overlook Investments
2014-06-10	Company	On-Site Survey	Institution	Mizuho Securities
2014-06-12	Yichang	Strategy Meeting	Institution	China Southern Fund, Changsheng Fund, Huashang Fund, Minshen Royal Fund Management, CICC, Union Asset, China Export & Credit Insurance, CITIC Securities
2014-06-16	Hong Kong	Strategy Meeting	Institution	Comgest, Shouzheng Fund, CI Ka Fu Asset Management, ChinaRock Capital, Canada Pension Plan, Manulife Asset Management, Alliance Bernstein Hong Kong, Baring Asset Management, Pengsheng Asset Management, Atlantis Investment, Goldman Sachs Asia, Eliv Investment & Management, UBS Global, Vontobel, Panah Fund, Comgest, Azentus

				Capital
2014-06-17	Shanghai	Strategy Meeting	Institution	Orient Securities Asset Management, Guolian Securities, Xingzhi Venture Capital, First-Trust Fund, Galaxy Asset, Jifu Fund, Guosen Securities, Willam Blair, HSBC Fund, Renhang Investment, Liangsheng International, Mingxiang Investment, Hezi Capital, Fortune SG Fund, Springs Capital
2014-06-23	Company	On-Site Survey	Institution	Taikang Assets, Norges Bank, Standard Chartered Bank, Santa Lucia, DCG capital
2014-06-25	Shanghai	Strategy Meeting	Institution	Jingyuan Capital, Xincao Capital, Morgan Asset Management, Value Partners Goldstate Fund Management, Fullgoal Fund, Zhong Ou AMC, Value Partners Group, Value Partners Fund, AIA China, Shengshu Investment, LORD ABBETT, Qianhe Capital Management, Jifu Fund, Atlantis Investment, Jet King Investment, Neuberger Berman Investment, Tengyue Fund, Ping An Asset Management, Lion Global Investors, Princeton Asset Management, Newport Asia, Yongjin Investment, Shanghai Ivy Investment, Nomura Investment, Yiheng Capital, East Capital
2014-06-26	Ningbo	Strategy Meeting	Institution	Mont Pelerin Asset, BBCSTOCK, Bao Hong Investment, Goldenbloom Capital, CITIC Securities, Essence Fund, Sinolink Securities, Thinking Investment Management, Sinosteel, Dingsa Fund, Anbang Asset Management, SinoPac Securities
2014-07-08	Hong Kong	Road Show	Institution	Fidelity Investments, Allianz Global Investors, BlackRock, Keywise Capital, AMP Capital, Principal Global Investors, Value Partners, AllianceBernstein, Och-Ziff Capital, Eton Park Capital,
2014-07-10	Hong Kong	Road Show	Institution	Yiheng Capital, Neuberger-Berman Asia, Samsung Investment, Value Partners, AP Asset, Doric Capital
2014-07-17	Company	On-Site Survey	Institution	Hanlun Investment
2014-07-18	Company	On-Site Survey	Institution	Essence Securities, Wellington Management Company
2014-07-21	Company	Teleconference	Institution	Kaiyu Capital
2014-07-30	Company	Investor Open Day	Institution	Greenwoods Asset Management, UBS, Sinolink Securities, Changsheng Fund, CICC, Guotai Junan Securities, Founder Securities, Haitong Securities, Bosera Funds, Upstone, Guosen Securities, Standard Chartered Bank, HIM, ICBC Credit Suisse, New China Asset, Dongguan Securities, Hongyuan Securities, CITIC Securities, China Galaxy Securities, SWS Securities, Penghua Fund, Changjiang Securities, China Orient Asset Management, Essence Fund, Hua An Funds, Harvest Fund, UBS SDIC, Great Wall Fund, Anbang Asset Management, China AMC, CUAM, CICC, E Funds, Guodu Securities, Yubang Asia, BNP Paribas
2014-08-19	Shenzhen	Interim Performance Seminar	Institution	CICC, Changjiang Securities, CITIC Securities, Sinolink Securities, Guotai Junan Securities, Minsheng Securities, Essence Fund, SWS Securities, UBS Securities, Guosen Securities, Founder Securities, Industrial Securities, Bohai Securities, China Merchants Securities,

				Dongxing Securities, Telecommunications Industry Funds, Bosera Funds, Dacheng Fund, E Funds, China AMC, ABC-CA Fund, Fortune SG Fund, Penghua Fund, China Merchants Fund, Baoying Fund, Everbright Pramerica, Soochow Fund, First Qianhai Fund, Morgan Stanley, Huaxin Fund, Yinhua Fund, Baishan Investment, Huashang Fund, Galaxy Fund, China Life, Greenwoods Asset, CPIC, Yongjin Group, HIM, Century Securities, Yubang Asia, GF Fund, Bosston, Gaoguan Investment, Value Partners, Orient Securities Asset Management, Keywise Capital, Gemboom Investment, Chinalin Securities, Guangzhou Long-term Investment, Qianhe Capital, Huatai Securities, Ping An Asset, Hillview Capital, Sinosafe Insurance, Qian Yuan Wealth, Shenzhen Co-Power, Pine River, Neo-Criterion
2014-08-20	Company	Teleconference	Institution	CICC, Everbright Pramerica, APS Asset Management, OFI Asset Management, Hanhua Capital, HSBC Asset, Value Partners, BOCOM International Trust, Jinyuan Capital, Morgan Stanley Huaxin Funds, Samsung Assets, Star Life, Nomura Investment, Investec Asset Management, Pictet Asset Management, Robeco Fund, Asia Value Capital, Bepinver Fund, Comgest Investment, East Capital, IBN, J. P. Morgan, NCC Fund, Pioneer Investments, Jupiter Asset Management, Sloane Robinson, Carrhae Capital, Alandsbanken Asset Management, Nordea, Hermes Fund
2014-08-21	Company	On-Site Survey	Institution	Pearl Fund, Hua An Future Asset, Houde Investment, Liuhe Capital, Shenzhen Economic Construction Investment, Essence Securities
2014-08-22	Company	On-Site Survey	Institution	E Funds, Bosera Funds
2014-08-26	Taiwan	Road Show	Institution	Fuh Hwa Securities Investment Trust, Shin Kong Life, Hua Nan Securities, China RE, Shin Kong Investment Trust, Huamei, Fubon Life, Prudential Investment Trust, FSITC, SinoPac SITC, Cathay, Value Partners Concord Asset Management, Fubon Investment Trust, Nanshan Life, Mercuries Life Insurance, Cathay Bank
2014-08-28	Company	On-Site Survey	Institution	U-Shine Fund Management
2014-09-02	Suzhou	Strategy Meeting	Institution	First-trust Fund, Cathay United, Khazanah, Orient Securities Asset Management, Sunshine Insurance, CITIC Asset Management
2014-09-03	Company	Teleconference	Institution	Capital World Investors
2014-09-03	Shanghai	Strategy Meeting	Institution	Value Partners, Nomura, Tiger Fund, Kaixinlong Fund, UBS SDIC, MUFG Hong Kong, Schroders, SMBC, Daiwa, Temasek Holdings, Korea Investment, BOCHK Asset Management, DNB, Pine River
2014-09-03	Hong Kong	Strategy Meeting	Institution	Boyu Capital, Libang Investment, Credit Suisse, Taconic Capital, Manulife Asset Management, Princet Asset Management, Lloyd George Management, Hedge Fund Analyst, Aberdeen Asset Management, Julius Baer, Orient Capital, Everbright Holding, Daiwasbi, Credit Suisse, Wisefund Investment, Vango Capital, Allianz, Fisrt Qianhai Fund, CI Ka Fu Investment, Huaxia Capital, Wellington Global Investment, De Sheng Investment, Value Partners, Peida Investment, OOCL, Eurizon Capital,

				ChinaRock Capital Management, AXA, Winnington, Bosston Investment, Morgan Stanley Asia, Xiangying Asset, CICC, China AMC, StepStone, Winnington Global, Heqi Fund, JK Capital, Och-Ziff, Hillhouse Capital, OWL CREEK, IndusAshmore, Nordea, Pine River, IMPAX, Trilogy, Comgest, Viking
2014-09-04	Company	On-Site Survey	Institution	GF Securities
2014-09-09	Company	On-Site Survey	Institution	Australia JCP Investment, NAB MLC, William Blair, Ibbotson Associates,
2014-09-10	Company	On-Site Survey	Institution	Credit Suisse
2014-09-10	Singapore	Road Show	Institution	Aberdeen Asset Management, Changli Capital, Farallon Capital, Fidelity International Fund, New Ideas Investment, Everest Capital, Putman, Pine Bridge, UBS, Polunin Capital, Moon Capital, Smith Tan asset management, Tahan Capital, Broad Peak, GMO, Aberdeen, Lazard
2014-09-11	Company	On-Site Survey	Institution	Merrill Lynch International, KoKusai Asset Management, Okasan Securities
2014-09-12	Company	Teleconference	Institution	Merrill Lynch International
2014-09-16	Company	On-Site Survey	Institution	SSF, Kaiyu Capital
2014-09-16	Shenzhen	Strategy Meeting	Institution	AMP Capital, UBS Global, Macquarie Funds, Morgan Stanley, Jian An Investment, Libang Investment, Leiya Investment, Yiheng Capital, Balyasny Asset, Bosvalen, Lighthouse, Goldhorse Capital, Tree Line, Bestinver, DNB Asset, Evenstar Advisors
2014-09-24	Shanghai	Strategy Meeting	Institution	Mingyu Capital, Huashang Fund
2014-09-29	Company	Teleconference	Institution	Kaiyu Capital
2014-09-30	Company	Teleconference	Institution	Fidelity International Fund
2014-10-08	Company	On-Site Survey	Institution	StepStone
2014-10-14	Company	On-Site Survey	Institution	Bosera Funds, KB Asset
2014-10-15	Company	On-Site Survey	Institution	J. P. Morgan, J. P. Morgan Asset Management, Gao Hua Securities, Och-Ziff Foreign Investment
2014-10-23	Company	On-Site Survey	Institution	Guosen Securities, Manulife Asset Management, William Blair
2014-10-24	Company	Investor Open Day	Institution	Galaxy Securities, UBS Securities, HIM, CITIC Securities, ChinaRock Capital Management, Haitong Securities, Guotai Junan Securities, CICC, Huashang Fund, CDH Investments, Guosen Securities, Dongguan Securities, GF Securities, Greenwoods Asset, SWS Securities, Minsheng Royal Fund Management, ICBC Shenzhen Branch, Bosera Funds, Sinolink Securities, Founder Securities, Goldman Sachs Gao Hua, Guangzhou Long-term Investment, Changjiang Securities, China AMC, Eton Park
2014-10-30	Hong Kong	Strategy Meeting	Institution	Pictet Asset, INVESCO, Norges Bank, Julius Baer, SMBC, China AMC, Orient Asset Management, AllianceBernstein (Singapore) Ltd., Leiya

				Investment, F&C Management, Rockhampton, Eton Park, Canada Pension Plan, Everpoint Asset, Simon Murray, Treeline Advisors, Value Partners, Turiya Advisors, Indus Capital
2014-11-03	Hong Kong	Strategy Meeting	Institution	Aberdeen Asset Management, Hua An Future Capital, HSBC Global Asset Management, Fidelity International Fund, Nikko Asset Management, Pengsheng Assets, Standard Chartered Bank, BEA Union Investment, Allianz, Schroders, Uncia Asset, Lazard Capital, Generation Investment, Yu Ming Investment, Trilogy Partners, Matthews International
2014-11-05	Macao	Strategy Meeting	Institution	Henderson Global Investors, Goldman Sachs (Asia), Fidelity International Fund, Citigroup Global Markets, Winnington, Hanya Capital, Capital Synergy Invest Management, DIAM Asset, Amundi Asset, Jupiter Asset, Matchpoint, UBS Global
2014-11-06	Hong Kong	Strategy Meeting	Institution	Soros Fund Management, Wisefund Investment, Baring Asset Management, Samsung Asset Management, Manulife Asset Management, Value Partners, INVESCO, Goldman Sachs (Asia), Norges Bank, Credit Agricole Asset Management, Och-Ziff, Capital World Investment, J. P. Morgan, Senrigan Capital, Orbis Investment
2014-11-11	Company	On-Site Survey	Institution	Tengyue Fund
2014-11-13	Singapore	Strategy Meeting	Institution	GIC, Lion Global Investors, Morgan Stanley, SMBC, JPMorgan Chase & Co., Nomura, Lazard Asset, Comgest, Stone Drum, Antipodean Advisors, First State, Capital Research, Pictet, Schroders, Parnassus Investments
2014-11-13	Company	Teleconference	Institution	Yunsong Capital, Indus Capital
2014-11-14	Company	On-Site Survey	Institution	Guangzhou Securities
2014-11-17	Hong Kong	Strategy Meeting	Institution	J.P. Morgan Asset Management, Och-Ziff, Goldman Sachs (Singapore), Kangxi Capital, Cathay Life, Cathay United Bank, Capital International Investment, Keywise Investment, CIC International, Neuberger-Berman Asia, T. Rowe Price Hong Kong, Tiger Fund, Turiya Capital, Invus Asia, Sylebra Capital, HighBridge, Bosvalen, Dodgeandcox
2014-11-18	Company	On-Site Survey	Institution	Dacheng Fund
2014-11-26	Shanghai	Strategy Meeting	Institution	Guotai Junan Securities, Zhong Ou AMC, CTJA Allianz Funds, CCB Life, Soochow Life, Ginkgo Capital Partners, CITIC Securities, Mont Pelerin Asset, River Fund, Xingzhi Venture Capital, Penghua Securities, Botong Investment, China International Fund Management, China Southern Fund
2014-11-28	Beijing	Strategy Meeting	Institution	CICC, Bosera Funds, China Life, Harvest Fund, Macquarie Funds, Manulife Teda Fund Management, Peak Reinsurance, Xiangying Asset, BOC Investment Management, Yiheng Capital, Yinhu Fund, Penghua Securities, Springs Capital Beijing, Goldpebble Research, Huaxia Insurance, Yongjin Capital, Yuanhao Investment Management, GIC, Carmignac Gestion, DIAM, GWREI, Truston Asset, Hanwha Asset, APS Asset, ACM, SMC, GIC
2014-11-28	Company	On-Site Survey	Institution	Morgan Stanley

2014-12-02	Shanghai	Strategy Meeting	Institution	Haitong Securities, Martin Currie Investment Management, Boyu Capital, Changxiang Assets, HIM, Yuandian Assets, SWS Securities, TF Securities, Shanghai Ivy Investment, Xingtai Investment, Taikang AMC, Botong Investment, Shangyi Capital, Zelv assets, Shanghai Tidevision Investment Management, Guolian Securities, Springs Capital, Orient Securities Asset Management, Guotai Junan Securities, Herun Investment, Value Partners Goldstate Fund Management, Tebon Fund Management, Hengdao Investment, Shang Zhongzui Investment, Shanghai Haijin Fund
2014-12-10	Company	On-Site Survey	Institution	Kaixinlong Fund
2014-12-10	Sanya	Strategy Meeting	Institution	CIFM, Robeco, CITIC Securities, Martin Currie Investment Management, Huatai Securities, Huashang Fund, Central Bank Of Malaysia, ADIA, Ashmore
2014-12-17	Company	On-Site Survey	Institution	Harvest Fund, Huatai Securities
2014-12-17	Shenzhen	Strategy Meeting	Institution	Manulife Teda Fund, Deteng Investment Advisory, Boyu Capital, Keywise Capital, King Phoenix Investment, Donghai Investment, Caitong Fund, Tianhong Fund, China Life, JD Capital, BOC Investment Management, Lion Fund, Mont Pelerin Assets, HIM, Penghua Fund
2014-12-18	Company	On-Site Survey	Institution	The Dai-ichi Life Insurance Company, Limited, Okasan Securities
Main content and materials			<p>Main talking points with investors included: (1) industry and development status; (2) condition of business and development strategies; (3) periodic report released by other companies and other contents involved.</p> <p>Materials: periodical report, announcement and other information disclosure.</p> <p>Except institutional investors, the Company pays great attention on communications with individuals and other medium and small investors by phone, email and interactive platform in replying to all questions and suggestions that need special attention.</p>	

Visiting times	85
Number of visiting institutions	850
Number of visiting individuals	There are specially appointed staff to answer investors' questions during working hours via a specially opened telephone line.
Number of other visiting entities	0
Was any material undisclosed information disclosed, revealed or leaked?	No

Section V Significant Events

1. Material litigation and arbitration

No such cases in the Reporting Period.

2. Media criticism

No such cases in the Reporting Period.

3. Occupation of the Company's capital by the controlling shareholder or its related parties for non-operating purposes

No such cases in the Reporting Period.

4. Bankruptcy and reorganization: N/A

5. Asset transactions

5.1. Acquisition of assets

Transaction party or ultimate controller	Asset acquired or bought in	Transaction price	Progress	Influence on the Company's operation	Influence on the Company's gain/loss (RMB'0,000)	Ratio of the net profit contributed by the asset to the Company to the total profit (%)	Related-party transaction or not	Relationship between the transaction party and the Company (applicable for related-party transactions)	Disclosure date	Index to the disclosed information
Mr. Somchai Pisitching	Equity interests in Midea Electric Trading Thailand Co., Ltd.	USD600,000	Concluded	Expanded the product sales in the current period	17.05	0.001%	No	N/A	N/A	N/A

5.2 Sale of assets: N/A

5.3 Business combination: N/A

6. Implementation of the equity incentive plan of the Company and its effect

On 10 January 2014, at the 14th Session of the First Board of Directors of the Company, the Board reviewed and approved the Stock Option Incentive Plan (Draft) of Midea Group Co. Ltd, awarding 40,602,000 stock options to 693 incentive receivers, which accounted for 2.41% of the Company's total 1,686,323,389 shares when signing the incentive plan.

On 27 January 2014, China Securities Regulatory Commission confirmed that they had no objection to the stock option incentive plan that the Company had filed according to the Administrative Measures for Stock Incentive by Listed Companies (Implementation).

On 17 February 2014, the Company held the First Special General Meeting for 2014, at which the Stock Option Incentive Plan was reviewed and approved.

After authorization by the General Meeting, on 18 February 2014, the Company held the 16th Session of the First Board of Directors, at which the Proposal on Adjustments to the List of Stock Option Incentive Receivers and the Number of Stock Options Granted, the Proposal on Determination of the Grant Date for the Stock Option Incentive Plan and the Proposal on Matters Regarding Grant of Stock Option Incentives, finalized the grant date to be 18 February 2014 and agreed to make a change in the award of 40,512,000 stock options to 691 incentive receivers as a result of Tang Bin and Zheng Chaoming leaving the Company and therefore were no longer eligible as incentive receivers.

After the completion of the first grant registration on 10 March 2014, Wang Jianlin, Zhu Jinsong, Liao Guojin, Tong Huai, Shen Peng, Yang Xiaowen, Zhu Ruihua, Liu Yanshou, Wang Qingbo and Wang Kun, 10 of the former 691 incentive receivers left the Company after entitlement and before the stock option incentives exercise. According to the Stock Option Incentive Plan (Draft), these ten aforementioned people were no longer eligible as incentive receivers and therefore their related 567,000 stock options were canceled. After the said adjustment, the first batch of stock option incentive receivers was amended from 691 to 681 in number, and the stock options that had been entitled but not yet exercised also changed again from 40,512,000 to 39,945,000 in number.

On 30 April 2014, the Company completed the implementation of the equity distribution plan of distributing a cash dividend of RMB20.00 and the granting of 15 additional shares converted from capital reserves for every 10 shares of all shareholders. After implementation of the equity distribution plan, the exercise price for a stock option in the said stock option incentive plan changed from RMB48.79 to RMB18.72 and the exercise number from 39,945,000 to 99,862,500.

On 27 March 2015, the 26th Session of the First Board of Directors was held to review the Proposal on Adjustments to the Incentive Receivers and the Exercise Number for the Equity Incentive Plan. Since the exercise number, exercise price and incentive receivers for the equity incentive plan were adjusted on 26 May 2014 before the equity distribution had been implemented another 44 incentive receivers had left the Company and 11 incentive receivers were considered by the Board of the Company to be no longer eligible for the incentives due to resignation and post adjustment respectively, and therefore their non-exercised 8,632,500 stock options in total were canceled. The 570,000 stock options for 13 incentive receivers in the first batch, in which the exercise conditions were not satisfied, were canceled because these incentive receivers failed to pass the 2014 annual performance appraisal. Upon the aforementioned adjustments, the total of stock option incentive receivers changed again from 681 to 626, and the stock options that had been entitled but not yet exercised was also revised again from 99,862,500 to 90,660,000 in total.

According to the straight-line method and taking into account those incentive receivers who had left the Company, 2014 saw an amortization of RMB176,348,600 charged to costs from the stock option costs for the first, second and third exercise stages for the first grant of stock options, as well as an increase of RMB150,991,300 in capital

reserves and an increase of RMB25,357,300 in minority interests. 2015 and 2016 are expected to see an amortization of RMB123,966,200 and RMB54,872,200 respectively as stock option costs.

7. Significant related-party transactions

7.1 Related-party transactions arising from routine operation

Related transaction party	Relation	Type of the transaction	Contents of the transaction	Pricing principle	Transaction price	Transaction amount (RMB'0,000)	Proportion in the total amounts of transactions of the same kind (%)	Mode of settlement	Obtainable market price for the transaction of the same kind	Disclosure date	Index to the disclosed information
Zhejiang Shangfeng Industrial Holdings Co., Ltd.	Company controlled by family members of the actual controller	Procurement	Procurement of goods	Market price	-	116,651.40	1.32%	Payment after delivery	-	2013-12-21	www.cninfo.com.cn
Guangdong Yingke Electronics Co., Ltd.	Company controlled by family members of the actual controller	Procurement	Procurement of goods	Market price	-	14,823.78	0.17%	Payment after delivery			
		Sale	Sale of goods	Market price	-	2.74	0.00002%				
Total				--	--	131,477.92	--	--	--	--	--
Details of any sales return of a large amount				Zero							
Necessity and continuity of related-party transactions as well as reasons for choosing the related parties above (instead of other transaction parties in the market) for transaction				The routine related-party transactions of the Company comply with the principal of fair, equitable and transparency and would not prejudice the Company's interests, which are beneficial to fully utilizing the internal resources advantage of Midea Group and other related parties in order to stabilize the product quality, reduce product and logistics costs and effectively allocate resources, resulting in a positive effect to the current and future financial position as well as operation result of the Company							

Impact of related-party transactions on independency of the Company	The routine related-party transactions would not affect the independence of the Company.
How dependent is the Company on the related parties and relevant solutions (if any)	The major business of the Company would not heavily rely on the above related party transactions.
Give the actual situation in the Reporting Period (if any) where a forecast had been made for the total amounts of routine related-party transactions by type to occur in the current period	The associated amount limit between the Company and the related parties and the subsidiaries did not exceed the estimated total amounts of routine related-party transactions by type.
Reason for any significant difference between the transaction price and the market reference price (if applicable)	N/A

7.2 Related-party transactions regarding purchase and sales of assets: N/A

7.3 Significant related-party transactions arising from joint investments in external parties: N/A

7.4 Credits and liabilities with related parties for non-operating purposes: N/A

7.5 Other related-party transactions

(a) The Proposal for Related-party Transactions Regarding Making Deposits in and Securing Loans from Shunde Rural Commercial Bank and the Proposal for the Related-Party Transaction Regarding Note Discounting for Shangfeng Industrial were reviewed and approved at the First Special General Meeting for 2014 held on 17 February 2014. The deposit balance of the Company in Shunde Rural Commercial Bank in 2014 should not exceed RMB2 billion and neither should the credit balance provided by the bank to the Company in 2014 exceed RMB2 billion,. A subsidiary of the Company intended to provide note discounting services for Shangfeng Industrial and its subsidiaries, with the total amount of discounted notes expected not to exceed RMB1.4 billion and the interest charged not exceeding RMB30 million.

(2) The Proposal for the Related-party Transaction Regarding Accepting the Directional Offering of Shunde Rural Commercial Bank was reviewed and approved at the 22nd Session of the First Board of Directors held on 22 October 2014.

Shunde Rural Commercial Bank intended to make a private, directional offering of 559,388,000 RMB ordinary shares.

The Company and its wholly-funded subsidiary Midea Group Finance Co., Ltd. were entitled to subscribe for a total of 142,770,000 shares at the price of RMB5.68/share (total price at RMB810,933,600), accounting for 25.52% of the total offered shares.

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

Announcement title	Disclosure date	Disclosure website
(No. 2013-006) Proposal for the Related-party Transaction Regarding Note Discounting for Shangfeng Industrial	2013-12-21	www.cninfo.com.cn
(No. 2014-009) Proposal for Related-party Transactions Regarding Making Deposits in and Securing Loans from Shunde Rural Commercial Bank	2014-01-28	www.cninfo.com.cn
(No. 2014-063) Proposal for the Related-party Transaction Regarding Accepting the Directional Offering of Shunde Rural Commercial Bank	2014-10-24	www.cninfo.com.cn

8. Significant contracts and their execution**8.1 Trusteeship, contracting and leasing**

(a) Trusteeship: N/A

(b) Contracting: N/A

(c) Leasing: N/A

8.2 Guarantees provided by the Company

Unit: RMB'0,000

Guarantees provided by the Company for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Shanxi Huaxiang Group Co., Ltd.	2014-8-19	48,200	2014-1-1	33,000	Warranty	2015-12-31	No	No
Total external guarantee line approved during the Reporting Period (A1)		33,000		Total actual external guarantee amount during the Reporting Period (A2)		33,000		
Total approved external guarantee line at the end of the Reporting Period (A3)		33,000		Total actual external guarantee balance at the end of the Reporting Period (A4)		33,000		
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of the	Line of guarantee	Actual occurrence	Actual guarantee	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related

	guarantee line announcement		date (date of agreement signing)	amount				party or not
Foshan Midea Clear Lake Water Purification Equipment Manufacturing Co., Ltd	2014-8-19	5,000	2014-1-1	0	Warranty	2015-12-31	No	No
Midea Group Finance Co., Ltd.	2014-8-19	899,600	2014-1-1	0	Warranty	2015-12-31	No	No
Guangdong Midea Refrigeration Equipment Co., Ltd.	2014-8-19	817,300	2014-1-1	69,847	Warranty	2015-12-31	No	No
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	2014-3-29	40,000	2014-1-1	0	Warranty	2015-12-31	No	No
Foshan Midea Carrier Refrigeration Equipment Co., Ltd.	2014-8-19	62,100	2014-1-1	5,391	Warranty	2015-12-31	No	No
Midea Commercial Air Conditioning Equipment Co., Ltd., Guangdong Province	2014-8-19	31,200	2014-1-1	2,697	Warranty	2015-12-31	No	No
Guangdong Midea Electric Lighting Co., Ltd.	2014-8-19	3,600	2014-1-1	0	Warranty	2015-12-31	No	No
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	2014-8-19	83,700	2014-1-1	0	Warranty	2015-12-31	No	No
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	2014-3-29	27,000	2014-1-1	0	Warranty	2015-12-31	No	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	2014-3-29	19,000	2014-1-1	0	Warranty	2015-12-31	No	No
Guangdong GMCC Refrigeration Equipment Co., Ltd.	2014-8-19	60,500	2014-1-1	6,538	Warranty	2015-12-31	No	No
Guangdong GMCC Precise Manufacture Co., Ltd.	2014-8-19	44,000	2014-1-1	6,402	Warranty	2015-12-31	No	No
Anhui GMCC Refrigeration Equipment Co., Ltd.	2014-3-29	42,000	2014-1-1	2,532	Warranty	2015-12-31	No	No
Wuhu GMCC Air Conditioning Equipment Co., Ltd.	2014-8-19	97,900	2014-1-1	5,164	Warranty	2015-12-31	No	No
Hefei Midea Refrigerator Co., Ltd.	2014-8-19	71,500	2014-1-1	3,000	Warranty	2015-12-31	No	No
Hefei Hualing Co., Ltd.	2014-3-29	87,000	2014-1-1	0	Warranty	2015-12-31	No	No
Hubei Midea Refrigerator Co., Ltd.	2014-3-29	52,000	2014-1-1	0	Warranty	2015-12-31	No	No
Guangzhou Midea Hualing Refrigerator Co., Ltd	2014-3-29	22,000	2014-1-1	0	Warranty	2015-12-31	No	No
Hefei Midea Washing Equipment Manufacturing Co., Ltd.	2014-3-29	40,000	2014-1-1	0	Warranty	2015-12-31	No	No
Ningbo Midea Joint Materials Supply Co.	2014-8-19	51,000	2014-1-1	0	Warranty	2015-12-31	No	No

Ltd								
Guangdong Welling Motor Co., Ltd.	2014-8-19	65,700	2014-1-1	2,762	Warranty	2015-12-31	No	No
Welling (Wuhu) Motor Manufacturing Co., Ltd	2014-3-29	40,000	2014-1-1	2,039	Warranty	2015-12-31	No	No
Foshan Welling Washer Motor Manufacturing Co., Ltd.	2014-8-19	80,600	2014-1-1	7,329	Warranty	2015-12-31	No	No
Foshan Welling Electronic and Electric Appliances Co., Ltd.	2014-3-29	10,000	2014-1-1	0	Warranty	2015-12-31	No	No
Foshan Welling Material Co., Ltd.	2014-8-19	21,000	2014-1-1	0	Warranty	2015-12-31	No	No
Guangdong Midea Life Electric Manufacturing Co., Ltd.	2014-8-19	27,500	2014-1-1	0	Warranty	2015-12-31	No	No
Foshan Shunde Midea Drinking Manufacturing Co., Ltd.	2014-8-19	19,300	2014-1-1	0	Warranty	2015-12-31	No	No
Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd.	2014-8-19	99,400	2014-1-1	0	Warranty	2015-12-31	No	No
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	2014-8-19	524,200	2014-1-1	38,624	Warranty	2015-12-31	No	No
Guangdong Witt Vacuum Electronics Manufacturing Co., Ltd.	2014-8-19	13,600	2014-1-1	0	Warranty	2015-12-31	No	No
Foshan Shunde Midea Washing Appliance Manufacturing Co., Ltd.	2014-8-19	292,200	2014-1-1	3,939	Warranty	2015-12-31	No	No
Wuhu Midea Washing Appliance Manufacturing Co., Ltd.	2014-3-29	14,500	2014-1-1	232	Warranty	2015-12-31	No	No
Guangdong Midea Environment Appliances Manufacturing Co., Ltd.	2014-8-19	176,300	2014-1-1	6,990	Warranty	2015-12-31	No	No
Guangdong Midea Kitchen & Bathroom Appliances Manufacturing Co., Ltd.	2014-8-19	16,000	2014-1-1	0	Warranty	2015-12-31	No	No
Foshan Midea Kitchen Appliances Manufacturing Co., Ltd.	2014-8-19	63,300	2014-1-1	0	Warranty	2015-12-31	No	No

Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd.	2014-8-19	45,000	2014-1-1	811	Warranty	2015-12-31	No	No
Jiangsu Midea Chunhua Electric Co., Ltd.	2014-3-29	23,000	2014-1-1	0	Warranty	2015-12-31	No	No
Wuhu Annto Logistics	2014-8-19	29,000	2014-1-1	0	Warranty	2015-12-31	No	No
Jiangxi Midea Guiya Lighting Co., Ltd.	2014-3-29	14,000	2014-1-1	872	Warranty	2015-12-31	No	No
Guangdong Midea Boutique Electric Manufacturing Co., Ltd.	2014-8-19	10,100	2014-1-1	0	Warranty	2015-12-31	No	No
Midea International Holdings Ltd.	2014-3-29	400,000	2013-11-20	349,639	Warranty	2015-11-20	No	No
Midea International Trading Co., Ltd	2014-3-29	45,000	2013-11-20	41,776	Warranty	2015-11-20	No	No
Calpore Macao Commercial Offshore Ltd.	2014-3-29	25,000	2013-11-20	24,253	Warranty	2015-11-20	No	No
Mecca International (BVI) Limited	2014-3-29	5,400	2013-11-20	0	Warranty	2015-11-20	No	No
Midea Electric Investment (BVI) Limited	2014-3-29	100,000	2014-1-1	47,538	Warranty	2014-12-31	Yes	No
Midea Refrigeration (Hong Kong) Co., Ltd.	2014-3-29	31,500	2014-1-1	1,921	Warranty	2014-12-31	Yes	No
Midea Electric Trading (Singapore) Co. Pte. Ltd	2014-3-29	450,000	2014-1-1	350,182	Warranty	2014-12-31	Yes	No
Midea Life Electric (Vietnam) Co., Ltd	2014-3-29	40,000	2013-11-20	13,127	Warranty	2015-11-20	No	No
PT.MIDEA HVAC INDONESIA	2014-3-29	10,000	2013-11-20	9,054	Warranty	2015-11-20	No	No
Midea Malaysia Joint Venture	2014-3-29	10,000	2013-11-20	2,158	Warranty	2015-11-20	No	No
Carrier Midea India Private Limited	2014-3-29	10,000	2014-1-1	0	Warranty	2014-12-31	Yes	No
Carrier S.A.	2014-3-29	8,000	2014-1-1	0	Warranty	2014-12-31	Yes	No
Carrier Fuego S.A.	2014-3-29		2014-1-1	0	Warranty	2014-12-31	Yes	No
Total guarantee line for subsidiaries approved during the Reporting Period (B1)			3,883,338		Total actual guarantee amount for subsidiaries during the Reporting Period (B2)			3,883,338
Total approved guarantee line for subsidiaries at the end of the Reporting Period (B3)			1,004,816		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)			1,004,816

Total guarantee amount provided by the Company (total of the above-mentioned two kinds of guarantees)			
Total guarantee line approved during the Reporting Period (A1+B1)	3,916,338	Total actual guarantee amount during the Reporting Period (A2+B2)	3,916,338
Total approved guarantee line at the end of the Reporting Period (A3+B3)	1,037,816	Total actual guarantee balance at the end of the Reporting Period (A4+B4)	1,037,816
Proportion of the total actual guarantee amount (A4+B4) in net assets of the Company		26.29%	
Of which:			
Amount of guarantees provided for shareholders, the actual controller and their related parties (C)		0.00	
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (D)		560,890	
Portion of the total guarantee amount in excess of 50% of net assets (E)		0.00	
Total amount of the three kinds of guarantees above (C+D+E)		560,890	
Joint responsibilities possibly borne for undue guarantees		None	
Provision of external guarantees in breach of the prescribed procedures		None	

Illegal provision of guarantees for external parties

No such cases in the Reporting Period.

8.3 Other significant contracts

No such cases in the Reporting Period.

8.4 Other significant transactions

No such cases in the Reporting Period.

9. Performance of undertakings

9.1. Undertakings made by the Company and shareholders interested in 5% or more of the shares of the Company made in the Reporting Period or subsisting to the Reporting Period

Undertaking	Undertaking giver	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking made in offering documents or shareholding alternation documents	Controlling shareholder, actual controller	<p>1. Undertaking of Midea Holding Ltd. (hereinafter referred to as "Midea Holding"), and He Xiangjian, respectively the controlling shareholder and actual controller of Midea Group Co., Ltd., towards the lock-up period of shares.</p> <p>He Xiangjian and Midea Holding have undertaken as follows: Within 36 months from the listing date of Midea Group's stocks, they will neither transfer or entrust others to manage their directly and indirectly held shares of Midea Group issued prior to this issuance, nor sell them to Midea Group. If they break the above undertaking, they will assume all liabilities arising therefrom.</p> <p>2. Undertaking of Midea Holding and the actual controller He Xiangjian towards the maintenance of the independence of Midea Group.</p> <p>He Xiangjian and Midea Holding have undertaken as follows: He Xiangjian, Midea Holding and their controlled enterprises will remain independent from Midea Group in respect of personnel, finance, assets, business and institutions, in accordance with relevant laws and regulations and regulatory documents. They will faithfully fulfill the</p>	28 Mar2013	<p>Apart from the first item of commitments, its duration validity spans 36 months from the day of Midea Group's listing which is 18 Sept 2013 to 18 Sept 2016 , all other items are indefinite.</p>	<p>1. There has been violation of commitments.</p> <p>2. There has been no violation of commitments.</p>

	<p>above undertaking, and assume the corresponding legal liability. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they will bear the corresponding legal liabilities according to relevant laws, rules, regulations and regulatory documents.</p> <p>3. Undertaking of Midea Holding and the actual controller He Xiangjian towards avoiding competition within the industry.</p> <p>In order to avoid possible competition within the industry between Midea Group and Midea Holding and its controlled enterprises as well as He Xiangjian, his immediate family and his controlled companies, He Xiangjian and Midea Holding have undertaken as follows:</p> <p>(1). None of the entities or individuals mentioned above is or will be engaged in the same or similar business as the existing main business of Midea Group and its controlled companies. They are not or will not be engaged or participate in such business that is competitive to the existing main business of Midea Group and its controlled companies by controlling other economic entities, institutions or economic organizations;</p> <p>(2). If Midea Group and its controlled companies expand their business on the basis of the existing ones to those where the above mentioned related entities or individuals are already performing such production and operations, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they will agree on solving the problem of competition within the industry arising therefrom</p>			<p>3. There has been no violation of commitments.</p>
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	<p>within a reasonable period;</p> <p>(3). If Midea Group and its controlled companies expand their business scope on the basis of the existing ones to those where the above mentioned related subjects have not gone into production or operation, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they would undertake as not to engage in competitive business to the new ones of Midea Group and its controlled companies;</p> <p>(4). In accordance with effective laws, regulations or other regulatory documents of People's Republic of China, as long as He Xiangjian is identified as the actual controller of Midea Group, and Midea Holding the controlling shareholder, they will not change or terminate this undertaking.</p> <p>(5). He Xiangjian and Midea Holding shall faithfully fulfill the above undertaking, and assume the corresponding legal responsibilities. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they would bear the corresponding legal responsibilities according to relevant laws, rules, regulations and regulatory documents.</p> <p>4. Undertaking of Midea Holding and the actual controller He Xiangjian towards the regulation of related transactions.</p> <p>In order to regulate matters of related transactions that may occur in the future between Midea Group and Midea Holding and its controlled companies as well as He Xiangjian, his immediate family and his controlled companies, He Xiangjian and Midea Holding</p>			<p>4. There has been violation of commitments.</p>
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	<p>have undertaken as follows:</p> <p>(1) They will regulate any related transactions with Midea Group and its controlled companies using their utmost efforts to reduce them. For unavoidable related transactions with Midea Group and its controlled companies, including but not limited to commodity trading, providing services to each other or as agent, they will sign legal normative agreements with Midea Group, and go through approval procedures in accordance with related laws, regulations, rules, other regulatory documents, and relevant provisions of the Articles of Association of Midea Group. They guarantee to offer fair prices for related transactions, and fulfill the information disclosure obligations in respect of the related transactions according to related laws, regulations, rules, other regulatory documents, and relevant provisions of the Articles of Association of Midea Group. They also guarantee not to illegally transfer the funds or profits from Midea Group, or damage the interests of its shareholders at their advantages during the related transactions.</p> <p>(2) They shall fulfill the obligation of withdrawing from voting that involves the above mentioned related transactions at the general meeting of Midea Group;</p> <p>(3) The related subject mentioned above shall not require Midea Group to offer more favorable conditions than those to any independent third party in any fair market transactions.</p> <p>(4) In accordance with effective laws, regulations or other regulatory documents of People's Republic of China, as long as He Xiangjian is identified as the actual controller</p>			
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	<p>of Midea Group, and Midea Holding the controlling shareholder, they shall not change or terminate this undertaking.</p> <p>(5) He Xiangjian and Midea Holding will faithfully fulfill the above undertaking and assume the corresponding legal liabilities. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they will bear the corresponding legal responsibilities according to relevant laws, rules, regulations and regulatory documents.</p> <p>5. Related undertaking by He Xiangjian, the actual controller of Midea Group, on Midea Trade Union Committee transferring its limited equity of Midea Group.</p> <p>On 4 January 2001, the Midea Trade Union Committee signed the "Equity Transfer Contract" with five people, namely He Xiangjian, Chen Dajiang, Feng Jingmei, Chen Kangning and Liang Jieyin, where it transferred all its limited equity of Midea Group (22.85%) respectively to those five people. According to the confirmation letter issued by members of the Midea Trade Union Committee at that time, the equity transfer price was determined after mutual discussion on the basis of their true opinions, therefore there was no dispute or potential dispute.</p> <p>On 28 June, 2013, Foshan Shunde Beijiao General Union, superior department of Midea Trade Union Committee, issued a confirmation letter to the fact that the Midea Trade Union Committee funded the establishment of Midea Group Co., Ltd. In addition the letter also confirmed that the council of Midea Trade Union Committee is entitled to dispose any property of the committee, and such property disposal does not need any</p>			<p>5. So far, this shareholding transfer has not brought about any loss caused by any dispute or potential disputes. There has been violation of commitments.</p>
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		<p>agreement from all staff committee members.</p> <p>Midea Holding and He Xiangjian, respectively the controlling shareholder and actual controller of Midea Group Co., Ltd. have undertaken as follows: For any loss of Midea Group caused by any dispute or potential dispute arising from the matters of equity transfer mentioned above, they are willing to assume full liability for such loss.</p> <p>6. Commitments on Issues about Payment of the Staff Social Insurance and the Housing Provident Fund involved in Midea Group's Overall Listing</p> <p>Midea Holding and He Xiangjian: Midea Holding have undertaken to be liable for (1) paying such expenses and related expenses on time based on the requirements of relevant state departments if Midea Group is required to be liable for the payment of the staff social insurance and the housing provident fund and the payment required by relevant state authorities prior to this merger, (2) paying corresponding compensation for all direct and indirect losses incurred by Midea Group and its subsidiaries due to this merger, (3) indemnifying and holding harmless Midea Group and its subsidiaries in time from such expenses when Midea Group and its subsidiaries are required to pay them in advance.</p> <p>7. Commitments on issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries</p> <p>Midea Holding and He Xiangjian have undertaken as follows:</p> <p>(1) Midea Holding will do its utmost to assist and urge Midea Group (including its subsidiaries) to complete renaming procedures of related assets, such as land, housing,</p>			<p>6. So far, the payment of the staff social insurance and the housing provident fund has not brought about any controversy or potential disputes. There has been violation of commitments.</p> <p>7.1 The Process of Property Ownership Certificate:</p> <p>The Report discloses that the Company is trying to get the Property Ownership Certificate for 177 of its properties, which cover an area of 2,148,485.65 square</p>
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		<p>trademarks, patents and stock rights, declared in the related files of this merger. Midea Holding will be liable for all compensations of losses caused by issues about renaming procedures of related assets mentioned above to Midea Group.</p> <p>(2) Midea Holding shall do its utmost to assist Midea Group (including its subsidiaries) to apply for ownership certificates of land and housing or property declared in related files of this merger.</p> <p>(3) Midea Holding shall assist Midea Group (including its subsidiaries) to re-apply for corresponding construction procedures and apply for their ownership certificates for houses without complete procedures, as as happened in the past, to apply for the ownership certificate. If the competent authorities requires Midea Group to dismantle buildings that cannot acquire the re-application for real estate registration procedures, Midea Holding shall do its utmost to provide assistance and be liable for any related expenses used in dismantling such buildings by Midea Group (including its subsidiaries).</p> <p>(4) Under any circumstances that Midea Group suffers from losses incurred from no longer using these properties or presently using the land or house above due to failing to obtain or collect in time the ownership certificates of the land or house above or any losses caused by any other reasons, Midea Holding shall compensate any loss for these reasons in time and in full. Midea Holding shall compensate the actual loss Midea Group suffers from any circumstances above resulting in penalties subjected to from competent authorities or through claims from any other third party.</p>			<p>meters. So far, 51 applications have been approved, the total area covers 1,638,892.27 square meters, which accounts for 76.28% of total area; 12 applications are under process, covering an area of 449,431.84 square meters, accounting for 20.92% of total area. These 12 properties are in possession of ownership certificates have not brought about any controversy or dispute. The remaining 114 properties, spanning an area of 60,161.54 square meters account for 2.8% of the total area. These properties are all small unit size auxiliary facilities such as security booth, transformer room, power room, pump room, gas station and so on, for which property ownership certificates cannot be granted or applied for. So far these 114 properties have not been required to be dismantled by competent departments so that these buildings are still in regular use, which has not brought about any controversy or any company loss caused by disputes. There is no violation of commitments.</p> <p>7.2 The Use of Rental Houses of This Company</p>
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		<p>(5) Based on issues of defective house leasing declared in related files of this merger, Midea Holding shall provide sufficient compensations for all economic losses incurred by Midea Group (including its subsidiaries) where the leasehold relations above become invalid or other disputes occur, which are caused by rights claims from a third party or by means of an administrative authority exercising a right and therefore results in any economic losses due to eviction from rental houses, or any penalties subjected to by competent government departments or any recourse from related parties.</p> <p>(6) Based on the issues of defective land leasing declared in related files of this merger, when leasehold relations become invalid caused by defects of land leasing or when other disputes occur, resulting in any economic losses to Midea Group (including its subsidiaries) or through any penalties administered by competent government departments. Likewise if the lessor cannot compensate for losses caused by such defective leasing, Midea Holding shall compensate Midea Group for losses caused by such defective land leasing</p>			<p>The Report discloses that as of 31 December, 2012, our company used 113 leasing houses in total, of which our company can't get the property certificate of 100 leasing houses from the leasing party. So far the contracts of 77 out of the 113 rental houses haven't been signed to extend the leasehold. The property certificates of 2 of the remaining 36 houses have been obtained while the other 34 certificates haven't been obtained. These 34 rental houses haven't rendered our company any economic loss or penalty caused by defective property rights, which result in removing to other rental houses.</p> <p>7.3 Land Use Rights of Leasing Use</p> <p>The "Report" discloses that as of 31 December, 2012, our company has had one case of using rental houses, covering a total area of 57,506.95 square meters for which the lessor of the rental land mentioned above did not provide any legal ownership files showing or detailing ownership of this land. So far this rental land has not rendered our company any controversy or any loss caused by disputes. There has been no violation of</p>
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				<p>commitments.</p> <p>7.4 The Procedures of Renaming Land Owner Under Process Caused by the Alteration of the Company's Name</p> <p>The Report discloses that there are still 10 cases in the process of registering a new land owner caused by changing the company's name of our company and its subsidiaries. So far, five cases have been approved and the other five cases are still under review, which have not rendered any loss to the company. There has been no violation of commitments.</p> <p>7.5 Processing the Renaming Procedures of Some Trademarks</p> <p>So far, 8 of the 62 trademarks cases involved in the Report have applied for cancellation of the subjects through their owners and these trademarks shall no longer be in use. The company will not apply for the renaming procedures for those trademarks. The renaming procedures of the remaining 54 cases have been processed and this commitment has been fulfilled.</p>
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	Other shareholders	<p>1. Shareholders of Midea Group, Ningbo Meicheng, Fang Hongbo, Huang Jian, Cai Qiwu, Yuan Liqun, Huang Xiaoming, Li Jianwei, Zheng Weikang, promise that since Midea Group was listed at Shenzhen Stock Exchange Center, transferring shares or delegating others to manage their shares with either direct or indirect ownership of Midea Group, issued before this time, has been forbidden for 36 months. Midea Group is not allowed to buy back those shares either.</p> <p>2. Zhuhai Rongrui and Business Talent Holdings are in a relation of persons acting in concert. Both jointly hold 7.9% shares of Midea Group. CDH Jiatai, CDH M-Tech and CDH Spark are also in a relation of persons acting in concert jointly holding 4.63% shares of Midea Group. The aforementioned parties are committed to these Locked-up Shares. Since Midea Group was listed at Shenzhen Stock Exchange Center, the transferal of said shares issued before this time or delegation of others to manage said shares with others who have direct or indirect ownership of Midea Group has been forbidden for 12 months. Midea Group is not allowed to buy back those shares either.</p> <p>3. The former Midea Group Supervisor, Liao Wenjian, holds 7,000 shares (6,033 after stock-for-stock and increase by transferring) and promises that since Midea Group was listed on the Shenzhen Stock Exchange Center, transferring shares issued before this time or delegating others to manage said shares, with others who have direct or indirect ownership of Midea Group, has been forbidden for a period of 12 months. Midea Group</p>	28 Mar 2013	<p>Apart from the first item of commitments, the duration validity begins from the date of Midea Group listing, 18 September 2013, and continuous for 36 months to 18 September 2016. All other items are indefinite.</p>	<p>1. There has been no violation of commitments.</p> <p>2~4. The commitments have been honored without violation.</p>
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		<p>is not allowed to buy back those shares either.</p> <p>4. Huang Lazhen, the mother of the Midea Group Secretary of the Board, Jiang Peng, holds 7,100 shares of Midea Electric Appliances (6,117 after stock-for-stock and increase by transferring) and promises that since Midea Group was listed on the Shenzhen Stock Exchange Center, the transferal of shares issued before this time or delegation of others to manage said shares, with others who have direct or indirect ownership of Midea Group has been forbidden for a period of 12 months. Midea Group is not allowed to buy back those shares either.</p>			
Whether the undertaking is fulfilled in time	Yes				
Specific reasons for failing to fulfill any undertaking and plan for the next step (if any)	N/A				

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

10. Engagement and disengagement of the CPAs firm

CPAs firm engaged at present

Name of the domestic CPAs firm	Tianjian Accounting Firm (special general partnership)
Remuneration for the domestic CPAs firm (RMB'0,000)	600
Consecutive years of the audit service provided by the domestic CPAs firm	Four years
Names of the certified public accountants from the domestic CPAs firm	Zhang Weigang and Huang Zhiheng
Name of the overseas CPAs firm (if any)	None
Remuneration for the overseas CPAs firm (RMB'0,000) (if any)	Zero
Consecutive years of the audit service provided by the overseas CPAs firm (if any)	Zero
Names of the certified public accountants from the overseas CPAs firm (if any)	None

Whether the CPAs firm was changed in the current period: No

Whether the CPAs firm was changed during the audit: No

Whether the approval procedure was executed for change of the CPAs firm: No change of the CPAs firm

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

The Company appointed Tianjian Accounting Firm for internal control audit. The remuneration in total paid by the Company to the accounting firm for the 2014 annual audit and internal control audit was RMB6 million.

In the year, CITIC Securities Co., Ltd. was hired, with a payment of RMB3 million, as the financial advisor for the tender offer by the Company and its wholly-funded overseas subsidiary TITONI for some Little Swan A and B stocks.

11. Explanation given by the Supervisory Committee and independent directors (if applicable) regarding the “non-standard auditor’s report” issued by the CPAs firm for the Reporting Period: N/A

12. Punishments and rectifications

Being punished or being required to rectify within a deadline by China Securities Regulatory Commission and its resident agencies that adopt administrative supervision measures during the Company's Reporting Period does not exist.

Directors, supervisors, senior executives and shareholders holding more than 5% shares and are suspected of selling and buying company shares illegally with the Company disclosing to take back such earnings: N/A

13. Possibility of listing suspension and termination after disclosure of this annual report

No such cases.

14. Other significant events

No such cases in the Reporting Period.

15. Significant events of subsidiaries: N/A

16. Issue of corporate bonds: N/A

Section VI. Changes in Shares and Particulars about Shareholders

1. Changes in shares

1.1 Changes in shares

	Before the change		Increase/decrease in the change (+, -)					After the change	
	Number	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization of capital reserves	Other	Subtotal	Number	Proportion (%)
1. Restricted shares	1,000,005,480	59.30	0	0	1,500,008,040	-526,940,991	973,067,049	1,973,072,529	46.80
1.1 Shares held by the	0	0	0	0	0	0	0	0	0

state									
1.2 Shares held by state-owned corporations	0	0	0	0	0	0	0	0	0
1.3 Shares held by other domestic investors	941,505,480	55.83	0	0	1,412,258,040	-380,690,991	1,031,567,049	1,973,072,529	46.80
Among which: Shares held by domestic corporations	781,500,000	46.34	0	0	1,172,250,000	-382,500,000	789,750,000	1,571,250,000	37.27
Shares held by domestic individuals	160,005,480	9.49	0	0	240,008,040	1,809,009	241,817,049	401,822,529	9.53
1.4 Shares held by foreign investors	58,500,000	3.47	0	0	87,750,000	-146,250,000	-58,500,000	0	0
Among which: Shares held by foreign corporations	58,500,000	3.47	0	0	87,750,000	-146,250,000	-58,500,000	0	0
Shares held by foreign individuals	0	0	0	0	0	0	0	0	0
2. Non-restricted shares	686,317,909	40.70	0	0	1,029,477,043	526,940,991	1,556,418,034	2,242,735,943	53.20
2.1 RMB ordinary shares	686,317,909	40.70	0	0	1,029,477,043	526,940,991	1,556,418,034	2,242,735,943	53.20
2.2 Domestically listed foreign shares	0	0	0	0	0	0	0	0	0
2.3 Overseas listed foreign shares	0	0	0	0	0	0	0	0	0
2.4 Other	0	0	0	0	0	0	0	0	0
3. Total shares	1,686,323,389	100.00	0	0	2,529,485,083	0	2,529,485,083	4,215,808,472	100.00

Reasons for the changes in shares

- a. 620 Shares in the Company (before the 2013 annual profit distribution) held by Chen Jianwu, former CFO of GD Midea Holding, were unlocked for trading on 18 Apr. 2014.
- b. Liao Wenjian, former supervisor of the Company, increased his shareholdings in the Company by 500 shares within half a year of his resignation and before the 2013 annual profit distribution, which were 100% locked up.
- c. As a resolution of the 2013 Annual General Meeting, based on the total number of shares of 1,686,323,389 as at 31 December 2013, the Company converted on 30 April 2014 capital reserves into share capital on the basis of 15 shares for every 10 shares, with 2,529,485,083 converted shares in total.
- d. In June 2014, with confidence in the Company's long-term solid growth, the top management led by Board

Chairman and President Mr. Fang Hongbo, bought in a total of approximately 6,640,000 shares in the Company from the secondary market and 75% of them were locked up.

e. The 528,762,150 shares in the Company held by Zhuhai Rongrui, CDH Jiatai, CDH M-Tech, CDH Spark, Business Talent Holdings (former founding member shareholders), Huang Lazhen (mother of Jiang Peng, former company secretary of GD Midea Holding), and Liao Wenjian, former supervisor of the Company, were unlocked for trading on 18 September 2014.

Approval of share changes: N/A

Transfer of share ownership: N/A

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

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

1.2 Changes in restricted shares

Unit: share

Name of shareholder	Opening restricted shares	Unlocked in current period	Increased in current period	Closing restricted shares	Reason for unlocking	Date of unlocking
Chen Jianwu	620	620	0	0	Before the holistic listing of Midea Group, this former senior executive in GD Midea Holding voluntarily made a lock-up commitment.	2014-04-18
Rongrui Equity Investment (Zhuhai) Partnership	121,800,000	304,500,000	0	0	Before the holistic listing of Midea Group, these promoter shareholders were restricted in trading their shares in Midea Group and they voluntarily made a lock-up commitment.	2014-09-18
Tianjin CDH Jiatai Equity Investment Partnership	31,200,000	78,000,000	0	0		
CDH M-Tech (HK) Limited	24,000,000	60,000,000	0	0		
CDH Spark (HK) Limited	23,000,000	57,500,000	0	0		
Business Talent Holdings Limited	11,500,000	28,750,000	0	0		
Huang Lazhen	2,447	6,117	0	0	Before the holistic listing of Midea Group, this direct relative of a former senior	

					executive in GD Midea Holding voluntarily made a lock-up commitment.	
Liao Wenjian	2,413	6,033	0	0	Before the holistic listing of Midea Group, this senior executive in Midea Group voluntarily made a lock-up commitment.	
Other initial founding shareholders (Midea Holding, Ningbo Meisheng, Fang Hongbo, Huang Jian, Cai Qiwu, Yuan Liqun, Huang Xiaoming, Li Jianwei, Zheng Weikang)	788,500,000	0	0	1,971,250,000	Before the holistic listing of Midea Group, these promoter shareholders were restricted in trading their shares in Midea Group and they voluntarily made a lock-up commitment.	2016-09-18
Fang Hongbo, Li Jianwei, Yuan Liqun	0	0	1,822,529	1,822,529	Shareholding increments by senior executives were locked up.	2015-01-01
Total	1,000,005,480	528,762,770	1,822,529	1,973,072,529		

Notes: (a) 620 Shares in the Company held by Chen Jianwu, former CFO of GD Midea Holding, were unlocked for trading on 18 April 2014.

(b) As per the resolution of the 2013 Annual General Meeting, based on a total 1,686,323,389 shares as at 31 December 2013, the Company converted on 30 April 2014 capital reserves into share capital on the basis of 15 shares for every 10 shares.

(c) In June 2014, with confidence in the Company's long-term solid growth, senior executives Fang Hongbo, Yuan Liqun and Li Jianwei bought in a total of 2,430,037 shares in the Company from the secondary market and 75% of them were locked up.

2. Issuance and listing of securities

2.1 Securities issued in the three years ended 31 Dec. 2014

Names of the stock and derivative securities	Issuing date	Issuing price (or interest rate)	Number of shares issued	Listing date	Number approved for listing	Ending date of trade
Common shares						
Issue of A-shares	2013-09-18	44.56	686,323,389	2013-09-18	686,323,389	-

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

structures

In the Reporting Period, the total shares of the Company increased from 1,686,323,389 to 4,215,808,472 in total due to the conversion of 15 new shares for every 10 shares with capital reserves.

3. Existing staff-held shares

No existing staff-held shares at present.

3. Shareholders and actual controller**3.1 Total number of shareholders and their shareholdings**

Unit: share

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status of shares	Number of shares
Midea Holding Co., Ltd.	Domestic non-state-owned corporation	35.49	1,496,250,000		1,496,250,000	0	Pledged	255,205,500
Rongrui Equity Investment (Zhuhai) Partnership (limited partnership)	Domestic non-state-owned corporation	7.22	304,500,000		0	304,500,000		
Fang Hongbo	Domestic individual	2.17	91,326,995		90,995,247	331,748		
Tianjin CDH Jiatai Equity Investment Partnership (limited partnership)	Domestic non-state-owned corporation	1.85	78,000,000		0	78,000,000		
Huang Jian	Domestic individual	1.78	75,013,000		75,000,000	13,000		
Ningbo Maysun Equity	Domestic	1.78	75,000,000		75,000,000	0		

Investment Partnership (limited partnership)	non-state-owned corporation							
Yuan Liqun	Domestic individual	1.44	60,500,000		60,375,000	125,000		
CDH M-Tech (HK) Co., Ltd.	Overseas corporation	1.42	60,000,000		0	60,000,000		
CDH Spark (HK) Co., Ltd.	Overseas corporation	1.36	57,500,000		0	57,500,000		
Huang Xiaoming	Domestic individual	1.24	52,213,366		50,000,000	2,213,366	Pledged	6,780,000
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any)	None							
Related-parties or acting-in-concert parties among the shareholders above	Two individual shareholders Mr. Fang Hongbo and Ms. Yuan Liqun, serve as director and senior executive. CDH Jiatai, CDH M-Tech and CDH Spark holding 4.63% shares of Midea Group are related parties.							
Shareholdings of the top 10 non-restricted shareholders								
Name of shareholder	Number of non-restricted shares held at the period-end	Type of shares						
		Type	Number					
Rongrui Equity Investment (Zhuhai) Partnership (limited partnership)	304,500,000	RMB ordinary share	304,500,000					
Tianjin CDH Jiatai Equity Investment Partnership (limited partnership)	78,000,000	RMB ordinary share	78,000,000					
CDH M-Tech (HK) Co., Ltd.	60,000,000	RMB ordinary share	60,000,000					
CDH Spark (HK) Co., Ltd.	57,500,000	RMB ordinary share	57,500,000					
National Social Security Fund 104 Portfolio	45,088,858	RMB ordinary share	45,088,858					
Merrill Lynch International	42,533,976	RMB ordinary share	42,533,976					
New China Life Insurance Company Ltd. – Dividend – Individual Dividend-018L-FH002Shen	40,771,968	RMB ordinary share	40,771,968					
National Social Security Fund 103 Portfolio	35,031,918	RMB ordinary share	35,031,918					
UBS AG	29,259,417	RMB ordinary share	29,259,417					
Business Talent Holdings Limited	28,750,000	RMB ordinary	28,750,000					

	share
Related-parties or acting-in-concert parties among the top ten non-restricted shareholders and between the top ten non-restricted shareholders and the top ten shareholders	CDH Jiatai, CDH M-Tech and CDH Spark are related parties. Zhuhai Rongrui and Business Talent Holdings are related parties. The Company does not know whether there are related parties among other shareholders of tradable shares and whether other shareholders of tradable shares belong to parties acting in concert as prescribed in the <Administrative Measures for Information Disclosure for Shareholding Alteration in a Listed Company>.
Explanation on the top 10 common shareholders participating in securities margin trading (if any)	N/A

Did any of the top 10 common shareholders or the top 10 non-restricted common shareholders of the Company conduct any promissory repo during the Reporting Period: No

3.2 Particulars about the controlling shareholder

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Registered capital (RMB'0,000)	Main business scope
Midea Holding Co., Ltd.	He Xiangjian	2002-08-05	74299897-3	33,000	Manufacture and commerce investment; domestic commerce and materials supply and marketing industry (excluding state-designated monopoly); CP software and hardware development; industrial product design; information technology consulting services, providing investment consultant and consulting services; installation, maintenance and after-sales service of electric appliances; real estate intermediary service and forwarding agent service.
Operating results, financial situation, cash flows, etc.	According to the audited financial statements of Midea Holding for 2013, as at 31 Dec. 2013, total assets of Midea Holding were RMB112.522 billion and net assets were RMB51.084 billion. Midea Holding in 2013 achieved RMB121.562 billion of operating revenues, RMB9.25 billion of operating profits and RMB7.98 billion of net profits. In 2013, net cash flows from operating activities of Midea Holding were RMB9.03 billion.				
Shareholdings of the controlling shareholder in other controlled or	Apart from a direct control over the Company, Midea Holding does not directly control or have shares in other listed companies at home or abroad.				

non-controlled listed companies at home or abroad during the Reporting Period	
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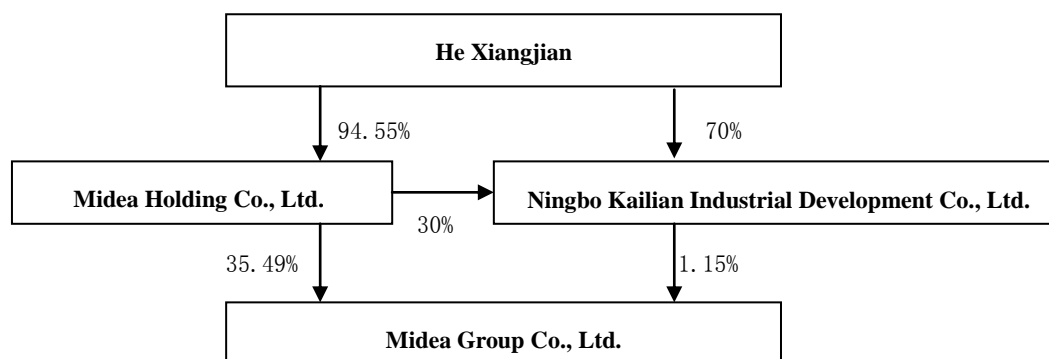
The controlling shareholder of the Company remained the same in the Reporting Period.

3.3 Particulars about the actual controller

Name of the actual controller	Nationality	Right of residence in other countries or regions
He Xiangjian	The People's Republic of China	No
Occupation and duty in the last 5 years	Former board chairman of the Company and incumbent board chairman of Midea Holding Co., Ltd., the controlling shareholder of the Company	
Used-to-be-holding listed companies home and abroad in the last 10 years	At present listed companies home and abroad actually controlled include: Midea Group Co., Ltd. (000333.SZ); Wuxi Little Swan Co., Ltd. (A: 000418.SZ; B:200418.SZ); Weiling Holding Co., Ltd. (00382.HK)	

The actual controller of the Company remained the same in the Reporting Period.

Ownership and control relations between the actual controller and the Company



The actual controller controls the Company via trust or other ways of asset management: N/A

3.4 Other corporate shareholders with a shareholding percentage above 10%: N/A

4. Shareholding increase scheme proposed or implemented by the shareholders and their acting-in-concert parties during the Reporting Period

No such cases in the Reporting Period to the best knowledge of the Company.

Section VII Preferred Shares

No such cases in the Reporting Period.

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

1. Changes in shareholdings of directors, supervisors and senior management

Name	Office title	Incumbent / Former	Gender	Age	Starting date of tenure	Ending date of tenure	Shares held at the year-begin (share)	Shares increased at the Reporting Period (share)	Shares decreased at the Reporting Period (share)	Shares held at the period-end (share)
Fang Hongbo	Chairman and President	Incumbent	Male	48	2012-08-25	2015-08-24	36,000,000	1,326,995	0	91,326,995
Yuan Liqun	Director, Vice President and Chief Financial Officer	Incumbent	Female	46	2012-08-25	2015-08-24	24,000,000	500,000	0	60,500,000
Wu Wenxin	Director and Vice President	Incumbent	Male	51	2014-04-21	2015-08-24	0	0	0	0
Li Jianwei	Director	Incumbent	Male	49	2012-08-25	2015-08-24	20,000,000	603,042	0	50,603,042
He Jianfeng	Director	Incumbent	Male	48	2012-08-25	2015-08-24	0	0	0	0
Li Feide	Director and Vice President	Incumbent	Male	38	2012-08-31	2015-08-24	0	0	0	0
Xu Hai	Director	Incumbent	Male	39	2013-03-04	2015-08-24	0	0	0	0
Hu Xiaoling	Director	Incumbent	Female	45	2012-08-25	2015-08-24	0	0	0	0
Wu Shinong	Independent Director	Incumbent	Male	59	2013-03-04	2015-08-24	0	0	0	0
Fu Zhengping	Independent Director	Incumbent	Male	50	2013-03-04	2015-08-24	0	0	0	0
Guo Xuejin	Independent Director	Incumbent	Male	56	2013-03-04	2015-08-24	0	0	0	0
Li Wenjing	Independent Director	Incumbent	Male	36	2013-03-04	2015-08-24	0	0	0	0
Zeng Qiao	Chairman of the Supervisory Committee	Incumbent	Female	42	2012-08-25	2015-08-24	0	0	0	0

Zhao Jun	Supervisor	Incumbent	Male	40	2014-04-21	2015-08-24	0	0	0	0
Li Baoqiong	Worker-representative Supervisor	Incumbent	Female	34	2014-05-26	2015-08-24	0	0	0	0
Zhu Fengtao	Vice President	Incumbent	Male	47	2014-04-21	2015-08-24	0	0	0	0
Gu Yanmin	Vice President	Incumbent	Male	52	2014-04-21	2015-08-24	0	0	0	0
Hu Ziqiang	Vice President	Incumbent	Male	58	2014-08-18	2015-08-24	0	0	0	0
Wang Jinliang	Vice President	Incumbent	Male	48	2014-08-18	2015-08-24	0	0	0	0
Jiang Peng	Company Secretary	Incumbent	Male	42	2013-10-30	2015-08-24	0	0	0	0
Cai Qiwu	Director and Vice President	Former	Male	52	2012-08-25	2014-07-04	20,000,000	1,992,402	0	51,992,402
Huang Xiaoming	Director and Vice President	Former	Male	44	2012-08-25	2014-07-04	20,000,000	2,213,366	0	52,213,366
Zhu Guilong	Independent Director	Former	Male	51	2013-03-04	2014-12-31	0	0	0	0
Zheng Weikang	Supervisor	Former	Male	46	2012-08-25	2014-04-21	0	0	0	0
Liao Wenjian	Worker-representative Supervisor	Former	Male	41	2012-08-25	2014-01-07	0	0	0	0
Jiang Deqing	Worker-representative Supervisor	Former	Male	46	2014-01-07	2014-05-26	0	0	0	0
Total	--	--	--	--	--	--	120,000,000	6,635,805	0	306,635,805

Notes: Main reasons for the changes in the share capital:

1. The Company granted 15 additional shares for every 10 shares using the capital reserve on 30 April 2014.
2. In June 2014, the top management team led by Chairman & President Mr. Fang Hongbo bought in a total of approximately 6,640,000 shares of Midea Group on the secondary market.

2. Important personnel

Working experience of incumbent directors, supervisors and senior executives

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

Hongbo is also the chairman of the Company's subsidiary, Wuxi LittleSwan Co., Ltd.

Ms. Yuan Liqun, a Master's graduate, is a company director, Senior Vice President and Financial Director and also a representative of the National People's Congress. She joined Midea in 1992 and was Director of GD Midea Holding Co., Ltd. Ms. Yuan Liqun is also a director of the Hong Kong listed company, Welling Holding Co., Ltd. which is controlled by the Company and also a director in Guangdong Shunde Rural Commercial Bank Co., Ltd. in which the Company owns shares.

Mr. Li Jianwei, a Master's graduate, joined Midea in 1994 and was Vice Chairman of GD Midea Holding Co., Ltd., and Director of Company Strategy Business Department. He is now a company director and also President of Midea Holding Co., Ltd., the controlling shareholding of the Company.

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

Mr. He Jianfeng, holder of a Bachelor's graduate, is one of the Company's directors and Chairman and President of Infore Investments Holding Group Co., Ltd., in addition to being the Chairman of Zhejiang Shangfeng Industrial Holdings Co., Ltd.

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

Mr. Xu Hai, a Bachelor's degree graduate, used to be an Executive Director of Goldman Sachs Gaohua Co., Ltd. and the Managing Director of ICBC International Holdings Ltd. He is now a Supervisor for Green Energy High-Tech Co., Ltd. and a director in the Company.

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

Mr. Wu Shinong, holder of a doctoral degree, is Professor and Tutor for doctoral students at the Management School of Xiamen University. He is also involved as an Independent Director of Midea Group, and a member of Business Administration Subjects Consultative Group of the Academic Degrees Committee of the State Council, National Natural Science Foundation of China. He also has other roles.

Mr. Fu Zhengping, holder of a doctoral degree, is a professor at the Management School and Director of the

Finance Section of Sun Yat-sen University and an independent director of Midea Group. He also holds concurrent positions as the vice president of Guangdong Province Enterprise Director Association Expert Committee, as well as being a member of China Quality Association Academic Committee and the managing director of Guangdong Province Economy Research Society for Young and Mid-Career Professionals.

Mr. Guo Xuejin, a master's degree graduate, was born in 1959. He is the director of Guangdong Kings Law Firm, a member of the Guangzhou 14th People's Congress, a member of Guangzhou Law Committee of the NPC, the arbitrator of Guangzhou Arbitrator Committee, an expert consultant of Guangzhou Traffic Committee and is currently an independent director of Midea Group.

Mr. Li Wenjing, holder of a doctoral degree, is the Vice Director of the Accounting Department, professor and doctoral supervisor in the Accounting Department of the School of Management at Jinan University, and at present is an independent director of Midea Group. He also holds concurrent positions including being a member of the Accounting Society of China, director of Accounting Academy of Guangdong Province, a researcher at the Managerial Accounting Research Center of Jinan University, and a researcher in the Social Responsibility and Environmental Accounting Research Center of Jinan University.

Ms. Zeng Qiao, holder of a master's degree, joined Midea in 1999 and served as the Convener for the Supervisory Committee of GD Midea Holding Co., Ltd. She is the Chairperson of the Company's Supervisory Committee, and also the Company's Audit Supervision Head.

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

Ms. Li Baoqiong, holder of a Bachelor's degree, joined Midea in 2004 and performed as the Administration and HR Manager. She is now a Worker-Representative Supervisor, and a HR High Commissioner.

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

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

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

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

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

Posts held in shareholding entities

Name	Shareholding entity	Position	Beginning date of office term	Ending date of office term	Allowance from the shareholding entity
Li Jianwei	Midea Holding Limited	President	2013-01-01	-	Yes
Zhao Jun	Midea Holding Limited	President Assistant, CFO	2013-01-01	-	Yes

Posts held in other entities

Name	Other entity	Position	Beginning date of office term	Ending date of office term	Allowance from the entity
Fang Hongbo	Wuxi Little Swan Co., Ltd.	Board Chairman	2012-08	2015-08	No
Yuan Liqun	Welling Holding Limited	Executive Director	2007-01	-	No
	Guangdong Shunde Rural Commercial Bank Co., Ltd	Director	2013-03	-	No
Li Feide	Welling Holding Limited	Executive Director	2012-12		No
He Jianfeng	Infore Investments Holding Group Co., Ltd.	Board Chairman, President	1995	-	Yes
	Zhejiang Shangfeng Industrial Holdings Co., Ltd.	Board Chairman	2007-10	-	No
Xu Hai	Green Energy High-tech Co., Ltd.	Supervisor	2013-08	2016-08	No
Hu Xiaoling	Belle International Holdings Limited	Non-executive director	2005-09	-	No
	Anhui Yingliu Electro Mechanical Co., Ltd	Non-executive director	2006-04	-	No

	Beijing Xiron Book Co., Ltd	Non-executive director	2010-07	-	No
	Baroque Japan Ltd	Non-executive director	2013-08	-	No
	Tianjin CDH Jiatai Equity Investment Partnership (limited partnership)	Representative appointed by a partner conducting partnership affairs	2011-08	-	No
Wu Shinong	Fuyao Glass Industry Group Holding Co., Ltd	Director	2011-04	-	Yes
	Xiamen Xiangyu Holding Co., Ltd	Independent Director	2010-06	2016-06	Yes
	Xiamen ITG Group Co., Ltd.	Independent Director	2014-06	2017-06	Yes
Fu Zhengping	Guangdong Rongtai Industrial Co., Ltd	Independent Director	2012-12	2015-12	Yes
Guo Xuejin	Donlinks Grain & Oil Co., Ltd.	Independent Director	2008-04	2014-04	Yes
Li Wenjing	Guangzhou Devotion Thermal Technology Co., Ltd.	Independent Director	2014-11	-	Yes
	Guangdong Tiangao Mining Co., Ltd	Independent Director	2011-05	-	Yes

3. Remuneration of directors, supervisors and senior executives

The following describes the decision-making program, determination basis and actual remuneration payment of directors, supervisors and senior executives.

The decision-making remuneration program for directors, supervisors and senior executives.

The remuneration is proposed by the Board Compensation Committee and approved by the Board. It is conducted after the deliberation of shareholders' meeting.

The remuneration of directors, supervisors and senior executives consist of basic annual payments and performance-related annual payments according to the *Salary Management System for the Directors, Supervisors and Senior Executives* which has been approved by the Company. Basic payment is determined based on the responsibility, risk and pressure of directors, supervisors and senior executives. The basic annual payment remains stable. Performance-related annual payment is related to the completion rate of corporate profit, the assessment

result of target responsibility system and the performance evaluation structure of their own department. The remuneration system for directors, supervisors and senior executives serves the Company's strategy, and shall be adjusted with the Company's operating conditions in order to meet the Company's development requirements. The basis for adjusting the remuneration of directors, supervisors and senior executives are as follows:

- (1) Wage growth in the industry
- (2) Inflation
- (3) Corporate earnings
- (4) Organizational structure adjustment
- (5) Individual adjustment due to the change in position

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

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

Name	Position	Gender	Age	Incumbent/ Former	Total remuneration from the Company (RMB'0,000)	Total remuneration from shareholding entities (RMB'0,000)	Actual remuneration at the period-end (RMB'0,000)
Fang Hongbo	Board Chairman and President	Male	48	Incumbent	713	0	426
Yuan Liqun	Director, Vice President and CFO	Female	46	Incumbent	471	0	296
Cai Qiwu	Director and Vice President	Male	52	Former	214	0	129
Huang Xiaoming	Director and Vice President	Male	44	Former	212	0	130
Wu Wenxin	Director and Vice President	Male	51	Incumbent	527	0	312
Li Jianwei	Director	Male	49	Incumbent	0	140	103
He Jianfeng	Director	Male	48	Incumbent	0	0	0
Li Feide	Director and Vice President	Male	38	Incumbent	201	0	127
Xu Hai	Director	Male	39	Incumbent	0	0	0
Hu Xiaoling	Director	Female	45	Incumbent	0	0	0
Wu Shinong	Independent Director	Male	59	Incumbent	15	0	10.9

Fu Zhengping	Independent Director	Male	50	Incumbent	15	0	10.9
Zhu Guilong	Independent Director	Male	51	Former	15	0	10.9
Guo Xuejin	Independent Director	Male	56	Incumbent	15	0	10.9
Li Wenjing	Independent Director	Male	36	Incumbent	15	0	10.9
Zeng Qiao	Chairman of the Supervisory Committee	Female	42	Incumbent	153	0	109
Zheng Weikang	Supervisor	Male	46	Former	0	1	1
Liao Wenjian	Worker-representative Supervisor	Male	41	Former	124	0	87
Jiang Deqing	Worker-representative Supervisor	Male	46	Former	76	0	54
Zhao Jun	Supervisor	Male	40	Incumbent	0	63	50
Li Baoqiong	Worker-representative Supervisor	Female	34	Incumbent	59	0	46
Zhu Fengtao	Vice President	Male	47	Incumbent	320	0	195
Gu Yanmin	Vice President	Male	52	Incumbent	232	0	144
Hu Ziqiang	Vice President	Male	58	Incumbent	475	0	280
Wang Jinliang	Vice President	Male	48	Incumbent	179	0	113
Jiang Peng	Company Secretary	Male	42	Incumbent	95	0	70
Total	--	--	--	--	4,126	204	2,726.5

Note: The remunerations for directors, supervisors and senior executives are calculated according to the <Information Disclosure Memorandum No. 21—Earnings Preannouncement and Periodic Report Disclosure>. The total remuneration is the remuneration before tax, and the actual remuneration is the remuneration after tax and other fares.

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

In January 2014, following the Stock Option Incentive Phase I Plan disclosed by the Company, the Director and Vice President Mr. Li Feide and Company Secretary Mr. Jiang Peng were awarded 300,000 and 150,000 stock options respectively. Upon completion of the conversion of 15 new shares from capital reserves for every 10 shares on 30 April 2014, those stock options were accordingly adjusted to 750,000 and 375,000 respectively.

4. Changes in directors, supervisors and senior executives

Name	Position	Change	Date	Reason
Liao Wenjian	Worker-representative supervisor	Outgoing	7 Jan. 2014	Change of job
Jiang Deqing	Worker-representative supervisor	Elected	7 Jan. 2014	Supervisor supplement
	Worker-representative	Outgoing	26 May 2014	Personal reason

	supervisor			
Wu Wenxin	Director and Vice President	Elected, hired	21 Apr. 2014	Director supplement
Zhu Fengtao	Vice President	Hired	21 Apr. 2014	Senior executive employment
Gu Yanmin	Vice President	Hired	21 Apr. 2014	Senior executive employment
Zheng Weikang	Supervisor	Outgoing	21 Apr. 2014	Personal reason
Zhao Jun	Supervisor	Elected	21 Apr. 2014	Supervisor supplement
Li Baoqiong	Worker-representative supervisor	Elected	26 May 2014	Supervisor supplement
Cai Qiwu	Director and Vice President	Outgoing, dismissed	4 Jul. 2014	Personal reason
Huang Xiaoming	Director and Vice President	Outgoing, dismissed	4 Jul. 2014	Personal reason
Wang Jinliang	Vice President	Hired	18 Aug. 2014	Senior executive employment
Hu Ziqiang	Vice President	Hired	18 Aug. 2014	Senior executive employment
Li Feide	Vice President	Hired	18 Nov. 2014	Senior executive employment
Zhu Guilong	Independent Director	Outgoing	31 Dec. 2014	Personal reason

5. Changes in the core technical team or the key technical staff in the Reporting Period (excluding directors, supervisors and senior executives)

During the Reporting Period, no change occurred to the core technical team or to key technical staff (excluding directors, supervisors and senior executives) and other personnel with a significant influence on the Company's core competitiveness, leaving no negative impact on the Company's operation.

6. Staff in the Company

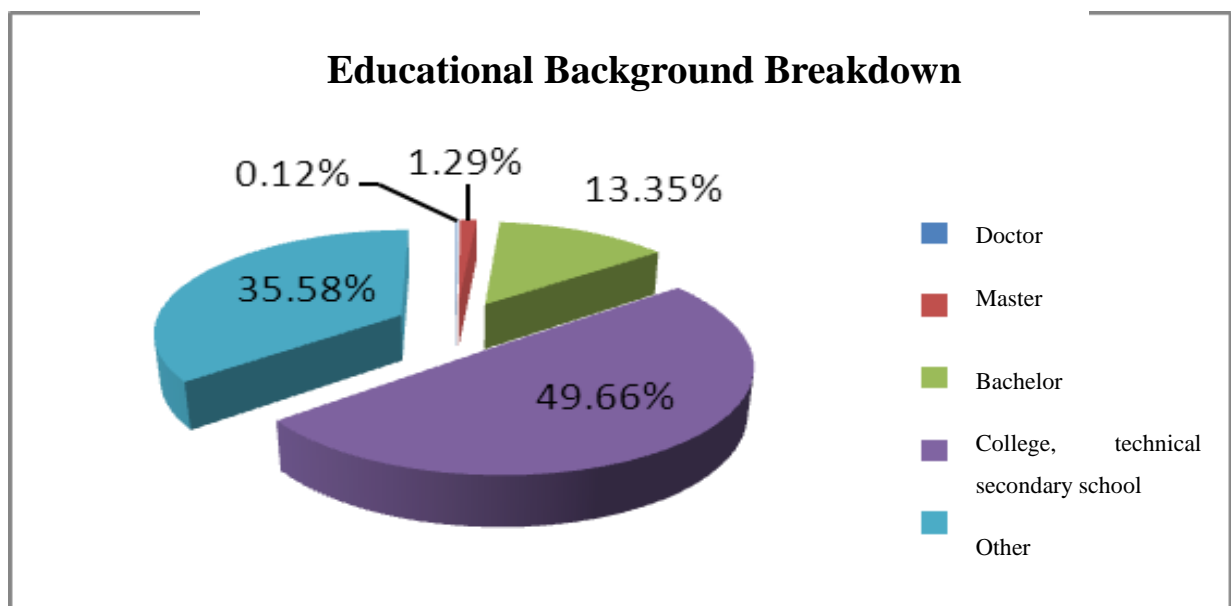
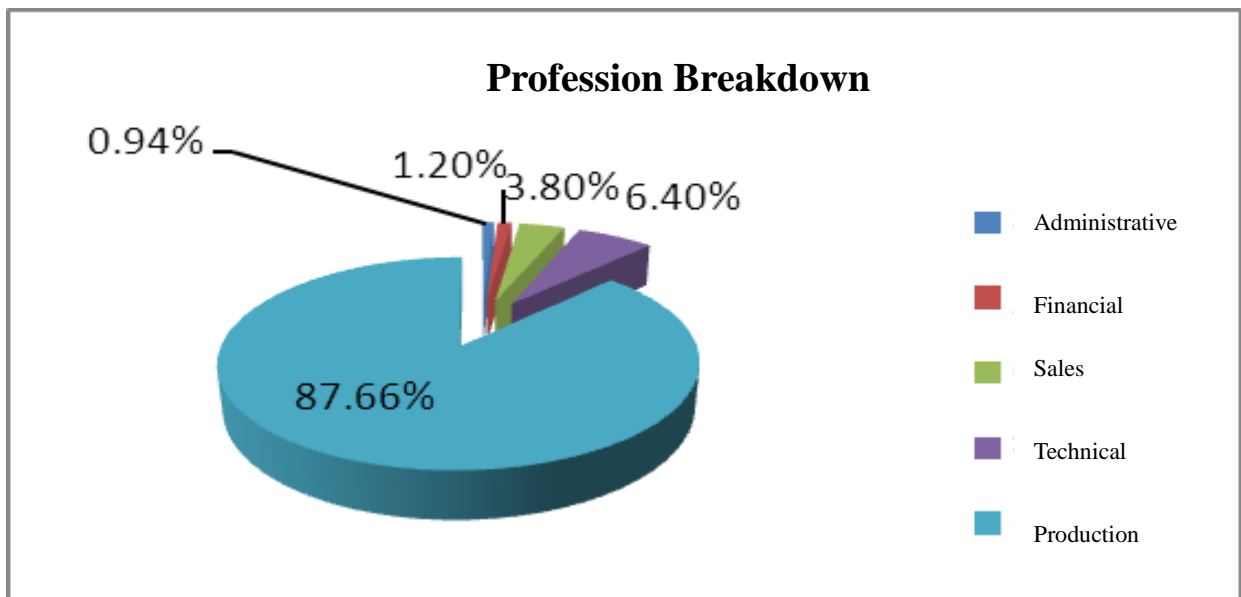
The total staff of the Company numbered 108,120 by 31 December 2014.

6.1 Professional structure of the staff

Profession	Staff number	Proportion
Administrative staff	1,020	0.9%
Financial staff	1,295	1.2%
Sales staff	4,109	3.8%
Technical staff	6,917	6.4%
Production staff	94,779	87.7%

6.2 Educational background

Educational background	Staff number	Proportion
Doctor	131	0.12%
Master	1,396	1.29%
Bachelor	14,434	13.35%
College, technical secondary school	53,689	49.66%
Others	38,470	35.58%



6.3 There were 2,202 retirees in the Company during the Reporting Period, all of whom registered for the society endowment insurance according to related national regulations.

6.4 Staff remuneration policy

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

6.5 Staff training plans

1,185,032 internal staff were trained in the Reporting Period, of which 134,541 were executives, 128,532 technical and sales staff, and 941,645 operating staff.

Main training:

(a) Building a pilot Leadership Development Program and the High-Potential Leaders Training system to facilitate talent management and training. They have carried out 42 talent training programs and trained 2,120 highly skilled managerial staff.

(b) Building the E-learning platform, which has become the most significant means of support of daily training in the business division. The training comprises all the executives in the Midea Group. An approximate total of 143,000 training man-hours within the Company were logged via the platform throughout the year.

(c) Facilitating organizational learning by developing 1,600 internal trainers. The annual teaching time was 9,616 hours. A total of 1,839 courses were designed in the year, including 140 training sessions conducted by top management, which consisted of 280 course hours and 12,000 participating man-hours.

(d) Facilitating the training of key technical staff and working team leaders. The total training time was 2,680,520 hours.

Section IX Corporate Governance

1. Basic situation of corporate governance

The Company is constantly improving its corporate governance in strict accordance with the *Company Law*, *Securities Acts* and related regulations of China Securities Regulatory Commission. There are four special committees under the Board as follows the Strategy Committee, Auditing Committee, Nomination Committee and Remuneration and Appraisal Committee. They were designed to provide consultation and advice to the Board and validate the professionalization and efficiency of discussions and decision-making. The Company has established systems for example the shareholders' meetings, the Board, *Rules of Procedures* of the supervisory board, *Rules of Procedures* of the Board special committees and the Board Secretary. and has established a set of standard documents including *Funds Raising Management System*, *Connected Transaction Management System*, *Insider Registration System*, *External Guaranty Decision-making System*, *Foreign Investment Management System*, *Internal Auditing System*. The shareholders' meeting, the Board, supervisory board and operations management departments has clear authority and responsibility. Each performs its own functions and keeps stability effectively. Their scientific decision-making and coordinated operations have laid a firm foundation for the sustained, healthy and steady development of the Company.

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

Rules formulated or revised by the Company in the Reporting Period:

Serial No.	Rule	Formulated/Revised	Date of formulation/revision
1	<Implementation and Appraisal Methods for the Stock Option Incentive Plan>	Formulated	2014-01-28
2	<Management Measures for Entrusted Financial Management>	Formulated	2014-03-29
3	<Management Methods for Forex & Derivatives>	Formulated	2014-03-29
4	< Management Methods for Futures Operation>	Formulated	2014-03-29
5	<Registration and Management Measures for Information Insiders>	Formulated	2014-03-29

6	<Management Methods for Remunerations of Directors, Supervisors and Senior Executives>	Formulated	2014-03-29
7	<Amendments to the Articles of Association (I)>	Revised	2014-03-29
8	<Articles of Association (I)>	Revised	2014-03-29
9	<Long-term Mechanism for Share Buy-back Plans>	Formulated	2014-08-19
10	<Amendments to the Articles of Association (II)>	Revised	2014-08-19
11	<Articles of Association (II)>	Revised	2014-08-19
12	<Amendments to the Articles of Association (III)>	Revised	2014-12-03
13	<Articles of Association (III)>	Revised	2014-12-03
14	<Amendments to the Articles of Association (IV)>	Revised	2014-12-15
15	<Articles of Association (IV)>	Revised	2014-12-15

In 2014, the Company won the following awards including:

The unique “Honorable Enterprise Award” at the 2014 Guangdong Province Economic Awards, “The Excellent Board of Directors” at the “Golden Round Table Prize” presented by *The Board* magazine, The “Top 100 Golden Bull Listed Companies” by *China Securities Journal*, “China's Top 100 Listed Companies on the Main Board” by *Securities Times*, “The Best Invested Listed Company” by *Hexun Net*, “The Best Listed Company Management Team Award” by *National Business Daily*, “The Most Innovative Enterprise in China” and “The Most Honorable Enterprise in China” by *The Economic Observer*.

Any incompliance of Companies Law and relevant requirements of China Securities Regulatory Commission in respect of corporate governance: No

The following describes the progress of the corporate governance work and the formulation and implementation of Insider Registration System.

The Company actively complied with the inspection requirements of Guangdong Securities Regulatory Bureau, attending corporate governance meetings for listed companies, and strictly regulating the laws and protecting the benefit of investors.

In accordance with related requirements of relevant laws and regulations and *the Articles of the Company* to standardize the management of insider information, strengthen the confidentiality of its insider information and maintain information disclosure in a fair manner, the Company has set up an Insider Registration System. The

system defines the scope of insider information, the persons acknowledged of insider information and their scope, registration and filing management, confidentiality and other liability accountabilities. The Company strengthened the registration and management systems of the supervision and examination work of insiders to standardize the internal circulation procedure of significant information, thus ensuring information disclosure in a fair manner and specifically preventing insider information leakage and insider transactions. In 2014, after introspection, there were no occurrences of insiders using inside information to buy or sell the Company's shares before the publication of major sensitive information that would have affected the share price, and therefore the Company has not been subjected to any regulatory measures or administrative penalties from regulatory authorities.

2. Annual General Meeting and Extraordinary General Meetings convened during the Reporting Period

2.1 Annual General Meeting convened during the Reporting Period

Meeting	Convened date	Proposals	Resolutions	Disclosure Date	Disclosure Index
2013 Annual General Meeting	2014-04-21	1. <2013 Annual Work Report of the Board of Directors>; 2. <2013 Annual Work Report of the Supervisory Committee>; 3. <2013 Annual Final Financial Accounts Report>; 4. <2013 Annual Report and Its Abstract>; 5. <Proposal for 2013 Annual Profit Distribution and Capitalization of Capital Reserves>; 6. <Proposal for Amendments to the Articles of Association>; 7. <Proposal for Director Adding>; 8. <Proposal for Change of the Shareholder-representative Supervisor>; 9. <Management Methods for Remunerations of Directors, Supervisors and Senior Executives>; 10. <Proposal for Provision of Guarantees for Controlled Subsidiaries>; 11. <Special Report on Forex and Derivative Investments for 2014>; 12. <Report on Entrusted Financial Management with the Company's Own Funds for 2014>; 13. <Proposal for Application to Cancel the	All were passed.	2014-4-22	www.cninfo.com.cn

		Foreign-invested Enterprise Certificate>; 14. <Proposal for Renewal of Engagement of the CPAs Firm>; and 15. <Proposal for Amendments to the Articles of Association due to Capitalization of Capital Reserves>.			
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2.2 Extraordinary General Meetings convened during the Reporting Period

Meeting	Convened date	Proposals	Resolutions	Disclosure Date	Disclosure Index
2014 First Extraordinary General Meeting	2014-02-17	1. <Stock Option Incentive Plan (Draft) of Midea Group Co., Ltd. and Its Abstract>; 2. <Implementation and Appraisal Methods for the Stock Option Incentive Plan of Midea Group Co., Ltd.>; 3. <Proposal for Asking the General Meeting to Authorize the Board to Handle Matters Related to the Stock Option Incentive Plan>; 4. <Proposal for Routine Related-party Transactions for 2014>; 5. <Proposal for the Related-party Transaction Regarding Note Discounting for Shangfeng Industrial>; and 6. <Proposal for Related-party Transactions Regarding Making Deposits in and Securing Loans from Shunde Rural Commercial Bank>.	All were passed.	2014-02-18	www.cninfo.com.cn
2014 Second Extraordinary General Meeting	2014-09-05	1. < Long-term Mechanism for Share Buy-back Plans (2014-2016)>; 2. <Proposal for Provision of Guarantees for Controlled and Non-controlled Subsidiaries>; and 3. <Amendments to the Articles of Association>.	All were passed.	2014-09-06	www.cninfo.com.cn
2014 Third Extraordinary General Meeting	2014-12-31	1. <Proposal Regarding the Company Being Eligible for Private A-share Offering>; 2. <Proposal for the Plan for Private A-share Offering to Specific Entities>; 3. <Proposal for the Pre-plan for Private A-share Offering>; 4. <Report on the Use of the Previously Raised Funds>; 5. <Proposal for the Feasibility Analysis Report on the Use of the Funds Raised Through this Private	All were passed.	2015-01-05	www.cninfo.com.cn

		A-share Offering>; 6. <Proposal for Signing the “Conditionally Effective Agreement on Subscription of Privately Issued Shares with Xiaomi Technology Co., Ltd.”>; 7. <Proposal for Asking the General Meeting to Grant Full Authority to the Board to Handle Matters Related to this Private A-share Offering>; 8. <Amendments to the Articles of Association (I)>; and 9. <Amendments to the Articles of Association (II)>.			
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2.3 Extraordinary general meetings convened at the request of preferred shareholders with resumed voting rights: N/A

3. Performance of independent directors during the Reporting Period

3.1 Attendance of independent directors in Board meetings and general meetings

Attendance of independent directors in Board meetings						
Independent director	Presence due in the Reporting Period (times)	Presence on site (times)	Presence by telecommunication (times)	Presence through a proxy (times)	Absence (times)	Absence for two consecutive times
Wu Shinong	12	2	10	0	0	No
Fu Zhengping	12	2	10	0	0	No
Zhu Guilong	12	2	10	0	0	No
Guo Xuejin	12	2	10	0	0	No
Li Wenjing	12	2	10	0	0	No
Presence of independent directors in general meetings (times)						1

3.2 Objections from independent directors on related issues of the Company

Were there any objections on related issues of the Company from independent directors: No

No such cases in the Reporting Period.

3.3. Other details about the performance of duties by independent directors

Were there any suggestions from independent directors adopted by the Company: Yes

During the Reporting Period, independent directors strictly followed related rules, regulations and *the Articles of*

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

4. Performance of duties by special committees under the Board during the Reporting Period

The Strategic Development Committee, Audit Committee, Remuneration and Appraisal Committee and Nomination Committees were set up under the Board of Directors of the company. Each special committee has played their roles according to the rules of procedure established by the Board of Directors of the company, reviewing the issues within their specified scopes and making recommendations as a reference for decision-making by the board.

4.1 Performance of duties by the Audit Committee under the Board of the Company

The main responsibilities of the Audit Committee under the Board of the Company are to take charge of both internal and external auditing communication in compliance with the *Rules of Procedure of the Audit Committee Under the Board*. In accordance with the working procedures for the annual audit, the Audit Committee under the Board discharged its duties with diligence during the audit process in 2014 and performed the following professional duties:

(a) Negotiated and confirmed the contract arrangement with the accounting firm for the 2014 annual audit and clarified the audit planning guidelines, arrangement of staff, developed the audit strategy and highlighted the scope of the audit and implemented the risk appraisal.

(b) They reviewed the preliminary financial statements of the Company, analyzed and compared the change of each financial data set and financial indicators on the Company's annual financial statements. The Audit Committee deemed that the financial statements complied with the preparation requirements under the *Corporate Accounting Standard*, and agreed to commence the 2014 annual audit on the basis of these financial statements.

(c) During the period of on-site auditing conducted by the accounting firm's auditing team, the Audit Committee issued *Letters Urging for Completion of Audit Work twice*, advocating that the accounting firm complete the audit work pursuant to the overall work plan and requiring the auditing institution to pay attention to the following questions: (i) Whether the Company Accounting Reporting was conducted strictly according to the Corporate

Accounting Standards, the Company financial system and related regulations and rules; (ii) Whether there were any major omissions in the company's internal control and (iii) Whether the auditing institution is able to provide the required materials on time.

(d) After the CPA firm in charge of the said annual audit issued the preliminary audit report for the financial statements of the Company with unqualified opinions, the Audit Committee reviewed the financial statements again and formed a written conclusion holding the view that the financial information provided in the financial statements reviewed by the CPA Firm truly reflected the financial position of the Company. It was agreed to prepare the 2014 Annual Report based on the reviewed financial statements derived from the annual operation result and cash flow as of 31 December 2014

(e) On 26 Mar. 2015, the Audit Committee issued the *2014 Annual Audit Report, Reports of the Audit Committee about Concluding and Appraising the 2014 Annual Audit Work of the Pan-China Certified Public Accountants LLP*, and the *Proposal on Reappointing Pan-China Certified Public Accountants as the Auditor for the 2015 Annual Result* at a meeting. The Audit Committee concluded and appraised the annual audit work of the accounting firm and recommended the reappointment of Pan-China Certified Public Accountants LLP as the auditor for the 2015 annual result and submitted the recommendation to the Company Board.

4.2 Performance of duties by the Nomination Committee under the Board of the Company

The main responsibilities of the Nomination Committee under the Board are to provide advice on the selection criteria and procedural appointments of potential directors and senior management of the Company, in accordance with the Rules of Procedure of the Nomination Committee under the Board. During the Reporting Period, the Nomination Committee under the Board reviewed the changes and adjustments of the directors and senior management of the Company. They also examined the qualifications of the appointees such as Wu Wenxin as a Company director and vice president and Yuan Liqun, Zhu Fengtao, Gu Yanmin, Hu Ziqiang, Wang Jinliang, Li Feide as vice presidents.

4.3 Performance of duties by the Remuneration and Appraisal Committee under the Board of the Company

The main responsibilities of the Remuneration and Appraisal Committee under the Board of the Company are to establish and examine the Company's remuneration policies and plans for its directors and senior management members pursuant to the *Rules of Procedure of the Remuneration and Appraisal Committee under the Board*. The Remuneration and Appraisal Committee under the Board reviewed the remuneration of the directors and senior management members of the Company disclosed in the Reporting Period, and held the view that the remuneration

for the Reporting Period complied with the appraisal system established by the company based on the position based accountability system. The disclosed remuneration of the directors and senior members of the company complied with the remuneration management system of the company without any violation.

5. Performance of duties by the Supervisory Committee

Were there any risks to the Company identified by Supervisory Committee when performing its duties during the Reporting Period: No

Meeting	Convened Date	Supervisors present	Proposals	Resolutions	Disclosure index on the specified website for the resolutions	Disclosure Date
8 th Meeting of the 1 st Supervisory Committee	2014-01-10	All supervisors	1. <Proposal for the “Stock Option Incentive Plan (Draft)” of Midea Group Co., Ltd. and Its Abstract>; 2. <Proposal for Formulation of the “Implementation and Appraisal Methods for the Stock Option Incentive Plan”>; and 3. <Proposal for Examination of the List of Incentive Receivers for the “Stock Option Incentive Plan (Draft)”>.	All were passed.	<Announcement about Resolutions of the 8 th Meeting of the 1 st Supervisory Committee> on www.cninfo.com.cn	2014-01-13
9 th Meeting of the 1 st Supervisory Committee	2014-01-27	All supervisors	1. <Proposal for Related-party Transactions Regarding Making Deposits in and Securing Loans from Shunde Rural Commercial Bank>	All were passed.	<Announcement about Resolutions of the 9 th Meeting of the 1 st Supervisory Committee> on www.cninfo.com.cn	2014-01-28
10 th Meeting of the 1 st Supervisory Committee	2014-02-18	All supervisors	1. <Proposal for Adjustments to the List of Incentive Receivers and the Number of Granted Options for the Stock Option Incentive Plan>; and 2. <Proposal for Grant-related Matters of the Stock Option Incentive Plan>.	All were passed.	<Announcement about Resolutions of the 10 th Meeting of the 1 st Supervisory Committee> on www.cninfo.com.cn	2014-02-19
11 th Meeting of the 1 st Supervisory Committee	2014-03-27	All supervisors	1. <2013 Annual Work Report of the Supervisory Committee>; 2. <2013 Annual Final Financial Accounts Report>; 3. <2013 Annual Report and Its Abstract>; 4. <Proposal for 2013 Annual Profit	All were passed.	<Announcement about Resolutions of the 11 th Meeting of the 1 st Supervisory Committee> on www.cninfo.com.cn	2014-03-29

			<p>Distribution and Capitalization of Capital Reserves>;</p> <p>5. <Proposal for Amendments to the Articles of Association>;</p> <p>6. <Proposal for Change of the Shareholder-representative Supervisor>;</p> <p>7. <Management Methods for Remunerations of Directors, Supervisors and Senior Executives>;</p> <p>8. <Proposal for Provision of Guarantees for Controlled Subsidiaries>;</p> <p>9. <Self-appraisal Report on Internal Control>;</p> <p>10. <Special Report on Forex and Derivative Investments for 2014>;</p> <p>11. <Special Report on Futures Transactions on Bulk Raw Materials for 2014>;</p> <p>12. <Report on Entrusted Financial Management with the Company's Own Funds for 2014>;</p> <p>13. <Proposal for Application to Cancel the Foreign-invested Enterprise Certificate>;</p> <p>14. <Management Methods for Futures Operation of Midea Group Co., Ltd.>;</p> <p>15. <Management Methods for Forex & Derivative Transactions of Midea Group Co., Ltd.>;</p> <p>16. <Management Measures for Entrusted Financial Management of Midea Group Co., Ltd.>;</p> <p>17. <Registration Measures for Information Insiders of Midea Group Co., Ltd.>; and</p> <p>18. <Proposal for Renewal of Engagement of the CPAs Firm>.</p>			
12 th Meeting of the 1 st Supervisory Committee	2014-04-28	All supervisors	1. <2014 First Quarter Report>	All were passed.		
13 th Meeting of	2014-05-26	All	1. <Proposal for Adjustments to the	All were	<Announcement about	2014-05-27

the 1 st Supervisory Committee		supervisors	Exercised Stock Option Number, the Exercise Price and the Incentive Receivers of the Stock Option Incentive Plan>	passed.	Resolutions of the 13 th Meeting of the 1 st Supervisory Committee> on www.cninfo.com.cn	
14 th Meeting of the 1 st Supervisory Committee	2014-08-18	All supervisors	1. <2014 Semi-annual Report>; 2. <Long-term Mechanism for Share Buy-back Plans (2014-2016)>; 3. <Proposal for Provision of Guarantees for Controlled and Non-controlled Subsidiaries>; and 4. <Proposal for Amendments to the Articles of Association>.	All were passed.	<Announcement about Resolutions of the 14 th Meeting of the 1 st Supervisory Committee> on www.cninfo.com.cn	2014-08-19
15 th Meeting of the 1 st Supervisory Committee	2014-10-22	All supervisors	1. <2014 Third Quarter Report>; and 2. <Proposal for the Related-party Transaction Regarding Accepting the Directional Offering of Shunde Rural Commercial Bank>.	All were passed.	<Announcement about Resolutions of the 15 th Meeting of the 1 st Supervisory Committee> on www.cninfo.com.cn	2014-10-24
16 th Meeting of the 1 st Supervisory Committee	2014-12-02	All supervisors	1. <Amendments to the Articles of Association>	All were passed.	<Announcement about Resolutions of the 16 th Meeting of the 1 st Supervisory Committee> on www.cninfo.com.cn	2014-12-03
17 th Meeting of the 1 st Supervisory Committee	2014-12-12	All supervisors	1. <Proposal for Signing the “Strategic Cooperation Agreement” with Xiaomi Technology Co., Ltd.>; 2. <Proposal Regarding the Company Being Eligible for Private A-share Offering>; 3. <Proposal for the Plan for Private A-share Offering to Specific Entities>; 4. <Proposal for the Pre-plan for Private A-share Offering>; 5. <Proposal for the Report on the Use of the Previously Raised Funds>; 6. <Proposal for the Feasibility Analysis Report on the Use of the Funds Raised Through this Private A-share Offering>; 7. <Proposal for Signing the “Conditionally Effective Agreement on	All were passed.	<Announcement about Resolutions of the 17 th Meeting of the 1 st Supervisory Committee> on www.cninfo.com.cn	2014-12-15

			Subscription of Privately Issued Shares with Xiaomi Technology Co., Ltd.”>; 8. <Proposal for Asking the General Meeting to Grant Full Authority to the Board to Handle Matters Related to this Private A-share Offering>; and 9. <Proposals for Amendments to the Articles of Association>.			
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The Supervisory Board of the Company had no objection to the matters of supervision during the Reporting Period. The following describes specified details.

5.1 Legality of the Company operation

The Supervisory Board agreed that the Board of the Company has complied with *the Company Law, Securities Law, Articles of Association* and other regulated laws to perform standardized operations. The Board strictly implemented the resolutions of the general meetings and properly performed its duties, assumed its authorities and followed scientific and legitimate decision-making procedures. The company has established a regulated and efficient legal personnel governance structure with clear lines of authority and responsibility and optimized the management system. Furthermore, the company has established an all-round, reasonable and efficient internal control system, which can ensure the accuracy and completeness of information to better protect the interests of our shareholders, especially our minority shareholders. The senior management of the Company, including directors and managers carried out their duties honestly, discharged their duties with diligence, ventured into development, complied with the laws and performed their duty with integrity and honesty, without any violation to the laws and regulations and Articles of Association or any act that would prejudice the interests of the Company or shareholders.

5.2 Examination of the financial position of the company

The Supervisory Board of the Company examined the financial system and financial position of the company in accordance with laws. The Supervisory Board agreed that 2014 Final Financial Accounts truly and fairly reflects the financial position and operational result of the Company and that the unqualified audit report issued by Pan-China Certified Public Accountants LLP for the 2014 financial report is objective and fair.

5.3 There were no funds raised during the Company Reporting Period.

5.4 In the Reporting Period, the Company, together with its wholly-funded overseas subsidiary TITONI, made a partial tender offer to Little Swan. Upon reviewing the relevant materials, it was believed that the transaction was

conducted prudently and objectively, with the tender offer price within a realistic range. There were no insider transactions or other behaviors prejudicing the interests of the shareholders or causing loss in assets.

5.5 During the Reporting Period there were connected transactions fairly and reasonably carried out with connected parties at fair pricing, which did not prejudice the interests of non-connected parties as well as other listed companies.

5.6 Opinions of the Supervisory Board of the company on the self-appraisal report on internal control

Pursuant to the relevant requirements of *Basic Standard for Enterprise Internal Control* jointly issued by the MOF and CSRC and the *Standardize Operational Guidelines of Shenzhen Stock Exchange Concerning Main Board Listed Companies*, the Supervisory Board of the Company has given the following opinions on the self-appraisal report on internal control of the company:

(a) The company has established a proper and strong internal control system to ensure smooth business operations and risk control and to protect the safety and integrity of the Company's assets in accordance with *the Company Law*, *the Securities Law*, relevant provisions of CSRC and Shenzhen Stock Exchange and other relevant laws and regulations of China, taking into account industry-specific factors as well as the operation mode, asset structure and other characteristics of the Company.

(b) The Company has established a more comprehensive internal organizational structure and properly allocated internal audit departments and staff, which ensured the effective implementation and supervision of key internal control activities.

(c) During the Reporting Period, the Company did not violate the *Standardized Operational Guidelines of Shenzhen Stock Exchange Concerning Main Board Listed Companies* and the *Internal Control System* of the Company.

Taking into account the above-mentioned opinions, the Supervisory Board holds the view that the self-appraisal report on internal control of the Company is complete, true and accurate, and reflects the Company's actual condition.

6. Integrity and independency of businesses, personnel, assets, organizations, and finance which are separate from the controlling shareholder

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

independency in both business and operations.

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

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

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

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

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

7. Horizontal competition: N/A

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

Mr. He Xiangjian, actual controller of Midea Group, and Midea Holdings has sent commitment letters concerning the avoidance of such horizontal competition both now and in the future. For details, refer to *Performance of Undertakings* described in the Company Annual Report Section V.

8. Assessment and incentive mechanism for the senior management

The Company established an appraisal system on the basis of its target-oriented responsibility system and adopted

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

Section X Internal Control

1. Building of internal control

According to *General Specifications of Company Internal Control and Practice Notes of Company Internal Control* ("Specifications for Internal Control" for short), jointly issued by the Treasury, the Audit Office, CIRC, CBRC and CSRC, the company has established a fairly complete and effective internal control system which specifies a systematic internal control mechanism and necessary internal supervision mechanism for the company as well as for all business processes, providing rational protection for the company's legitimate management, asset safety and its authenticity and the integrity of financial reports and relevant information.

In 2014, the Company remained with the risk-oriented principle in consideration of its actual management conditions, to sustainably improve and optimize the company's internal control system allowing it to adapt to an ever-changing external environment and internal management requirements. In 2014, the Company reappointed KPMG to assist it in refining its internal control and listed 17 companies in the evaluation scope of internal control. Total assets and operation revenue listed in the evaluation scope accounted for over 70% of corresponding items on the financial report of the Company merger.

The Company Board authorized the internal control team to organize and implement the evaluation of internal control of risk fields and companies covered in the evaluation scope in 2014. The internal control team included a leading group and an executive group.

As the primary decision-making body of the internal control project, the leading group is responsible for all implementation strategy formulation, decision-making on significant items and project implementation supervision. Mr. Fang Hongbo, Chairman and President of the Company, is head of the leading group. The leading group reports general conditions about internal control project building and evaluation to the Board.

As the organization and implementation body of the internal control project, the group implements the project concretely, including; Determining companies to be evaluated in 2014; Recording significant business divisions and processes and internal control of transactions; Evaluating the design of internal control and effectiveness of its execution; Maintaining and upgrading evaluation files of internal control; Supervising the discovery of internal control problems and determining whether rectification suggestions confirmed by the management team are performed as planned and Regularly reporting project schedule, quality and significant problems to the leading group.

The people responsible for processing risk fields and companies listed in the evaluation scope are responsible for building and evaluating all internal control activities. These persons define the business process, relevant control points and other information about related processes under the guidance of the executive group, confirming recorded files of for processes, recognizing significant control measures and rectifying defects about internal control.

The company appointed Pan-China Certified Public Accountants (LLP) to independently and effectively audit its internal control.

For details about self-evaluation of the Company's internal control, see *2014 Annual Report of Self-evaluation for Internal Control*.

2. Statement of the Board regarding internal control responsibilities

The Board has deliberated on and adopted the *2014 Annual Report of Self-evaluation for Internal Control*. The Board and all directors of the company guarantee that there exists no false records, misleading statements or major omissions in this report and shall undertake direct and joint liabilities for the authenticity, accuracy and integrity of the report contents.

Based on the regulations of the standardized system of the company's internal control, establishing and effectively implementing internal control, evaluating its effectiveness, and honestly disclosing the evaluation report are liabilities of the Board. The supervisory board supervises the Board who establishes and implements internal control. Managers are liable for organizing and leading daily operations of the Company's internal control. The Company's Board, supervisory board, directors, supervisors and senior executives guarantee that there exists no false records, misleading statements or major omissions in this report and shall undertake direct and joint liabilities for the authenticity, accuracy and integrity of the report contents.

The objective of the Company's internal control is to reasonably ensure legitimate management, asset safety, and

authenticity and integrity of financial reports and relevant information, and to enhance management efficiency and effectiveness, facilitating development strategy implementation. Only reasonable guarantees can be ensured for realizing the objective due to inherent limitations of internal control. Furthermore, there exists certain risks if the effectiveness of future internal control results are speculated based on the evaluation result of the current internal control because when conditions change, internal control may become inappropriate or control policies and procedures may not be strictly complied with.

3. Basis for establishing internal control of the financial report

The basis for establishing internal control of the financial report includes: *Corporation Law, Articles of Association, General Specifications of Company Internal Control* and supporting guides jointly issued by the Treasury, CSRC and other three authorities, *Internal Accounting Control Regulation* issued by the Treasury, *Guidelines of Standard Operation of Mainboard Listed Companies* issued by Shenzhen Stock Exchange, and relevant notices and requirements for adopting regulations of internal control of listed companies issued by Guangdong Securities Regulatory Commission.

4. Self-evaluation report on internal control

Major internal control defects found in the Reporting Period according to the self-evaluation report	
Based on the identification of major defects of internal control in the Company's financial report, on the base date of the evaluation report of internal control, there exists no major or important defects in the financial report. The Board believed that the Company maintained effective internal control of a financial report in all significant aspects based on requirements of the standardized system of the Company's internal control and relevant specifications.	
Based on the identification of major defects of internal control in the Company's non-financial report., on the base date of the evaluation report of internal control, there exist no major or important defects in the non-financial-report internal control.	
Elements that influence the effective evaluation result of internal control did not occur from the base date of the evaluation report of internal control to the date of issuing the evaluation report of internal control.	
Date of disclosing the full text of the evaluation report of internal control	31 March 2015
Index of disclosing the full text of the evaluation report of internal control	The full text of the evaluation report of internal control has been disclosed on CNINFO (www.cninfo.com.cn).

5. Auditor's report on internal control

Opinion paragraph in the auditor's report on internal control
On 31 December 2014, Midea Group maintained an effective internal control of a financial report in all significant aspects based on the <i>General Specifications of Company Internal Control</i> and relevant specifications.

Date of disclosing the full text of the auditor's report on internal control	31 March 2015
Index of disclosing the full text of the auditor's report on internal control	The full text of the audit report of internal control has been disclosed on CNINFO (www.cninfo.com.cn).

Whether modified opinions of the audit report of internal control are issued by the accounting firm: No

Whether the audit report of internal control issued by the accounting firm is consistent with the self-evaluation report of the board: Yes

6. Establishment and execution of the accountability system for material errors in annual reports

Having established the *Accountability System for Material Errors Disclosed in the Annual Report* in order to intensify the accountability of personnel responsible for the annual report information disclosure, the Company has in strict accordance with relevant laws and regulations and regulations of the *Management System of Information Disclosure*, compiled the annual report carefully, improved quality and transparency of annual report information disclosure, and ensured information disclosure authenticity, accuracy and integrity.

During the Reporting Period, no rectification of major accounting errors or supplement or rectification of major information omission had occurred in the company.

Section XI Financial Report

1. Auditor's report

Type of audit opinion	Standard & unqualified
Signing date of auditor's report	2015-03-27
Name of auditor	Pan-China Certified Public Accountants (LLP)
No. of auditor's report	TianJianShen (2015) No.3-149

Auditor's Report

To all shareholders of Midea Group:

We have audited the accompanying financial statements of Midea Group Co., Ltd. (hereafter referred to as 'Midea Group'), which comprises the consolidated and the Company's balance sheets as at 31 December 2014, and the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements, the consolidated and the Company's statements of changes in equity for the year 2014, and notes to these financial statements.

1. Management's Responsibility for the Financial Statements

The management of the Company is responsible for the preparation and fair presentation of these financial statements. Those responsibilities include: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable the financial statements to be free from material misstatement, whether due to fraud or error.

2. Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the

risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

3. Audit Opinion

In our opinion, the financial statements of Midea Group have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material respects and present fairly the consolidated and the Company's financial position of the Company as at 31 December 2014, and of their consolidated and the Company's operating results and cash flows for the year 2014.

Pan-China Certified Public Accountants (LLP)

Chinese CPA: Zhang Weigang

Hangzhou • China

Chinese CPA: Huang Zhiheng

27 Mar. 2015

2. Financial statements

Consolidated Balance Sheet

Prepared by: Midea Group Co., Ltd.

2014-12-31

Unit: RMB'000

Assets	Note	31 Dec. 2014	31 Dec. 2013
Current assets:			
Monetary funds	1	6,203,282.81	15,573,683.04
Deposits in the Central Bank	2	1,279,592.47	923,632.22
Deposits in other banks	3	2,126,444.99	1,746,284.24
Intra-group lendings			
Financial assets measured at fair value of which changes are recorded in current profits and losses			
Derivative financial assets	4	162,513.84	759,565.22
Financial assets purchased under agreements to resell			
Notes receivable	5	17,097,233.37	14,150,532.20
Accounts receivable	6	9,362,102.75	7,928,438.25
Accounts paid in advance	7	1,414,470.45	2,432,420.54
Premiums receivable			
Reinsurance premiums receivable			
Receivable reinsurance contract reserves			
Interest receivable			
Loans and advances granted	8	5,940,800.47	5,100,085.71
Dividend receivable	9	45,943.22	25,863.84
Other accounts receivable	10	1,180,767.53	1,025,395.19
Financial assets purchased under agreements to resell			
Inventories	11	15,020,030.26	15,197,723.84
Assets held for sale			
Non-current assets due within 1 year			
Other current assets	12	26,593,892.46	463,107.71
Total current assets		86,427,074.62	65,326,732.00
Non-current assets:			
Available-for-sale financial assets	13	1,655,494.72	844,439.05
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment	14	951,874.39	912,427.64
Investing real estate	15	171,634.90	205,834.70

Fixed assets	16	19,521,814.06	19,572,161.32
Construction in progress	17	661,882.29	612,601.28
Engineering materials			
Disposal of fixed assets			
Production biological assets			
Oil-gas assets			
Intangible assets	18	3,431,958.12	3,325,738.40
R&D expense			
Goodwill	19	2,931,791.41	2,931,003.59
Long-term deferred expenses	20	758,576.10	647,882.34
Deferred income tax assets	21	3,779,987.55	2,567,204.45
Other non-current assets			
Total of non-current assets		33,865,013.54	31,619,292.77
Total assets		120,292,088.16	96,946,024.77

Legal representative: Fang Hongbo

Person-in-charge of the accounting work: Yuan Liquan

Chief of the accounting division: Chen Jianwu

Consolidated Balance Sheet (Continued)

Prepared by: Midea Group Co., Ltd.

2014-12-31

Unit: RMB'000

Liabilities and owners' equity	Note	31 Dec. 2014	31 Dec. 2013
Current liabilities:			
Short-term borrowings	22	6,070,879.03	8,872,173.98
Borrowings from the Central Bank			89,708.03
Customer bank deposits and due to banks and other financial institutions	23	7,493.81	61.00
Intra-group borrowings			
Financial liabilities measured at fair value of which changes are recorded in current profits and losses			
Derivative financial liabilities	24	74,960.70	11,260.18
Financial assets sold and repurchased			
Notes payable	25	12,648,496.99	6,308,478.45
Accounts payable	26	20,137,454.46	17,508,099.66
Accounts received in advance	27	3,992,540.46	4,983,346.26
Financial assets sold and repurchased			
Handling charges and commissions payable			
Payroll payable	28	2,199,776.95	1,968,837.73
Tax payable	29	3,280,150.71	1,028,015.10
Interest payable	30	22,912.17	69,823.87
Dividend payable	31	93,799.03	94,046.21
Other accounts payable	32	1,223,548.76	1,487,781.02
Reinsurance premiums payable			
Insurance contract reserves			
Payables for acting trading of securities			
Payables for acting underwriting of securities			
Liabilities held for sale			
Non-current liabilities due within 1 year	33	611,900.00	1,617,370.17
Other current liabilities	34	22,778,936.05	12,608,380.03
Total current liabilities		73,142,849.12	56,647,381.69
Non-current liabilities:			
Long-term borrowings	35	19,205.03	711,464.64
Bonds payable	36	153,026.30	152,716.59
Of which: preferred shares			

Perpetual bonds			
Long-term payables			
Long-term payroll payables			
Specific payables	37	851,825.49	52,073.96
Estimated liabilities	38	25,573.83	33,466.19
Deferred income	39	342,235.91	144,561.80
Deferred income tax liabilities	21	25,917.24	123,797.62
Other non-current liabilities			
Total non-current liabilities		1,417,783.80	1,218,080.80
Total liabilities		74,560,632.92	57,865,462.49
Owners' equity:			
Share capital	40	4,215,808.47	1,686,323.39
Other equity instruments			
Of which: preferred shares			
Perpetual bonds			
Capital reserves	41	13,024,883.19	15,566,303.94
Less: Treasury stock			
Other comprehensive income	42	-774,298.83	-279,729.82
Specific reserves			
Surplus reserves	43	1,189,791.32	569,544.32
Provisions for general risks			
Retained profits	44	21,814,315.69	15,304,989.21
Total equity attributable to shareholders of the Company		39,470,499.84	32,847,431.04
Minority interests		6,260,955.40	6,233,131.24
Total shareholders' equity		45,731,455.24	39,080,562.28
Total liabilities and shareholders' equity		120,292,088.16	96,946,024.77

Legal representative: Fang Hongbo

Person-in-charge of the accounting work: Yuan Liquan

Chief of the accounting division: Chen Jianwu

Consolidated Income Statement

Prepared by: Midea Group Co., Ltd.

Y2014

Unit: RMB'000

Item	Note	2014	2013
I. Operating revenues		142,310,967.02	121,265,180.02
Including: Sales income	1	141,668,175.16	120,975,003.14
Interest income	2	632,524.67	290,159.30
Premium income			
Handling charge and commission income	3	10,267.19	17.58
II. Operating costs		129,718,795.00	113,485,774.13
Including: Cost of sales	1	105,669,686.47	92,818,063.06
Interest expenses	2	404,526.90	203,826.84
Handling charge and commission expenses	3	1,667.81	1,215.41
Surrenders			
Net claims paid			
Net amount withdrawn for the insurance contract reserve			
Expenditure on policy dividends			
Reinsurance premium			
Taxes and associate charges	4	809,596.21	609,932.61
Selling and distribution expenses	5	14,733,917.42	12,432,343.86
Administrative expenses	6	7,498,255.09	6,733,456.28
Financial expenses	7	251,326.94	564,220.53
Asset impairment loss	8	349,818.16	122,715.54
Add: Gain/(loss) from change in fair value (“-” means loss)	9	-652,790.54	546,265.97
Gain/(loss) from investment (“-” means loss)	10	1,511,122.20	997,978.95
Including: share of profits in associates and joint ventures		94,739.07	37,265.41
Foreign exchange gains (“-” means loss)			
III. Business profit (“-” means loss)		13,450,503.68	9,323,650.81
Add: non-operating income	11	1,057,069.21	1,005,224.28
Including: Gains on disposal of non-current assets		53,602.26	31,101.02
Less: non-operating expense	12	516,888.30	317,103.09
Including: Losses on disposal of non-current assets		270,391.26	198,119.54
IV. Total profit (“-” means loss)		13,990,684.59	10,011,772.00
Less: Income tax expense	13	2,344,355.93	1,714,275.57
V. Net profit (“-” means loss)		11,646,328.66	8,297,496.43

Net profit attributable to shareholders of the Company		10,502,220.26	5,317,458.06
Minority shareholders' income		1,144,108.40	2,980,038.37
VI. After-tax net amount of other comprehensive incomes	14	-596,464.81	-167,401.33
After-tax net amount of other comprehensive incomes attributable to owners of the Company		-494,569.01	-8,197.76
(I) Other comprehensive incomes that will not be reclassified into gains and losses			
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement			
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method			
(II) Other comprehensive incomes that will be reclassified into gains and losses		-494,569.01	-8,197.76
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		-5,112.02	-23,398.62
2. Gains and losses on fair value changes of available-for-sale financial assets		295.69	235.24
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets			
4. Effective hedging gains and losses on cash flows		-323,116.22	44,927.07
5. Foreign-currency financial statement translation difference		-166,636.46	-29,961.45
6. Other			
After-tax net amount of other comprehensive incomes attributable to minority shareholders		-101,895.80	-159,203.57
VII. Total comprehensive incomes		11,049,863.85	8,130,095.10
Attributable to owners of the Company		10,007,651.25	5,309,260.30
Attributable to minority shareholders		1,042,212.60	2,820,834.80
VIII. Earnings per share			
(I) Basic earnings per share (RMB Yuan/share)		2.49	1.73
(II) Diluted earnings per share (RMB Yuan/share)		2.49	1.73

Legal representative: Fang Hongbo

Person-in-charge of the accounting work: Yuan Liquan

Chief of the accounting division: Chen Jianwu

Consolidated Cash Flow Statement

Prepared by: Midea Group Co., Ltd.

Y2014

Unit: RMB'000

Item	Note	2014	2013
I. Cash flows from operating activities:			
Cash received from sale of commodities and rendering of service		105,499,096.71	77,338,957.34
Net increase of deposits from customers and dues from banks		7,432.81	-563.80
Net increase of loans from the central bank		-89,708.03	89,708.03
Net increase of funds borrowed from other financial institutions			
Cash received from premium of original insurance contracts			
Net cash received from reinsurance business			
Net increase of deposits of policy holders and investment fund			
Net increase of disposal of financial assets measured at fair value of which changes are recorded into current gains and losses			
Cash received from interest, handling charges and commissions		642,791.86	290,176.88
Net increase of intra-group borrowings			
Net increase of funds in repurchase business			
Tax refunds received		3,661,666.98	3,794,588.68
Other cash received relating to operating activities	1	2,494,185.30	3,012,287.03
Subtotal of cash inflows from operating activities		112,215,465.63	84,525,154.16
Cash paid for goods and services		51,280,771.61	41,495,028.89
Net increase of customer lendings and advances		884,183.36	4,705,896.45
Net increase of funds deposited in the central bank and amount due from banks		357,838.44	407,408.54
Cash for paying claims of the original insurance contracts			
Cash for paying interest, handling charges and commissions		406,194.71	205,042.25
Cash for paying policy dividends			
Cash paid to and for employees		10,426,381.02	8,207,434.88
Various taxes paid		8,465,413.33	6,319,042.12
Other cash payment relating to operating activities	2	15,606,172.03	13,131,104.62
Subtotal of cash outflows from operating activities		87,426,954.50	74,470,957.75
Net cash flows from operating activities		24,788,511.13	10,054,196.41
II. Cash flows from investing activities:			
Cash received from withdrawal of investments		-	1,000.00
Cash received from return on investments		1,345,434.30	1,012,934.58

Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,273,490.83	423,738.40
Net cash received from disposal of subsidiaries or other business units			242,099.31
Other cash received relating to investing activities			3,156.61
Subtotal of cash inflows from investing activities		2,618,925.13	1,682,928.90
Cash paid to acquire fixed assets, intangible assets and other long-term assets		2,678,179.15	2,115,389.41
Cash paid for investment	3	28,800,775.41	34,221.43
Net increase of pledged loans			
Net cash paid to acquire subsidiaries and other business units		2,368.06	
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		31,481,322.62	2,149,610.84
Net cash flows from investing activities		-28,862,397.49	-466,681.94
III. Cash Flows from Financing Activities:			
Cash received from capital contributions		7,927.91	16,804.07
Including: Cash received from minority shareholder investments by		7,927.91	16,804.07
Cash received from borrowings		37,288,846.13	31,640,205.82
Cash received from issuance of medium-term notes			
Cash received from issuance of short-term financing bonds			
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		37,296,774.04	31,657,009.89
Repayment of borrowings		39,654,308.98	29,133,403.33
Cash paid for medium-term notes		1,000,000.00	3,500,000.00
Cash paid for short-term financing bonds			1,000,000.00
Cash paid for interest expenses and distribution of dividends or profit		4,052,594.96	2,313,735.38
Including: dividends or profit paid by subsidiaries to minority shareholders		530,052.11	1,662,070.41
Other cash payments relating to financing activities			1,074,000.00
Sub-total of cash outflows from financing activities		44,706,903.94	37,021,138.71
Net cash flows from financing activities		-7,410,129.90	-5,364,128.82
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-7,619.19	-3,590.62
V. Net increase in cash and cash equivalents		-11,491,635.45	4,219,795.03
Add: Opening balance of cash and cash equivalents		16,763,873.80	12,544,078.77
VI. Closing balance of cash and cash equivalents		5,272,238.35	16,763,873.80

Legal representative: Fang Hongbo

Person-in-charge of the accounting work: Yuan Liquan

Chief of the accounting division: Chen Jianwu

Consolidated Statement of Changes in Owners' Equity

Prepared by: Midea Group Co., Ltd.

Y2014

Unit: RMB'000

Item	2014												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit		
	Preferred shares	Perpetual bonds	Other										
I. Balance at the end of the previous year	1,686,323.39				15,620,790.78		-334,216.66		569,544.32		15,304,989.21	6,233,131.24	39,080,562.28
Add: change of accounting policy					-54,486.84		54,486.84						
Correction of errors in previous periods													
Business mergers under the same control													
Other													
II. Balance at the beginning of the year	1,686,323.39				15,566,303.94		-279,729.82		569,544.32		15,304,989.21	6,233,131.24	39,080,562.28
III. Increase/ decrease in the period ("-" means decrease)	2,529,485.08				-2,541,420.75		-494,569.01		620,247.00		6,509,326.48	27,824.16	6,650,892.96
(I) Total comprehensive incomes							-494,569.01				10,502,220.26	1,042,212.60	11,049,863.85
(II) Capital increased and reduced by owners					152,799.76							33,285.23	186,084.99
1. Common shares increased by shareholders												7,927.91	7,927.91
2. Capital increased by holders of other equity													

instruments													
3. Amounts of share-based payments recognized in owners' equity					150,991.31							25,357.32	176,348.63
4. Other					1,808.45								1,808.45
(III) Profit distribution									620,247.00		-3,992,893.78	-535,379.84	-3,908,026.62
1. Appropriations to surplus reserves									620,247.00		-620,247.00		
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)											-3,372,646.78	-535,379.84	-3,908,026.62
4. Other													
(IV) Internal carry-forward of owners' equity	2,529,485.08				-2,529,485.08								
1. New increase of capital (or share capital) from capital public reserves	2,529,485.08				-2,529,485.08								
2. New increase of capital (or share capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve													
1. Withdrawn for the													

period													
2. Used in the period													
(VI) Other					-164,735.43							-512,293.83	-677,029.26
IV. Closing balance	4,215,808.47				13,024,883.19		-774,298.83		1,189,791.32		21,814,315.69	6,260,955.40	45,731,455.24

Legal representative: Fang Hongbo

Person-in-charge of the accounting work: Yuan Liquan

Chief of the accounting division: Chen Jianwu

Consolidated Statement of Changes in Owners' Equity (Continued)

Prepared by: Midea Group Co., Ltd.

Y2014

Unit: RMB'000

Item	2013												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit		
	Preferred shares	Perpetual bonds	Other										
I. Balance at the end of the previous year	1,000,000.00				3,037,311.98		-280,856.59		66,439.07		10,490,636.40	18,851,954.48	33,165,485.34
Add: change of accounting policy					-9,324.53		9,324.53						
Correction of errors in previous periods													
Business mergers under the same control													
Other													
II. Balance at the beginning of the year	1,000,000.00				3,027,987.45		-271,532.06		66,439.07	-	10,490,636.40	18,851,954.48	33,165,485.34
III. Increase/ decrease in the period ("-" means decrease)	686,323.39				12,538,316.49		-8,197.76		503,105.25	-	4,814,352.81	-12,618,823.24	5,915,076.94
(I) Total comprehensive incomes							-8,197.76				5,317,458.06	2,820,834.80	8,130,095.10
(II) Capital increased and reduced by owners	686,323.39												686,323.39
1. Common shares increased by shareholders	686,323.39												686,323.39
2. Capital increased by holders of other equity													

instruments													
3. Amounts of share-based payments recognized in owners' equity													
4. Other													
(III) Profit distribution									503,105.25		-503,105.25	-1,683,090.79	-1,683,090.79
1. Appropriations to surplus reserves									503,105.25		-503,105.25		
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)												-1,683,090.79	-1,683,090.79
4. Other													
(IV) Internal carry-forward of owners' equity												-13,177,882.91	-686,323.39
12,491,559.52													
1. New increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Other												-13,177,882.91	-686,323.39
12,491,559.52													
(V) Specific reserve													
1. Withdrawn for the													

period													
2. Used in the period													
(VI) Other					46,756.97							-578,684.34	-531,927.37
IV. Closing balance	1,686,323.39				15,566,303.94		-279,729.82		569,544.32		15,304,989.21	6,233,131.24	39,080,562.28

Legal representative: Fang Hongbo

Person-in-charge of the accounting work: Yuan Liquan

Chief of the accounting division: Chen Jianwu

Balance Sheet of the Company

Prepared by: Midea Group Co., Ltd.

31 Dec. 2014

Unit: RMB'000

Asset	Note	31 Dec. 2014	31 Dec. 2013
Current assets:			
Monetary funds		8,452,623.95	14,309,967.73
Financial assets measured at fair value of which changes are recorded in current profits and losses			
Derivative financial assets			
Notes receivable		693,828.61	2,176,916.60
Accounts receivable			
Accounts paid in advance		1,102.42	349,358.36
Interest receivable			
Dividend receivable		280,771.02	286,507.04
Other accounts receivable	1	2,418,306.21	3,519,029.46
Inventories			
Assets held for sale			
Non-current assets due within 1 year			
Other current assets		22,892,049.61	
Total current assets		34,738,681.82	20,641,779.19
Non-current assets:			
Available-for-sale financial assets		1,230,277.80	895,725.80
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment	2	16,548,882.73	16,065,073.90
Investing real estate		323,355.75	891,732.65
Fixed assets		1,653,024.17	788,783.72
Construction in progress		42,386.34	46,985.28
Engineering materials			
Disposal of fixed assets			
Production biological assets			
Oil-gas assets			
Intangible assets		280,656.35	177,196.73
R&D expense			
Goodwill			

Long-term deferred expenses		68,787.68	109,960.04
Deferred income tax assets		4,483.56	7,222.31
Other non-current assets			
Total of non-current assets		20,151,854.38	18,982,680.43
Total assets		54,890,536.20	39,624,459.62

Legal representative: Fang Hongbo

Person-in-charge of the accounting work: Yuan Liquan

Chief of the accounting division: Chen Jianwu

Balance Sheet of the Company (Continued)

Prepared by: Midea Group Co., Ltd.

31 Dec. 2014

Unit: RMB'000

Liabilities and owners' equity	Note	31 Dec. 2014	31 Dec. 2013
Current liabilities:			
Short-term borrowings		500,000.00	140,000.00
Financial liabilities measured at fair value of which changes are recorded in current profits and losses			
Derivative financial liabilities		54.78	
Notes payable			
Accounts payable		2,671.39	7,831.48
Accounts received in advance			
Payroll payable		16,865.00	21,717.74
Tax payable		51,951.23	16,856.22
Interest payable		217,050.96	144,847.77
Dividend payable			
Other accounts payable		36,057,338.71	23,082,573.69
Liabilities held for sale			
Non-current liabilities due within 1 year			999,942.58
Other current liabilities			875.94
Total current liabilities		36,845,932.07	24,414,645.42
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Of which: preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payables			
Specific payables			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		36,845,932.07	24,414,645.42

Owners' equity:			
Share capital		4,215,808.47	1,686,323.39
Other equity instruments			
Of which: preferred shares			
Perpetual bonds			
Capital reserves		5,356,080.10	7,880,598.46
Less: Treasury stock			
Specific reserves			
Surplus reserves		1,189,791.32	569,544.32
General risk reserves			
Retained profits		7,282,924.24	5,073,348.03
Total shareholders' equity		18,044,604.13	15,209,814.20
Total liabilities and shareholders' equity		54,890,536.20	39,624,459.62

Legal representative: Fang Hongbo

Person-in-charge of the accounting work: Yuan Liquan

Chief of the accounting division: Chen Jianwu

Income Statement of the Company

Prepared by: Midea Group Co., Ltd.

Y2014

Unit: RMB'000

Item	Note	2014	2013
I. Total sales	1	754,281.87	228,771.13
Less: cost of sales	1	25,840.97	12,037.27
Business taxes and surcharges		22,573.16	9,563.39
Distribution expenses			
Administrative expenses		412,071.18	143,843.06
Financial costs		515,432.80	95,093.54
Impairment loss		-5,224.20	1,585.84
Add: gain/(loss) from change in fair value ("-" means loss)		-54.78	
Gain/(loss) from investment ("-" means loss)	2	6,517,730.89	4,945,841.28
Including: income from investment on associates and joint ventures		31,114.43	9,623.22
II. Business profit ("-" means loss)		6,301,264.07	4,912,489.31
Add: non-operating income		15,512.28	119,736.73
Including: Gains on disposal of non-current assets		50.30	

Less: non-operating expense		9,707.11	3,879.83
Including: Losses on disposal of non-current assets		8,769.43	3.37
III. Total profit (“-” means loss)		6,307,069.24	5,028,346.21
Less: Income tax expense		104,599.25	-2,706.32
IV. Net profit (“-” means loss)		6,202,469.99	5,031,052.53
V. After-tax net amount of other comprehensive incomes			
(I) Other comprehensive incomes that will not be reclassified into gains and losses			
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement			
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method			
(II) Other comprehensive incomes that will be reclassified into gains and losses			
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method			
2. Gains and losses on fair value changes of available-for-sale financial assets			
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets			
4. Effective hedging gains and losses on cash flows			
5. Foreign-currency financial statement translation difference			
6. Other			
VI. Total comprehensive incomes		6,202,469.99	5,031,052.53
VII. Earnings per share			
(I) Basic earnings per share (RMB Yuan/share)			
(II) Diluted earnings per share (RMB Yuan/share)			

Legal representative: Fang Hongbo

Person-in-charge of the accounting work: Yuan Liqun

Chief of the accounting division: Chen Jianwu

Cash Flow Statement of the Company

Prepared by: Midea Group Co., Ltd.

Y2014

Unit: RMB'000

Item	Note	2014	2013
I. Cash flows from operating activities:			
Cash received from sale of commodities and rendering of service			
Tax refunds received			
Other cash received relating to operating activities		16,447,074.44	19,094,474.74
Subtotal of cash inflows from operating activities		16,447,074.44	19,094,474.74
Cash paid for goods and services			
Cash paid to and for employees		33,733.74	64,531.14
Various taxes paid		33,598.19	15,055.40
Other cash payment relating to operating activities		163,968.46	2,165,932.74
Subtotal of cash outflows from operating activities		231,300.39	2,245,519.28
Net cash flows from operating activities		16,215,774.05	16,848,955.46
II. Cash flows from investing activities:			
Cash received from withdrawal of investments		24,901.98	483,939.11
Cash received from return on investments		6,419,349.31	1,025,599.29
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		36,984.39	
Net cash received from disposal of subsidiaries or other business units			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		6,481,235.68	1,509,538.40
Cash paid to acquire fixed assets, intangible assets and other long-term assets		163,493.93	109,736.17
Cash paid for investment		24,737,701.41	95,781.65
Net cash paid to acquire subsidiaries and other business units			
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		24,901,195.34	205,517.82
Net cash flows from investing activities		-18,419,959.66	1,304,020.58
III. Cash Flows from Financing Activities:			
Cash received from capital contributions			
Cash received from borrowings		3,200,000.00	26,474,987.13
Cash received from issuance of medium term notes			
Cash received from issuance of short-term financing bonds			

Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		3,200,000.00	26,474,987.13
Repayment of borrowings		2,840,000.00	26,334,987.13
Cash paid for medium term notes		1,000,000.00	3,500,000.00
Cash paid for short-term financing bonds			1,000,000.00
Cash paid for interest expenses and distribution of dividends or profit		4,085,232.75	393,707.52
Other cash payments relating to financing activities			1,074,000.00
Sub-total of cash outflows from financing activities		7,925,232.75	32,302,694.65
Net cash flows from financing activities		-4,725,232.75	-5,827,707.52
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-6,929,418.36	12,325,268.52
Add: Opening balance of cash and cash equivalents		13,809,135.41	1,483,866.89
VI. Closing balance of cash and cash equivalents		6,879,717.05	13,809,135.41

Legal representative: Fang Hongbo

Person-in-charge of the accounting work: Yuan Liquan

Chief of the accounting division: Chen Jianwu

Statement of Changes in Owners' Equity of the Company

Prepared by: Midea Group Co., Ltd.

Y2014

Unit: RMB

Item	2014											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
I. Balance at the end of the previous year	1,686,323.39				7,880,598.46				569,544.32		5,073,348.03	15,209,814.20
Add: change of accounting policy												
Correction of errors in previous periods												
Business mergers under the same control												
Other												

II. Balance at the beginning of the year	1,686,323.39				7,880,598.46				569,544.32		5,073,348.03	15,209,814.20
III. Increase/decrease in the period (“-”)	2,529,485.08				-2,524,518.36				620,247.00		2,209,576.21	2,834,789.93
(I) Total comprehensive incomes											6,202,469.99	6,202,469.99
(II) Capital increased and reduced by owners					4,966.72							4,966.72
1. Common shares increased by shareholders												
2. Capital increased by holders of other equity instruments												

3. Amounts of share-based payments recognized in owners' equity					3,105.73							3,105.73
4. Other					1,860.99							1,860.99
(III) Profit distribution									620,247.00		-3,992,893.78	-3,372,646.78
1. Appropriations to surplus reserves									620,247.00		-620,247.00	
2. Appropriations to general risk provisions												
3. Appropriations to owners (or shareholders)											-3,372,646.78	-3,372,646.78
4. Other												

(IV) Internal carry-forward of owners' equity	2,529,485.08				-2,529,485.08							
1. New increase of capital (or share capital)	2,529,485.08				-2,529,485.08							
2. New increase of capital (or share capital) from surplus reserves												
3. Surplus reserves for making up losses												
4. Other												
(V) Specific reserve												

1. Withdrawn for the period												
2. Used in the period												
(VI) Other												
IV. Closing balance	4,215,808.47				5,356,080.10				1,189,791.32		7,282,924.24	18,044,604.13

Legal representative: Fang Hongbo

Person-in-charge of the accounting work: Yuan Liquan

Chief of the accounting division: Chen Jianwu

Statement of Changes in Owners' Equity of the Company (Continued)

Prepared by: Midea Group Co., Ltd.

Y2014

Unit: RMB

Item	2013											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
I. Balance at the end of the previous year	1,000,000.00				684,003.31				66,439.07		545,400.75	2,295,843.13

Add: change of accounting policy												
Correction of errors in previous periods												
Business mergers under the same control												
Other												
II. Balance at the beginning of the year	1,000,000.00				684,003.31				66,439.07		545,400.75	2,295,843.13
III. Increase/ decrease in the period (“-”)	686,323.39				7,196,595.15				503,105.25		4,527,947.28	12,913,971.07
(I) Total comprehensive incomes											5,031,052.53	5,031,052.53
(II) Capital increased and reduced by owners	686,323.39				7,196,595.15							7,882,918.54

1. Common shares increased by shareholders	686,323.39				7,196,595.15							7,882,918.54
2. Capital increased by holders of other equity instruments												
3. Amounts of share-based payments recognized in owners' equity												
4. Other												
(III) Profit distribution									503,105.25		-503,105.25	

1. Appropriations to surplus reserves									503,105.25		-503,105.25	
2. Appropriations to general risk provisions												
3. Appropriations to owners (or shareholders)												
4. Other												
(IV) Internal carry-forward of owners' equity												
1. New increase of capital (or share capital) from capital public reserves												

2. New increase of capital (or share capital) from surplus reserves												
3. Surplus reserves for making up losses												
4. Other												
(V) Specific reserve												
1. Withdrawn for the period												
2. Used in the period												
(VI) Other												
IV. Closing balance	1,686,323.39				7,880,598.46				569,544.32		5,073,348.0	15,209,814.20

Legal representative: Fang Hongbo

Person-in-charge of the accounting work: Yuan Liqun

Chief of the accounting division: Chen Jianwu

III. Notes to the Financial Statements

Midea Group Co., Ltd.

Notes to the Financial Statements

Year 2014

Currency Unit: RMB'000

1. Basic Information of Our Company

Midea Group Co. Ltd. (hereinafter referred to as “the Company”) was promoted and set up by the Council of Trade Unions of GD Midea Group Co. Ltd., and had registered in Foshan Shunde Market Safety Supervision Bureau on 7 Apr. 2000, of which the headquarter located in Foshan, Guangdong Province. On 29 July, 2013, CSRC issued the “Reply on Approval of Merger of GD Midea Electric Appliance Co. Ltd. by Midea Group Co. Ltd.”, approving the Company’s issuance of 686,323,389 shares to merge GD Midea Electric Appliance Co. Ltd.

The registration ID of the current business license held by the Company was 440681000038581 with the registered capital of RMB4,215,808,472 and the total amount of the shares was of 4,215,808,472 shares (with the book value of RMB1 per share). Of which, the A share of the circulating shares with restricted conditions was of 1,973,072,529 shares while the non-restricted was of 2,242,735,943 shares.

The shares of the Company had been listed for trading in SZSE on 18 Sep. 2013.

The Company belongs to the household appliance industry. And the business scope: Production and business of home appliances, motors and their parts; import and export of home appliances, home appliances raw materials and parts (application is handled in accordance with relevant government regulations as products not involved in state-owned trade management, but involved in quota and license management); IT services; investment consultancy and management services for companies; development of computer software and hardware; installation, maintenance and after-sales service of home appliances; design of industrial products; management of hotels; agency of advertisements; property management; research, development, marketing and promotion of projects and technologies needed by companies. (Items of business scope covering administrative license should be run with valid license or certificate of approval). The major products or the labor provided: household electrical appliances, motor and its components.

The financial report had been approved to present externally by the 26th Session of the 1st Board of Directors on 27 Mar. 2015.

The Company included more than one hundred subsidiaries such as Guangdong Midea Refrigeration Equipment Co., Ltd., Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd., and Midea Group Wuhan Refrigeration Equipment Co., Ltd. into the current consolidated financial statement scope, of which the details, please refer to the notes of the changes of the notes of the consolidated scope of the financial statement as well as the equities of other entities.

II. Preparation basis of the financial statements

(I) Preparation basis

The Company's preparation of the financial statements is based on continuing operations.

(II) Assessment on the constant operating ability

There was no any event or situation which led the assumption of the constant operating within 12 months since the period-end cause any significant misgiving.

III. Significant accounting policies and accounting estimates

Important reminders: the Company formulated the specific accounting policies and accounting estimates aimed at the transactions or events such as the bad debt provisions of the receivable accounts, depreciation of the fixed assets, amortization of intangible assets and the confirm of the revenues according to the actual production and operating characteristics.

(I) Declaration on compliance with the Accounting Standards for Enterprises

The Company's financial statements meet the requirements of the Accounting Standards for Enterprises, truthfully and completely reflecting information on its financial condition, results of operations and cash flows.

(II) Accounting period

The accounting year starts on 1 January and ends on 31 December of Gregorian calendar.

(III) Operating cycle

The operating cycle of the operating business of the Company is fairly short and regards 12 months as the dividend standard of the mobility of the assets and liabilities.

(IV) Reporting currency

RMB is adopted as the reporting currency.

(V) Accounting treatment of business combination under common control and not under common control

1. Accounting treatment of business combination under common control

The assets and liabilities that the Company obtains in a business combination are measured on the basis of their carrying amount of the combined party among the consolidated financial statement of the final control party on the combining date. As for the balance between the book value amount of the owners' equities of the combined party among the consolidated financial statement of the final control party and the book value of paid consolidated consideration and the total amount of the book value of the shares issued, the additional paid-in capital has been adjusted. If the additional paid-in capital is insufficient to be offset, the retained earnings are adjusted.

2. Accounting treatment of business combination not under common control

The Company recognizes the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. For the balance between the combination costs and the fair value of the identifiable net assets the Company obtains from the acquiree, it first reexamines the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs; if, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it records the balance into the profits and losses of the current period.

(VI) Preparation method of the financial statements

The consolidated financial statements of the parent company involve all its subsidiaries. The consolidated financial statements is prepared by parent enterprise in accordance with the "Accounting Standard for Business Enterprises No 33-Consolidated Financial Statements" based on the financial statement of parent enterprise and subsidiaries, in accordance with other relevant materials, as adjusted long term share investment by equity method.

(VII) Category of the joint venture arrangement and the accounting treatment of the joint operation

1. Joint venture arrangement classified into joint operation and joint venture enterprises.

2. When the Company is the joint venture party of the joint operating, the following items related to the interests shares of the joint operation should be confirmed:

(1) Confirms the assets individually held and confirms the assets jointly held according to the holding portion;

(2) Confirms the liabilities individually undertook and confirms the liabilities jointly undertook according to the holding portion;

(3) Confirms the revenues occurred from the selling of the output shares of the joint operation enjoyed by the

Company;

(4) Confirms the revenues occurred from the selling of the assets of the joint operation according to the holding portion of the Company;

(5) Confirms the expenses individually occurred and confirms the expenses occurred from the joint operation according to the holding portion of the Company.

(VIII) Recognition criteria of cash and cash equivalents

The term "cash" listed in the cash flow statement refers to cash on hand and deposits that are readily available for payment. The term "cash equivalents" refers to short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(IX) Translation of foreign currency transactions and statements

1. Translation of foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency is translated into RMB amount at the spot exchange rate of the transaction date. On the balance sheet date, the foreign currency monetary items are translated at the spot exchange rate of that day. The balance of exchange arising from the exchange rate difference, except the exchange balance of principal and interest of foreign currency borrowings used in acquisition and construction of assets eligible for capitalization, is recorded into the profits and losses at the current period or other comprehensive income.

2. Translation of foreign currency statements

The asset and liability items in the balance sheets are translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except the ones as "undistributed profits", others are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements are translated at the spot exchange rate of the transaction date. The balance arisen from the translation of foreign currency financial statements in compliance with the aforesaid translation methods is presented separately under the owner's equity item of the balance sheets.

(X) Financial instruments

1. Classification of financial assets and liabilities

Financial assets are classified into the following four categories when they are initially recognized: Financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period (including transactional financial assets and the financial assets which are measured at their fair

values and of which the variation is included in the current profits and losses), the investments which will be held to their maturity, loans and the account receivables, and financial assets available for sale.

Financial liabilities are classified into the following two categories when they are initially recognized: Financial liabilities measured by fair value and their change is recorded in current profit and loss (including transactional financial liabilities and the financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses), and other financial liabilities.

2. Recognition, measurement and derecognizing conditions of financial assets and liabilities

When the Company becomes a party to a financial instrument, it recognizes a financial asset or financial liability. Financial assets and liabilities are measured by fair value when they are initially recorded. For financial assets and liabilities measured by fair value and their change is recorded in current profit and loss, their related transaction expenses are directly recorded in current profit and loss. For financial assets and liabilities of other categories, their related transaction expenses are recorded in the initially recognized amount.

The Company makes subsequent measurement on its financial assets according to their fair values, and may not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) The investments held until their maturity, loans and accounts receivable are measured on the basis of the post-amortization costs by adopting the actual interest rate method; (2) The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument are measured on the basis of their costs.

The Company makes subsequent measurement on its financial liabilities on the basis of the post-amortization costs by adopting the actual interest rate method, with the exception of those under the following circumstances:

(1) For the financial liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, they are measured at their fair values, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) For the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by delivering the equity instrument, they are measured on the basis of their costs; (3) For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, and for the commitments to grant loans which are not designated to be measured at the fair value and of which the variation is recorded into the profits and losses of the current period and which

will enjoy an interest rate lower than that of the market, a subsequent measurement is made after they are initially recognized according to the higher one of the following: i. the amount as determined according to the Accounting Standards for Enterprises No 13 - Contingencies.; ii. the surplus after accumulative amortization as determined according to the principles of the Accounting Standards for Enterprises No 14 - Revenues is subtracted from the initially recognized amount.

The profits and losses arising from the change in the fair value of a financial asset or financial liability are dealt with according to the following provisions, unless it is related to hedging: (1) The profits and losses, arising from the change in the fair value of the financial asset or financial liability which is measured at its fair value and of which the variation is recorded into the profits and losses of the current period, are recorded into the profits and losses on the changes in fair value. The interests or cash dividends obtained during the holding of assets are recognized as investment income. Upon disposal, the differences between actual amount received and the amount initially recorded are recognized as investment income, and the profits and losses on the changes in fair value account are adjusted into investment income. (2) The change in the fair value of a sellable financial asset is included in capital reserve. The interest calculated according to the actual interest rate method is recorded into investment income. The cash dividends of the sellable equity instrument investments are recorded into investment income when the investee announces the distribution of dividends. Upon disposal, the differences between actual amount received and the carrying amount deducted of the accumulated amount of changes in the fair value that has been originally recorded in capital reserve are recognized as investment income.

Financial assets are derecognized as the rights to receive cash flows from the investments have expired, or all substantial risks and rewards to the ownership have been transferred. When all or part of the current obligation of the financial liability is discharged, the financial asset or part of it is derecognized subsequently.

3. Recognition and measurement methods of transfer of financial assets

Financial assets are derecognized when the Company has transferred all risks and rewards to the ownership to the transferee. When the Company still retains nearly all of the risks and rewards related to the ownership of the transferred financial asset, it continues to recognize the entire financial asset to be transferred and recognizes the consideration it receives as a financial liability. If the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of the financial assets, it deals with them under the following circumstances: (1) Financial assets are derecognized when the Company has waived its control; (2) If the Company does not waive its control over the financial asset, the relevant asset and liability are recognized according to the degree where it is continuously involved in the financial asset to be transferred.

If the transfer of an entire financial asset satisfies the conditions of derecognition, the difference between the amounts of the following 2 items is recorded in the profits and losses of the current period: (1) The carrying amount of the financial asset to be transferred; (2) The sum of consideration received from the transfer of financial assets and accumulated amount of changes in the fair value that has been originally recorded in owner's equity. If the transfer of partial financial asset satisfies the conditions of derecognition, the entire carrying amount of the financial asset to be transferred, between the portion who has been derecognized and the portion who has not been derecognized, is apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items is included into the profits and losses of the current period: (1) The carrying amount of the financial asset to be transferred; (2) The sum of consideration received from the derecognition of partial financial assets and accumulated amount of changes in the fair value that has been originally recorded in owner's equity which corresponds to the portion who has been derecognized.

4. Methods for determining fair value of financial assets and liabilities

The Company shall determine fair value of financial assets and liabilities applicable to current circumstance with sufficient data available and valuation techniques for other information. The Company shall divide the input values used by valuation techniques into following levels.

(1) First-level input value refers to unadjusted price in active market obtaining same assets or liabilities on measurement date.

(2) Second-level input value refers to direct or indirect observable input value related to relevant assets or liabilities except the first-level input value, including quotation of similar assets or liabilities in active market; quotation of same or similar assets or liabilities in inactive market; and other observable input value besides quotation, such as observable interest rate and yield curve in normal quotation interval and market verified input value.

(3) Third-level input value refers to unobservable input value of relevant assets or liabilities, including unobservable interest rate or interest rate not verified by observable market data, stock volatility, future cash flow undertaken by enterprises in the merger and financial forecasting from own data, etc.

5. Impairment test and impairment provision methods of financial assets

(1) The Company carries out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Where there is any objective evidence proving that such financial asset has been

impaired, an impairment provision is made.

(2) As for the held-to-maturity investment, the loans and the account receivables, should tell apart the financial assets with significant single amounts and individually execute the impairment test; with regard to the financial assets with insignificant single amounts, an independent impairment test may be carried out, or they may be included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon independent test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar risk features so as to conduct another impairment test. If the test results indicate there is impairment, should confirm the impairment losses according to the difference of which the book value higher than the current value of the expected future cash flow.

(3) Available-for-sale financial assets

1) The subjective evidences indicate there is impairment of the available-for-sale debt instruments investment including:

- ① A serious financial difficulty occurs to the debtor;
- ② The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal;
- ③ The Company makes any concession to the debtor who is in financial difficulties due to economic or legal factors etc.;
- ④ The debtor will probably become bankrupt or carry out other financial reorganizations;
- ⑤ The debt instruments can no longer continue to be traded in the active market due to serious financial difficulties of the debtor;
- ⑥ Other conditions showing the impairment of sellable debt instruments.

2) Objective evidences that can prove the impairment of sellable equity instrument investment include that the fair value of the equity instrument investment drops significantly or not contemporarily.

The Company shall inspect all available-for-sale equity instrument investment individually on balance sheet date. For equity instrument investment measured by fair value, if the fair value on balance sheet date is lower than 50% (including 50%) of costs for more than 12 months (including 12 months), it indicates that the impairment has occurred. If the fair value is lower than 20% (including 20%) no more than 50% on balance sheet date or for more than 6 months (including 6 months) but no more than 12 months, the Company shall consider other relevant

factors, such as fluctuations in prices, to determine whether impairment occurs for equity instrument investment. For the equity instrument investment measured by costs, the Company shall consider whether material adverse change occurs for the technologies, market, economics or legal environment to determine whether impairment occurs.

When the available-for-sale financial assets measured by fair value are impaired, original accumulating losses caused by decrease of fair value and directly included in other comprehensive income should be transferred out and included in impairment loss. When investing the available-for-sale debt instrument with determined impairment loss, if fair value rebounds related to events after original impairment losses after date, original impairment losses should be transferred out and included in current profits and losses. For available-for-sale equity instrument investment with determined impairment loss, the fair value rebounds and includes in other comprehensive income directly.

When there is impairment of the available-for-sale equity instruments which measured by cost, should confirm the difference between the book value of the equity instruments investment and the current value confirmed by the discount of the future cash flow according to the market earnings rate at that moment of the similar financial assets as the impairment losses and included in the current gains and losses, and once the occurred impairment losses be confirmed, should not be reserved.

(XI) Accounts receivable

1. Receivables single bad debt provision in significant single amount

Recognition criteria or amount standard of provision for bad debt in receivables of significant single amount	The Company recognizes accounts receivable of single amount, which is no less than RMB500,000,000, and other receivables of single amount, which is no less than RMB50,000,000 as receivables of significant single amount.
Method of provision for single bad debt in significant single amount	The Company takes individual impairment test for those significant receivable accounts to determine the impairment loss and makes provision for bad debts based on the difference between their future cash flow value and carrying amount.

2. Accounts receivable with provision for bad debts based on the business characteristics

(1) Specific groups and the withdrawal methods of the bad debt provision

Withdrawal method with provision for bad debts based on the business characteristics	
Aging group	Aging analysis method
Related come-and-go group within the consolidated scope	The Company takes individual impairment test for those significant receivable accounts to determine the impairment loss and makes provision for bad debts based on the difference between their future cash flow value

and carrying amount.

(2) Aging analysis method

For those receivable portfolios, the Company classifies them as several groups of different credit risk levels by their age, and determines the proportional provision for bad debts based on the business characteristics:

Age	Within six months	Six months to one year	1-2 years	2-3 years	3-5 years	Over five years
Business characteristics						
Air conditioning and the parts	5%	5%	10%	30%	50%	100%
Refrigerator and the parts	5%	5%	10%	30%	50%	100%
Washing machine and the parts	5%	5%	10%	30%	50%	100%
Small home appliances	5%	5%	10%	30%	50%	100%
Logistics and transport		5%	10%	30%	50%	100%
Motor		5%	10%	30%	50%	100%
Others	5%	5%	10%	30%	50%	100%

Midea Carrier Co. Of Latin America, subsidiary of the Company, takes no proportional provision for bad debts in accounts receivable of within 1 year, but for those of over 1 year as 100.00%, and no for other receivables.

3. Receivables without significant single amount but with single bad debt provision

Reason for single bad debt provision	There significant differences between the future cash flow value of receivables and that of receivables grouped by credit risk feature of age as well as of receivables grouped by specific identification method.
Method of bad debt provision	The Company takes individual impairment test for those significant receivable accounts to determine the impairment loss and makes provision for bad debts based on the difference between their future cash flow value and carrying amount.

Provision for bad debt is taken for notes receivable, prepayments, interest receivable, long-term receivables, etc. based on the difference between their future cash flow value and carrying amount.

(XII) Inventories

1. Classification of inventories

Inventories refer to the finished products or merchandise held by the company for sale in ordinary life, products in process or the materials to be consumed in the process of production or during rendering of labor services.

2. Valuation method of dispatched inventories

The dispatched inventories adopt the first-in first-out method.

3. The recognition basis of the inventories discountable net value

On the balance sheet date, inventories are measured on the basis of the lower one of cost and net realizable value.

The excess of the cost over the net realizable value of each item of inventories or inventory categories is recognized as the basis for counting and drawing inventory falling price reserves. For inventories directly for sale, net realizable value is measured on the basis of the estimated selling price less the estimated costs and the relevant taxes in the ordinary course of business production and operation. For inventories that need processing, net realizable value is measured on the basis of the estimated selling price of the finished goods less the estimated costs during processing and the relevant taxes in the ordinary course of business production and operation. On the balance sheet date, net realizable values are determined by different condition of each item of inventories, where some portions have the contractual price agreement while the others have not. Net realizable values are then compared with their corresponding costs to determine the basis for counting and drawing inventory falling price reserves or the amount of reversal respectively for different proportions.

4. Inventory system

The Company adopts the perpetual inventory system.

5. Amortization methods of low-value consumables and packaging materials

(1) Low-value consumables

Low-value consumables are amortized at a time.

(2) Packaging materials

Low-value consumables are amortized at a time.

(XIII) Divided as assets held for sale

The Company divided the non-current assets (excluding the financial assets) which meet with the following conditions as the held-for-sale assets: 1. the component part could be immediately sold merely according to the general and idiomatic clauses of selling the component part under its current condition; 2. had made resolution on disposing the component part; 3. had signed the irrevocable transfer agreement with the transferees; 4. the transfer could be finished probably within 1 year.

(XIV) Long-term equity investment

1. The judgment of the jointly control and significant influence

The term “jointly control” refers to the control jointly owned by the relevant agreements on certain arrangement and the relevant activities of the arrangement must be decided only after the consensus of the participated party which had shared control right. The term “significant influence” means having the power to participate in the formulation of financial and operating policies of the investees, but not the power to control or jointly control the

formulation of these policies together with other parties.

2. Determination of investment cost

The initial investment cost is the obtained share of carrying amounts of shareholders' equity of the party combined at the combination date, on the condition that a business combination involves entities under common control, and that the consideration for combination is settled in cash, by way of transfer of non-cash assets, assumption of liabilities or issuance of equity securities. Capital reserve is adjusted based on the difference between the initial investment cost of the long-term equity investment and the carrying amounts of the consideration paid or the total nominal value of shares issued. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits.

As for the long-term equity investment formed by the enterprise combination under the same control which realized by step by step multiple transactions, the Company judges which whether belongs to the “package deal”.

As for those belongs to the “package deal”, should regard each transaction as a transaction which gains the control right for accounting treatment. As for those not belongs to the “package deal”, should be confirmed as the initial investment cost according to the shares of the book value of the net assets enjoyed from the combined party after the combination among the consolidated financial statement of the final control party on the merger date. As for the difference between the initial investment cost of the long-term equity investment on the merger date and the sum of the book value of the long-term equity investment before reaching the combination and the book value of the newly paid consideration of the further gained shares on the merger date, should adjust the capital reserve; if the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

(2) If the long-term equity investment is obtained through a business combination involving entities under different control, the initial investment cost is the fair value of the consideration paid for combination at the acquisition date.

Accounting respectively to individual financial statements and consolidated financial statements when the company obtained the long-term equity investment through a business combination involving entities under different control:

1) In the individual financial statements, the initial investment cost is determined by the combination of the equity carrying amount of the combining party before the combination date and the new investment cost at the combination date.

2) Judge whether belongs to the “package deal” among the consolidated financial statement.

As for those belongs to “package deal”, should regard each transaction as a transaction which gains the control right for accounting treatment. As for those not belongs to the “package deal”, for the equities held by the acquirees before the purchase date, should execute the remeasurement according to the fair value of the equity on the purchase date and the difference between the fair value and the book value should be included into the current investment income; if the equities held by the acquirees before the purchase date involve with the other comprehensive income and so on under the measurement of the equity method, the other comprehensive income and so on related with which should be transferred as the current revenues belongs to the purchase date. But except for the other comprehensive income occurs from the remeasurement of the net liabilities of the defined benefit plans of the investees or the changes of the net assets.

(3) If the long-term equity investment is obtained through means other than a business combination, the initial investment cost is the actual consideration paid if the investment is obtained by cash, the fair value of the equity securities issued if the investment is obtained by issuing equity securities, the No. 12 of ABSE-Debt Restructuring restricted if the investment is obtained by debt restructuring and the No. 7 of ASBE-Exchange of Non-monetary assets exchanged if the investment is obtained by exchanging the non-monetary assets.

3. Subsequent measurement and the profit and loss determination

When the Company controls the investment, a long-term equity investment is calculated using the cost method and adjusted using equity method during consolidated financial statement compilation. As for the long-term equity investment of the associated enterprises and joint ventures, should adopt the equity method for measurement.

4. Method of using multiple transactions to deal with loss of control over the subsidiary investment

(1) Individual financial statement

As for the disposed equity, should include the difference between the book value and the actual gained cost in the current gains and losses. As for the residual equity, for those still possess significant influences or execute the jointly control with other parties on the investees, should be transferred for measured by equity method; for those no longer could execute the control, jointly control or the significant influences on the investees, should be confirmed as financial assets and be measured according to the relevant regulations of the No. 22 of ASBE-Recognition and Measurement of the Financial Instruments.

(2) Consolidated financial statement

1) Step by step disposes the investment of the subsidiaries until lost the control right through multiple transactions and not belongs to the “package deal”

Before losing the control right, the difference between the disposed cost and the portion of the net assets be constantly calculated since the purchase date or the merger date correspondingly enjoyed by the subsidiaries of disposing the long-term equity investment should be adjusted the capital reserve (capital premium), if the capital premium insufficient to dilute, the retained earnings shall be written down.

When losing the control right on the original subsidiaries, as for the remaining equity should be re-measured according to the fair value at the date of losing control. The difference should be included into the investment income in the period of losing control and the goodwill should be written down at the same time, which is defined as the value of equity disposal consideration plus the remaining equity fair value and less the share of assets of the original subsidiary calculated by the original ownership share since the acquisition day. Other comprehensive income related to the equity investment of the original subsidiary should transfer into the current investment income when the control power is lost.

2) Step by step disposes the investment of the subsidiaries until lost the control right through multiple transactions and belongs to the “package deal”

Each transaction should be regarded as a transaction conducted to deal with a subsidiary out of control power. However, the balance of shared net assets of the subsidiary corresponding to each disposal cost and investment before control power loss should be defined as other comprehensive income in the consolidated financial statements, and should be transferred into the current investment income when the control power is lost.

(XV) Investment property

1. Investment property includes land use rights let out, land use rights held for sale, and buildings let out.
2. Investment property is measured initially based on cost and subsequently based on the cost pattern, and depreciated or amortized using the same methods for depreciating or amortizing fixed assets and intangible assets.

(XVI) Fixed assets

1. Recognition, measurement and depreciation of fixed assets

Fixed assets represent the tangible assets held for production or supply of goods or services, rental or for administrative purposes with useful life of over one accounting year. Recognizes the fixed assets when the economic interests probably inflow and the cost could be reliable measured.

2. Depreciation methods for different types of fixed assets

(1) The Company and subsidiaries (excluding Wuxi Little Swan Company Limited and Midea-Carrier Latin American Company Limited)

Fixed Asset Type	Depreciation method	Useful Life (Years)	Residual Value Rate (%)	Annual Depreciation Rate (%)
Plant and buildings	Straight-line method	20-40	0.00、 5.00	5.00-2.38
Machinery and equipment	Straight-line method	10-18	0.00、 5.00	10.00-5.28
Motor vehicles	Straight-line method	4-12	0.00、 5.00	25.00-7.92
Electronics and other equipment	Straight-line method	3-8	0.00、 5.00	33.33-11.88

(2) Wuxi Little Swan Co., Ltd., a holding subsidiary of the Company

Fixed Asset Type	Depreciation method	Estimated Useful Life (Years)	Estimated Residual Value Rate (%)	Annual Depreciation Rate (%)
Plant and buildings	Straight-line method	20-35	5.00	2.71-4.75
Machinery and equipment	Straight-line method	10-15	5.00	6.33-9.50
Electronics equipment	Straight-line method	3-5	5.00	19-31.67
Motor vehicles	Straight-line method	5	5.00	19
Other equipment	Straight-line method	5	5.00	19

(3) Midea-Carrier Latin American Company Limited

Fixed Asset Type	Depreciation method	Estimated Useful Life (Years)	Estimated Residual Value Rate (%)	Annual depreciation Rate (%)
Plant and buildings	Straight-line method	25		4.00
Machinery and other equipment	Straight-line method	8		12.50

(XVII) Construction-in-progress

1. Construction-in-progress is recognized when the inflow of economic benefits is probable and the cost can be reliably measured, and is measured by the actual cost incurred before it is ready for intended use.
2. Construction-in-progress is transferred into fixed assets when it is ready for intended use based on the actual cost. For a completed project ready for intended use but with final account unsettled, the asset is transferred into fixed assets based on estimated value. After the final account of the project has been settled, the Company shall make adjustment on the previous estimated value based on actual cost, but do not need to adjust the depreciation retrospectively.

(XVIII) Borrowing costs

1. Capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalization are capitalized as part of the cost of those assets. Other borrowing costs are expensed and charged to current profit or loss when incurred.

2. Timing of borrowing costs capitalization

(1) Borrowing costs shall be capitalized if the following conditions are met at the same time: 1) Capital expenditures and borrowing costs have been incurred. 2) Construction or production activities that are necessary to prepare the asset for intended use or sale have commenced.

(2) Capitalization of borrowing costs should be suspended during periods in which abnormal interruption has lasted for more than three months during the process of construction or production of assets qualified for capitalization. The borrowing cost incurred during interruption is recognized as current expenses until the construction or production activities resume.

(3) The capitalization of borrowing costs ceases when the assets qualified for capitalization are constructed or produced and ready for intended use or sale.

3. Capitalization rate and capitalized amount of borrowing costs

For specific borrowings used to acquire, construct or produce assets qualified for capitalization, the amount of interest costs (including amortization of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalized after deducting any interest earned from depositing the unused borrowings in the bank or any investment income arising from the temporary investment of those borrowings during the capitalization period. For general borrowings used to construct or produce assets qualified for capitalization, the capitalized amount of interests on general borrowings shall be determined on the basis that the weighted average (of the excess of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings).

(XIX) Intangible asset

1. Intangible assets, including land use rights, non-patented technologies etc., are initially measured based on cost.

2. Intangible assets with definite useful lives are reasonably amortized over their useful lives based on the anticipated realization pattern of related economic benefits. Intangible assets whose economic benefits realization pattern cannot be reliably anticipated are amortized using the straight-line method over the useful life specified in the following table:

Intangible Asset Type	Useful Life (Year)
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Land use right	Beneficial period
Non-patent technologies	Period specified in the contract or beneficial period

3. The research expenditures for internal research and development projects are recorded into the profits and losses of the current period in which they are incurred; the development expenditures for internal research and development projects can be recognized as intangible assets when they satisfy all the following conditions: (1) It is feasible technically to finish intangible assets for use or sale; (2) It is intended to finish and use or sell the intangible assets; (3) Methods for intangible assets to generate economic benefits is proved useful, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or for the intangible assets itself, or that the intangible assets will be used internally; (4) With the support of sufficient technology, financial resources and other resources, intangible assets can be developed and used or sold; (5) Expenditures attributable to intangible asset development can be reliably measured.

(XX) Part long-term assets impairment

If long-term equity investment, investment real estate measured by cost model, fixed assets, construction in progress, intangible assets with limited service life and other long-term assets are impaired on balance sheet with obvious evidence, it should estimate the recoverable amount. For business goodwill from business merger and intangible assets with uncertain service life, no matter there is obvious evidence indicating impairment, impairment test should be conducted every year. The business goodwill shall, together with the related asset group or combination of asset group, be subject to the impairment test.

If recoverable amount of above long-term assets is lower than book value of assets, preparation for the impairment of assets shall be determined by the difference and included in current profits and losses.

(XXI) Long-term unamortized expenses

The expenses for more than 1 year (excluding one year) in amortization period are accounted for in the long-term prepaid expenses. Long-term unamortized expenses shall be accounted for according to actual amount and amortized averagely during benefit period or defined period. If the long-term prepaid expenses do not benefit future accounting period, amortized mortgage value shall be included in current profits and losses.

(XXII) Employee compensation

1. Employee compensation including the short-term compensation, departed welfare, dismissal welfare and other long-term employee compensation
2. Accounting treatment of the short-term compensation

During the accounting period of the employees providing the services for the Company, the actual occurred short-term compensation should be recognized as liabilities and be included in the current gains and losses or the relevant capital cost.

3. Accounting treatment of the departure welfare

The departure welfare is divided as defined contribution plans and defined benefit plans

(1) During the accounting period of the employees providing the services for the Company, the payable amount calculated according to the defined contribution plans should be recognized as liabilities and is included in the current gains and losses or the relevant capital cost.

(2) Accounting treatment process of defined benefit plans include:

1) According to expected accumulative welfare unit method, unbiased and consistent actuarial assumption are adopted to estimate demographic variables and financial variables, measure obligations for defined benefit plans and determine the obligation period. Meanwhile, obligations for defined benefit plans should be discounted to determine the present value for defined benefit plans and current service costs.

2) If assets exist for defined benefit plans, the deficit or surplus from obligation present value deducting asset fair value is determined as net liabilities or net assets. If surplus exists for defined benefit plan, the lower of surplus of defined benefit plans or asset toplimit is measured as net assets of defined benefit plans.

3) At the end of term, payroll cost generated from defined benefit plans is determined as service cost, net liabilities of defined benefit plans or net interest amount of assets and net liabilities of rereasured defined benefit plans or changes in net assets. The service cost and net interest of net liabilities or assets of defined benefit plan is included in current profits and losses or relevant capital cost. Changes in net liabilities or net assets of rereasured defined benefit plans are included in other comprehensive income and not allowed to be transferred to profits and losses in subsequent accounting period, but the determined amount of other comprehensive income could be transferred within the scope of interest.

4. Accounting treatment methods of dismissal welfare

Dismissal welfare provided to employees adopts the early one that could determine the compensation liabilities for dismissal welfare in following items to be included in current profits and losses: (1) the company could not unilaterally withdraw the dismissal welfare due to termination of labor relations or personnel cutback; (2) the Company confirms costs or expenses related to reorganization of dismissal welfare.

5. Accounting treatment methods of other long-term employee benefits

Other long-term benefits provided to employees meeting the defined contribution plans should be used in accounting treatment according to defined contribution plans. Besides the long-term benefits, it should be treated in accounting according to regulations of defined benefit plans. In order to simplify other accounting treatment, the payroll cost is determined as service cost, net liabilities of other long-term employee benefits or net interest of net assets and changes from other remeasured net liabilities or net assets of long-term employee benefits. The net amount is included in current profits and losses or related asset cost.

(XXIII) Estimated liabilities

1. Estimated liabilities are recognized when the Company has a present obligation as a result of contingencies such as provision of external guarantee, litigation, quality warranty, or onerous contract, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation expenditure can be reliably measured.
2. Estimated liabilities are initially measured at the best estimate of the expenditure required to settle the present obligation. Carrying amounts of all estimated liabilities are reviewed at each balance sheet date.

(XXIV) Share-based payment

1. Types of share-based payments

It includes equity-settled share-based payment and cash-settled share-based payment.

2. Accounting for implementation, amendment and termination of share-based payments

(1) Equity-settled share-based payment

For equity-settled share-based payment made in return for the rendering of employee services that may be exercised immediately after the grant, the fair value of such instrument shall, on the date of the grant, be recognized in relevant costs or expenses with the adjustment in the capital reserve accordingly. For equity-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully rendered during vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the capital reserves shall be adjusted accordingly at the fair value of such instruments on the date of the grant.

For equity-settled share-based payment made in return of other parties' services and the fair value of the other parties' services can be reliably measured, it will be measured based on the fair value of the other parties' services on the date of grant; if the fair value of the other parties' services cannot be reliably measured but the fair value of

equity instruments can be reliably measured, it will be recognized in relevant costs or expenses and the capital reserves shall be adjusted accordingly at the fair value of such instruments on the date of the grant.

(2) Cash-settled share-based payment

For the cash-settled share-based payment made in return for the rendering of employee services that may be exercised immediately after the grant, the fair value of the liability incurred by the Company shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully provided during the vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the corresponding liabilities at the fair value of the liability incurred by the Company.

(3) Revision and termination of share-based payment plans

If the revision results in an increase in the fair value of the equity instruments granted, the Company shall recognize the increase in the services rendered accordingly at the increased fair value of the equity instruments. If the revision results in an increase in the number of equity instruments granted, the Company will recognize the increase in the services rendered accordingly at the fair value of the increased number of equity instruments. If the Company revises the vesting conditions on terms favorable to the employees, the Company will take into consideration of the revised vesting conditions when dealing with the vesting conditions.

If the revision results in a decrease in the fair value of the equity instruments granted, the Company shall continue recognize the amount of services rendered accordingly at the fair value of the equity instruments on the date of grant without considering the decrease in the fair value of the equity instruments. If the revision results in a decrease in the number of equity instruments granted, the Company will account for such decrease by reducing part of the cancellation of equity instruments granted. If the Company revises the vesting conditions on terms not favorable to the employees, the Company will not take into consideration of the revised vesting conditions when dealing with the vesting conditions.

If the Company cancels the equity instruments granted or settles the equity instruments granted during the vesting period (other than cancellation as a result of failure to satisfy the vesting conditions), such cancellation or settlement will be treated as accelerated exercisable rights and the original amount in the remaining vesting period will be recognized immediately.

(XXV) Revenue

1. Revenue recognition principles

(1) Sales of goods

Revenue from sales of goods is recognized when all the following conditions are satisfied: 1) The significant risks and rewards of product ownership have been transferred to the buyer; 2) The Company maintains neither managerial right usually associated with ownership nor effective control over products sold; 3) The amount of revenue can be measured reliably; 4) It is probable that the economic benefits will flow to the Company; 5) Relevant costs incurred or to be incurred can be measured reliably.

(2) Rendering of services

For the revenue of rendering of services that may be measured reliably on the balance sheet date (at the same time, the amount of revenue can be measured reliably; it is probable that related economic benefits will flow to the Company; the completion schedule may be identified reliably; and related costs incurred or to be incurred can be measured reliably), it will be recognized upon completion of service. For the revenue of rendering of services that may not be measured On the balance sheet date, if related service costs incurred are estimated to be compensated, it will be confirmed as the service costs incurred and be transferred to service costs based on the same amounts; if related service costs incurred are estimated to be uncompensated, it will be recorded into the profit and loss of the current period and cannot be recognized.

(3) Transfer of asset use rights

Revenue from transfer of asset use rights is recognized when the relevant economic benefits will probably flow to the Company, and the amount of revenue can be measured reliably. Interest income is recognized based on the length of time for which the Company's monetary funds are used by others and the effective interest rate. Income from usage fee is recognized based on timing and method agreed under relevant contracts or agreements.

2. Revenue recognition methods

(1) Sales of goods

The Company mainly sells household appliances and mechanical productions. The recognition of products for domestic sale shall meet the following requirements: the Company has transferred the goods to buyers according to agreed contracts; the revenue of sales of goods has been confirmed; the Company has received payments or receipt vouchers; and the associated economic benefits may flow in and costs related to the product can be measured in a reliable way. The recognition of products for export shall meet the following requirements: the Company has complete customs declaration, transportation and receipt of bill of lading, and determined the sales

revenues of the product; and the Company has received the payment or receipt vouchers, and the associated economic benefits may flow in and costs related to the product can be measured in a reliable way.

(2) Rendering of services

The Company provides the costumers with various services and the revenue is received after the services have been finished. The revenue includes repairing revenue, installment revenue, transportation service revenue, warehousing services revenue and distribution revenue.

1) The revenue of repairing and installment services is received after being finished.

2) Transportation services mean that the Company provides customers with long-distance road transportation of goods and arranges for the transportation teams to carry goods based on customer requirements. The revenue is counted according to contracts and received after the Company reconciles with the customers at the end of each month.

3) Warehousing services include warehousing services for general goods, capital and goods circulation and spare parts. In addition, the company also provides value-added services such as inventory and warehouse age analysis, bar code and returns management and so on. The revenue is counted according to contracts and received after the Company reconciles with the customers at the end of each month.

4) Distribution services mean that the Company provides the customers with goods loading and unloading, short-distance distribution. The revenue is counted according to contracts and received after the Company reconciles with the customers at the end of each month.

(XXVI) Government grants

1. Judgment basis of the asset-related government grants and the accounting treatment

Long-term assets used for construction and production or formed in other ways are recognized as asset-related government grants. The asset-related government grants should be recognized as deferred income and be average distributed within the useful life of the relevant assets as well as be included in the current gains and losses. However, as for the government grants measured according to the nominal amount, should be directly included in the current gains and losses.

2. Judgment basis of the income-related government grants and the accounting treatment

The government grants other than the asset-related ones are divided as income-related government grants. Income-related government grants are applied to reimbursement of related costs or losses in subsequent periods are recognized as deferred income and taken to current profit or loss for the period when the related costs are

recognized. Government grants applied to reimbursement of related costs or losses already incurred are directly recognized in current profit or loss.

(XXVII) Deferred tax assets or deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated based on the difference between the carrying amounts of the assets or liabilities and their tax bases (or the difference between the tax base and the carrying amount for items which cannot be recognized as assets or liabilities but whose tax base can be determined under tax laws), and are calculated at the tax rates expected to apply to the period when assets are recovered or liabilities are settled.

2. Deferred tax assets are recognized for all deductible temporary differences if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. On the balance sheet date, deferred tax assets unrecognized in prior periods are recognized if there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilized.

3. The carrying amount of deferred tax assets is reviewed On the balance sheet date and written down if it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be utilized. Such amount is written back if it has become probable that sufficient taxable profit will be available.

4. The Company's current and deferred income taxes are recognized in current profit or loss as tax expense or profit, excluding income tax arising from business combination or transactions or items directly recognized in equity.

(XXVIII) Operating leases

When the company acts as the lessee, rental expenses under operating leases are recognized as relevant asset costs or in current profit or loss using the straight-line method over the lease term, with any initial direct cost incurred directly recognized to current profit or loss. Contingent rental is charged to current profit or loss when incurred.

When the company acts as the lessor, rental under operating leases are recognized in current profit or loss using the straight-line method over the lease term, with any initial direct cost incurred directly charged to current profit or loss, excepting for significant amount which will be capitalized and included in profit or loss in installments. Contingent rental is charged to current profit or loss when incurred.

(XXIX) Other significant accounting policies and accounting estimates

1. Recognition criteria and accounting treatment methods of discontinuing operation

Any part disposed by the Company or classified as available-for-sale, operating and individual identified meeting following conditions is regarded as discontinuing operation.

- (1) Representing the primary service or a main operating region;
- (2) Part of an independent service or disposition plan in a main operating region;
- (3) The part is the subsidiary obtained only for resale.

2. Basis and accounting treatment of the hedge accounting adopted

- (1) The hedge business of the Company is cash flow hedges.

2. Hedge accounting is applied to hedges that meet the following conditions: (1) At the beginning of a hedge, the Company formally designates the hedge relationship (the relationship between the hedging instrument and the hedged project) and documents regarding the hedge relationship, risk management objectives and its hedging strategy; (2) Such hedges are expected to be highly effective and comply with the initial risk management strategy set by the Company for the hedge relationship; (3) For cash flow hedges for expected transactions, such expected transactions will probably take place and must expose the Company to risks of movement in cash flows that will eventually affect the profit or loss; (4) The hedge effectiveness can be reliably measured; (5) The hedge effectiveness is evaluated on an ongoing basis, ensuring the hedge is highly effective in the period in which the hedge relationship is designated.

A hedge is deemed highly effective if it meets the following conditions at the same time: (1) It is expected at the inception or for subsequent periods to effectively offset movement in fair value or cash flows arising from the hedged risks in the period in which the hedge is designated; (2) The actual offset result of the hedge ranges from 80% to 125%.

(3) Hedge accounting treatment

- (1) The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in current profit or loss.

- (2) If the hedged item is an expected transaction for which the Company subsequently recognizes a financial asset or financial liability, the gain or loss directly recognized in equity is transferred to current profit or loss in the same period in which the financial asset or financial liability affects the profit or loss. If the Company subsequently recognizes a non-financial asset or non-financial liability due to the expected transaction, the gain or loss directly recognized in equity is transferred to the amount initially recognized on the non-financial asset or non-financial liability. If the Company subsequently recognizes an asset or liability due to the expected

transaction, the gain or loss directly recognized in equity is transferred to current profit or loss in the same period in which the asset or liability affects the profit or loss.

For other cash flow hedges, the gain or loss on the hedging instrument directly recognized in equity is transferred to current profit or loss in the same period in which the hedged, expected transaction affects the profit or loss.

(XXX) Significant accounting policies and accounting estimates changes

1. Significant accounting policies changes

(1) Content and reasons of the changes of accounting policies

The Company executed the No. 39 of ASBE-Measurement of Fair Value, No. 40 of ASBE-Joint Venture Arrangement, No. 41 of ASBE-Disclosure of the Equities among Other Entities formulated by Ministry of Finance in 2014 since 1 Jul. 2014 and the revised No. 2 of ASBE-Long-term Equity Investment, No. 9 of ASBE-Employee Compensation, No. 30 of ASBE-Presentation of Financial Statement and No. 33 of ASBE-Consolidated Financial Statement, and at the same time adopted the No. 37 of ASBE-Presentation of Financial Instruments revised in 2014 by Ministry of Finance among the financial statement.

(2) Report projects and amount affected by significant influences

Report projects affected by significant influences	Influenced amount	Notes
Projects of the balance sheet on 31 Dec. 2013		
Financial assets measured by fair value with the changes included in the current gains and losses	-759,565.22	
Derivative financial assets	759,565.22	
Available-for-sale financial assets	843,370.45	
Long-term equity investment	-843,370.45	
Financial liabilities measured by fair value with the changes included in the current gains and losses	-11,260.18	
Derivative financial liabilities	11,260.18	
Deferred income	144,561.80	
Other non-current liabilities	-144,561.80	
Capital reserve	-54,486.84	
Translation reserve	334,216.66	
Other comprehensive income	-279,729.82	

2. Changes of significant accounting estimates

(1) Content and reasons of changes of accounting estimates

For better indicate the financial conditions of the Company and according to the market environment as well as

the relevant regulations of ASBE, as the household appliance industry, the subsidiary of the Company, Wuxi Little Swan Co., Ltd., altered the withdrawal proportion of the bad debt provision of the accounts receivable and the accounting estimates of the depreciation life of the fixed assets.

The changes of the accounting policies had reviewed and approved by the 7th Session of the 8th Board of Directors of Wuxi Little Swan Co., Ltd.

(2) Report projects and amount affected by significant influences

Report projects affected by significant influences	Influenced amount	Notes
Projects of the balance sheet on 31 Dec. 2014		
Accounts receivable	-4.08	
Other accounts receivable	269.98	
Fixed assets	-6,539.27	
Projects of the income statement of 2014		
Administration expenses	6,539.27	
Assets impairment losses	-265.90	
Total amount of profits	-6,273.38	
Net profits	-5,292.49	

IV. Taxation

(I) Main tax types and tax rates

Tax type	Basis of taxation	Tax rate
Value added tax	Sales of goods or provision of services	17%、6%、11%、3%
Business tax	Taxation turnover	3%、5%
Property tax	Price-based property is subject to 1.2% tax rate after a 30% cut in original price. Rent-based is subject to 12% tax rate for the rental income.	1.2%、12%
Urban maintenance and construction tax	Turnover tax payables	5%、7%
Educational surcharges	Turnover tax payables	3%
Local educational surcharges	Turnover tax payables	1%、2%
Enterprise income tax	Taxable income	12.5%、15%、25%

Notes of the corporate tax rate of the significant taxpaying bodies with different tax rate

Name of the taxpaying bodies	Tax rate of income tax
Guangdong GMCC Refrigeration Equipment Co., Ltd.	15%

Name of the taxpaying bodies	Tax rate of income tax
Guangdong GMCC Precision Manufacturing Co., Ltd.	15%
Guangdong Midea Heating & Ventilation Equipment Co., Ltd.	15%
Anhui GMCC Refrigeration Equipment Co., Ltd.	15%
Anhui GMCC Precision Manufacturing Co., Ltd.	15%
Guangdong Midea Refrigeration Equipment Co., Ltd.	15%
Hefei Midea Refrigerator Co., Ltd.	15%
Chongqing Midea General Refrigeration Equipment Co., Ltd.	15%
Hefei Hualing Co., Ltd.	15%
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	15%
Hubei Midea Refrigerator Co., Ltd.	15%
Wuxi Little Swan Holding Co., Ltd.	15%
Foshan Shunde Midea Washing Appliance Manufacturing Co., Ltd.	15%
Guangdong Witt Vacuum Electronics Manufacturing Co., Ltd.	15%
Jiangxi Midea Guiya Lighting Co., Ltd.	15%
Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd.	15%
Wuhu Midea Washing Appliance Manufacturing Co., Ltd.	15%
Annto Logistics Co., Ltd.	15%
Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd.	15%
Foshan Welling Washer Motor Manufacturing Co., Ltd.	15%
Guangdong Welling Motor Co., Ltd.	15%
Huaian Welling Motor Co., Ltd.	15%
Welling (Wuhu) Motor Co., Ltd.	15%
Jiangsu Midea Chunhua Electric Co., Ltd.	15%
Hefei Midea Washing Machine Co., Ltd.	15%
Wuxi Feiling Electronics Co., Ltd.	15%
Wuxi Little Swan Electric Appliance Co., Ltd.	15%
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	15%
Chongqing Midea Refrigeration Equipment Co., Ltd.	15%
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	15%
Foshan Shunde Midea Electronic and Science & Technology Co., Ltd.	12.5%

(II) Tax preferential treatments

1. On 10 Oct. 2014, Guangdong GMCC Refrigeration Equipment Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201444000397. The subsidiary was subject to 15% corporate income tax rate in 2014.

2. On 12 Sep. 2012, Guangdong GMCC Precision Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201244000087. The subsidiary was subject to 15% corporate income tax rate in 2014.

3. On 26 Nov. 2012, Guangdong Midea Heating & Ventilation Equipment Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201244000708. The subsidiary was subject to 15% corporate income tax rate in 2014.

4. On 14 Oct. 2013, Anhui GMCC Refrigeration Equipment Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201334000093. The subsidiary was subject to 15% corporate income tax rate in 2014.

5. On 3 Jul. 2012, Anhui GMCC Precision Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR2012234000097. The subsidiary was subject to 15% corporate income tax rate in 2014.

6. On 10 Oct. 2014, Guangdong Midea Refrigeration Equipment Co., Ltd. a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201444000965. The subsidiary was subject to 15% corporate income tax rate in 2014.

7. On 21 Oct. 2014, Hefei Midea Refrigerator Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201434001001. The subsidiary was subject to 15% corporate income tax rate in 2014.

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8. On 14 Oct. 2014, Chongqing Midea General Refrigeration Equipment Co, Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201451100044. The subsidiary was subject to 15% corporate income tax rate in 2014.
9. On 21 Oct. 2014, Hefei Hualing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201434000715. The subsidiary was subject to 15% corporate income tax rate in 2014.
10. On 21 Oct. 2014, Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201434001130. The subsidiary was subject to 15% corporate income tax rate in 2014.
11. On 14 Oct. 2014, Hubei Midea Refrigerator Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201442000015. The subsidiary was subject to 15% corporate income tax rate in 2014.
12. On 21 May 2012, Wuxi Little Swan Holding Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201232000096. The subsidiary was subject to 15% corporate income tax rate in 2014.
13. On 10 Oct. 2014, Foshan Shunde Midea Washing Appliance Manufacturing Co., Ltd. a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201444001324. The subsidiary was subject to 15% corporate income tax rate in 2014.
14. On 10 Oct. 2014, Guangdong Witt Vacuum Electronics Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201444000159. The subsidiary was subject to 15% corporate income tax rate in 2014.
15. On 9 Apr. 2014, Jiangxi Midea Guiya Lighting Co., Ltd., a controlled subsidiary of the Company, was

recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201436000009. The subsidiary was subject to 15% corporate income tax rate in 2014.

16. On 16 Oct. 2014, Wuhu Midea Kitchen & Bathroom Electric Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201434000129. The subsidiary was subject to 15% corporate income tax rate in 2014.

17. On 15 Nov. 2012, Wuhu Midea Washing Appliance Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201234000405. The subsidiary was subject to 15% corporate income tax rate in 2014.

18. On 29 Jun. 2014, Annto Logistics, a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201234000055. The subsidiary was subject to 15% corporate income tax rate in 2014.

19. On 26 Nov. 2012, Foshan Shunde Midea Electric Appliance Manufacturing Co., Ltd., a wholly owned subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201244000587. The subsidiary was subject to 15% corporate income tax rate in 2014.

20. On 10 Oct. 2014, Foshan Welling Washer Motor Manufacturing Co., Ltd., a wholly owned subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201444000608. The subsidiary was subject to 15% corporate income tax rate in 2014.

21. On 10 Oct. 2014, Guangdong Welling Motor Co., Ltd., a wholly owned subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201444000268. The subsidiary was subject to 15% corporate income tax rate in 2014.

22. On 25 Sep. 2013, Huaian Welling Motor Co., Ltd., a wholly owned subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High

Technology Enterprise Certificate. The certificate number was GF201332000124. The subsidiary was subject to 15% corporate income tax rate in 2014.

23. On 2 Jul. 2014, Welling (Wuhu) Motor Co., Ltd., a wholly owned subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201434000371. The subsidiary was subject to 15% corporate income tax rate in 2014.

24. On 5 Aug. 2014, Jiangsu Midea Chunhua Electric Co., Ltd., a wholly owned subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201432000806. The subsidiary was subject to 15% corporate income tax rate in 2014.

25. On 2 Jul. 2014, Hefei Midea Washing Machine Co., Ltd. , a wholly owned subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201434000147. The subsidiary was subject to 15% corporate income tax rate in 2014.

26. On 6 Aug. 2012, Wuxi Feiling Electronics Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201232000673. The subsidiary was subject to 15% corporate income tax rate in 2014.

27. On 21 May 2012, Wuxi Little Swan Electric Appliance Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201232000077. The subsidiary was subject to 15% corporate income tax rate in 2014.

28. On 12 Sep. 2012, Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd., a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GF201244000221. The subsidiary was subject to 15% corporate income tax rate in 2014.

29. On 3 Jun. 2014, the application of the remission of the corporate income tax of the west development which put forward by Chongqing Midea Refrigeration Equipment Co., Ltd., had approved by the National Taxation Bureau of Chongqing Economic and Technological Development Zone. The subsidiary was subject to 15%

corporate income tax rate in 2014.

30. On 16 Jul. 2013, Hefei Midea Heating & Ventilation Equipment Co., Ltd, a controlled subsidiary of the Company, was recognized as an enterprise of new and high technology for a valid term of 3 years and granted the New and High Technology Enterprise Certificate. The certificate number was GR201334000033. The subsidiary was subject to 15% corporate income tax rate in 2014.

31. Certified by No. (2012) 27 document from Foshan Shunde State Administration of Taxation, the holding subsidiary, Foshan Shunde Midea Electronic Technology Co., Ltd enjoys the benefits of corporate income tax reduction and exemption for software enterprise. Before December 31, 2017, the grace period starts from profit-making year; corporate income tax is exempted in the first and second year and levied half of 25% statutory tax rate until expiration. The year of 2014 is the fourth profit-making year when corporate income tax is levied by the tax rate of 12.5%.

V. Notes to the Items in the Consolidated Financial Statements

(I) Notes to the Consolidated Balance Sheet

1. Cash on hand and in bank

(1) Detailed Information

Items	Closing balance	Opening balance
Cash in Stock	1,037.93	2,125.61
Cash in Bank	5,505,459.73	14,946,953.96
Other Currency Fund	696,785.15	624,603.47
Total	6,203,282.81	15,573,683.04
Of which: total amount deposited in overseas	1,177,384.39	1,529,375.31

(2) Notes on the funds with restriction on use due to mortgage, pledge or freezing, or deposited overseas, or with potential risk of capital recovery.

Ending balance of other monetary fund mainly refers to bank acceptance deposits.

2. Deposit in Central Bank

(1) Detailed Information

Items	Closing balance	Opening balance
Statutory reserves deposited in the central bank	1,277,563.60	919,725.16
Excess deposit reserve deposited in the central bank	2,028.87	3,907.06
Total	1,279,592.47	923,632.22

(2) Notes on the funds with restriction on use, deposited overseas, or with potential risk of capital recovery

Statutory reserves deposited in the central bank refer to the statutory reserves deposited in the People's Bank of China in accordance with relevant regulations, which shall not be used for daily operations.

3. Deposit in other banks

Items	Closing balance	Opening balance
Deposited in domestic banks	2,126,444.99	1,746,284.24
Subtotal	2,126,444.99	1,746,284.24
Less: Provision for bad account		
Total	2,126,444.99	1,746,284.24

4. Derivative financial assets

Items	Closing balance	Opening balance
Derivative financial assets	162,513.84	759,565.22
Total	162,513.84	759,565.22

Ending balance of derivative financial assets mainly refers to the changes in fair value of forward foreign exchange contracts not yet settled.

5. Notes receivable

(1) Detailed Information

Classification	Closing balance			Opening balance		
	Book balance	Provision for bad account	Book value	Book balance	Provision for bad account	Book value
Bank acceptance bill	17,097,233.37		17,097,233.37	14,150,532.20		14,150,532.20
Total	17,097,233.37		17,097,233.37	14,150,532.20		14,150,532.20

(2) Notes of the notes receivable which have been endorsed to others or discounted that had not due on the balance sheet date

Items	Derecognition amount at the period-end	Non-derecognition amount at the period-end
Bank acceptance bill	23,896,317.56	
Subtotal	23,896,317.56	

6. Account receivable

(1) Detailed Information

1) Category details

Classification	Closing balance				
	Book balance		Provision for bad account		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Significant single amount and individual provision for bad debts	70,985.01	0.71	45,112.27	63.55	25,872.74
Withdraw the bad debt provision by credit risks characteristics	9,951,637.43	98.99	615,407.42	6.18	9,336,230.01
Non-significant single amount and individual provision for bad debts	30,657.10	0.30	30,657.10	100.00	
Total	10,053,279.54	100.00	691,176.79	6.88	9,362,102.75

(Continued)

Classification	Opening balance				
	Book balance		Provision for bad account		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Significant single amount and individual provision for bad debts					
Withdraw the bad debt provision by credit risks characteristics	8,449,751.68	99.78	521,313.43	6.17	7,928,438.25
Non-significant single amount and individual provision for bad debts	18,523.58	0.22	18,523.58	100.00	
Total	8,468,275.26	100.00	539,837.01	6.37	7,928,438.25

3) Accounts receivable with significant single amount but with provision for bad debts by period-end

Name of the units	Book balance	Bad debt provision	Withdrawal provision (%)	Withdrawal reason
Arcodym Home appliance	42,237.52	42,237.52	100.00	Confirmed that couldn't be recovered
HUYEN NGUYEN CHAU CO., LTD	28,747.49	2,874.75	10.00	Expected to occur bad debts and submit which to the CITIC for insurance claim
Subtotal	70,985.01	45,112.27		

3) Accounts receivable in the combination which adopts aging analysis method to determine provision for bad debt

Age	Closing balance		
	Book balance	Bad debt provision	Withdrawal proportion (%)
Within 1 Year	9,713,668.82	414,874.47	4.00
1-2 Years	90,778.82	68,375.17	75.00
2-3 years	94,450.27	80,778.85	86.00
3-5 years	50,914.61	49,554.02	97.00
Over 5 years	1,824.91	1,824.91	100.00
Subtotal	9,951,637.43	615,407.42	6.18

(2) Situation of the bad debt provision withdrawn, recovered or reversed

The amount of the bad debt provision of the period was of RMB151,692,280.

(3) Accounts receivable actually written off in this period

1) The amount of the accounts receivable actually written off in this period was of RMB352,510.

2) List of the significant accounts receivable written off in this period

Name of the units	Nature	Amount	Reason	Executed write-off process	Whether due to associated transactions
Jinmao Shenzhen Hotel Investment Co., Ltd.	Loans	108.90	Estimated to be uncollectible	Approved by the Board of Directors	No
Hunan Huatian Hotel Co., Ltd.	Loans	60.00	Estimated to be uncollectible	Approved by the Board of Directors	No
Subtotal		168.90			

(4) Top 5 of the accounts receivable

The total amount of the top 5 accounts receivable of the closing balance was of RMB1,610,846,130 that was 16.02% of the total amount of the closing balance of the accounts receivable, and the total amount of the corresponding withdrawn bad debt provision was of RMB80,542,310.

7. Advance payment

(1) Aging analysis

1) Detailed situation

Aging	Closing balance			
	Book Balance	Proportion (%)	Provision for bad account	Book Value
Within 1 Year	1,298,444.25	91.79		1,298,444.25
1-2 Years	93,716.42	6.63		93,716.42
2-3 years	16,962.10	1.20		16,962.10
Over 3 years	5,347.68	0.38		5,347.68
Total	1,414,470.45	100.00		1,414,470.45

(Continued)

Aging	Opening balance			
	Book Balance	Proportion (%)	Provision for bad account	Book Value
Within 1 Year	2,095,908.40	86.16		2,095,908.40
1-2 Years	316,635.12	13.02		316,635.12
2-3 years	19,877.02	0.82		19,877.02
Total	2,432,420.54	100.00		2,432,420.54

2) Reason for not timely settling advanced payments aged more than 1 year and with significant amount

Name of the unit	Closing balance	Unsettle reason
Shanxi Suihua Aojie Technology Co., Ltd.	12,000.00	Not accepted
Subtotal	12,000.00	

(2) Top 5 of the advanced payment

The total amount of the top 5 prepayment of the closing balance was of RMB244,932,180 that was 17.32% of the total amount of the closing balance of the prepayment.

8. Granting loans and advances

(1) Classified by individual and enterprise distribution

Items	Closing balance	Opening balance
Individual loans and advances		
Company loans and advances	6,030,087.31	5,145,903.95
including: Loan	964,523.26	760,893.85
Notes discount	5,065,564.05	4,385,010.10
Total loans and advances	6,030,087.31	5,145,903.95
Less: Provision for loan loss	89,286.84	45,818.24

Total	5,940,800.47	5,100,085.71
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(2) Loans and advances classified by guaranty method

Items	Closing balance	Opening balance
Credit loans	110,500.00	189,500.00
Guaranteed loans	770,323.26	263,000.00
including: collateral loans		
Pledge loans	5,149,264.05	4,693,403.95
Subtotal	6,030,087.31	5,145,903.95
Less: Provision for loan loss	89,286.84	45,818.24
Total	5,940,800.47	5,100,085.71

(3) Changes in loan loss reserves

Items	Closing balance	Opening balance
Beginning Balance	45,818.24	30,500.07
Provision in this period	43,468.60	15,318.17
Transfer-in in this period		
Write-off in this period		
Transfer-out in this period		
Balance at year end	89,286.84	45,818.24

9. Dividend receivables

Items	Closing balance	Opening balance
Misr Refrigeration and Air-conditioning Mfg. Co. S.A.E.	45,943.22	25,863.84
Total	45,943.22	25,863.84

10. Other receivables

(1) Detailed Information

1) Category details

Classification	Closing balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Significant single amount and					

individual provision for bad debts	154,562.50	12.62			154,562.50
Withdraw the bad debt provision by credit risks characteristics	1,069,799.51	87.37	43,594.48	4.08	1,026,205.03
Non-significant single amount and individual provision for bad debts	101.15	0.01	101.15	100.00	
Total	1,224,463.16	100.00	43,695.63	3.57	1,180,767.53

(Continued)

Classification	Opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Significant single amount and individual provision for bad debts	150,000.00	14.15			150,000.00
Withdraw the bad debt provision by credit risks characteristics	909,948.21	85.85	34,553.02	3.80	875,395.19
Non-significant single amount and individual provision for bad debts					
Total	1,059,948.21	100.00	34,553.02	3.26	1,025,395.19

2) Other accounts receivable with significant single amount and provision for bad debt

Other Accounts Receivable	Book balance	Bad debt provision	Withdrawal provision (%)	Provision reason
Come-and-go money	154,562.50			
Subtotal	154,562.50			

3) Other accounts receivable in the combination which use aging analysis method to determine provisions for bad debts

Aging	Closing balance		
	Book balance	Bad debt provision	Withdrawal provision (%)
Within 1 Year	955,922.91	21,655.70	2.27
1-2 Years	80,187.71	7,988.70	9.96
2-3 years	14,471.81	4,341.54	30.00

3-5 years	19,217.08	9,608.54	50.00
Subtotal	1,069,799.51	43,594.48	4.08

(2) Situation of the bad debt provision withdrawn, recovered or reversed in this period

The amount of the bad debt provision of the period was of RMB9,142,610.

(3) Top 5 of the other accounts receivable

Name of the units	Nature	Book balance	Aging	Proportion of the balance of the other accounts receivable (%)	Bad debt provision
No. 1	Cash deposit	154,562.50	1-2 years	12.62	
No. 2	Export tax refunds	143,356.91	Within 1 year	11.71	
No. 3	Export tax refunds	41,918.33	Within 1 year	3.42	
No. 4	Favour people subsidy payments	33,916.56	1-2 years	2.77	
No. 5	Favour people subsidy payments	12,609.84	1-2 years	1.03	
Subtotal		386,364.14		31.55	

11. Inventories

(1) Detailed Information

Items	Closing balance		
	Book balance	Price fall preparation	Book value
Raw materials	2,453,511.83	18,436.81	2,435,075.02
Materials under consigned processing	376,930.37		376,930.37
Low-value consumables	843.51		843.51
Work in process	392,333.54		392,333.54

Goods in stock	11,934,496.06	119,648.24	11,814,847.82
Total	15,158,115.31	138,085.05	15,020,030.26

(Continued)

Items	Opening balance		
	Book balance	Price fall preparation	Book value
Raw materials	2,819,288.28	10,706.46	2,808,581.82
Materials under consigned processing	477,996.30		477,996.30
Low-value consumables	3,411.32		3,411.32
Work in process	778,214.07		778,214.07
Goods in stock	11,228,305.12	98,784.79	11,129,520.33
Total	15,307,215.09	109,491.25	15,197,723.84

(2) Inventory Falling Price Reserves

1) Detailed information

Items	Opening balance	Increase		Decrease		Closing balance
		Withdrawal	Other	Reversed or written off	Other	
Raw materials	10,706.46	19,936.46		12,206.11		18,436.81
Goods in stock	98,784.79	80,358.02		59,494.57		119,648.24
Total	109,491.25	100,294.48		71,700.68		138,085.05

2) Specific basis of recognizing the net realizable value and the notes of the reasons of the inventory falling price reserves reserved or written off in this period

Items	Basis of provision for inventory falling price reserves	Reason for carrying back inventory falling price reserves	Proportion of carried back amount in period-end inventory balance
Raw Materials	Lower of Cost or Net Realizable Value Method	Production consuming	0.50
Goods in Stock	Lower of Cost or Net Realizable Value Method	sales	0.50

12. Other current assets

Items	Closing balance	Opening balance
Fees to be Apportioned	493,138.51	407,792.26
Hedging instrument		55,315.45
Hedging margins	4,498.40	
Taxes	1,303,175.55	
Bank financing*	24,793,080.00	
Total	26,593,892.46	463,107.71

*The closing balance of the bank financing was the bank financial products purchased by the self-owned funds.

13. Financial assets available for sale

(1) Detailed information

Items	Closing balance		
	Book balance	Impairment provision	Book value
Available-for-sale debt instruments			
Available-for-sale equity instruments	1,655,595.02	100.30	1,655,494.72
Of which: measured by fair value	1,290.97	100.30	1,190.67
measured by cost	1,654,304.05		1,654,304.05
Total	1,655,595.02	100.30	1,655,494.72

(Continued)

Items	Opening balance		
	Book balance	Impairment provision	Book value
Available-for-sale debt instruments			
Available-for-sale equity instruments	844,439.05		844,439.05
Of which: measured by fair value	1,068.60		1,068.60
measured by cost	843,370.45		843,370.45
Total	844,439.05		844,439.05

(2) Available-for-sale financial assets measured by fair value at the period-end

Category of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Subtotal
Cost of the equity instruments	321.99		321.99
Fair value	1,190.67		1,190.67
Changed amount of the fair value accumulatively included in the other comprehensive income	868.68		868.68
Depreciation reserve amount	100.30		100.30

(3) Available-for-sale financial assets measured by cost at the period-end

Investees	Book balance			
	Opening balance	Increase	Decrease	Closing balance
Bank of Jiangsu Co., Ltd.	13,330.45			13,330.45

Hubei Bank Co., Ltd.	5,000.00			5,000.00
Inner Mongolia Baotou Department Store Co., Ltd.	50.00			50.00
Suzhou People's Shopping Centre Co., Ltd.	150.00			150.00
Foshan Shunde Rural Commercial Bank Company Limited	452,840.00	810,933.60		1,263,773.60
Zhangshu City Shunyin Rural Bank Co., Ltd.	6,000.00			6,000.00
Fengcheng Shunyin Rural Bank Co., Ltd.	6,000.00			6,000.00
Wanjiang Financial Leasing Co., Ltd.	360,000.00			360,000.00
Subtotal	843,370.45	810,933.60		1,654,304.05

(Continued)

Investees	Depreciation reserve				Shareholding proportion of the investees (%)	Cash bonus of the period
	Opening balance	Increase	Decrease	Closing balance		
Bank of Jiangsu Co., Ltd.						365.81
Hubei Bank Co., Ltd.					1.29	429.12
Inner Mongolia Baotou Department Store Co., Ltd.					0.04	6.63
Suzhou People's Shopping Centre Co., Ltd.					0.25	50.00
Foshan Shunde Rural Commercial Bank Company Limited					9.40	59,214.96
Zhangshu City Shunyin Rural Bank Co., Ltd.					6.00	180.00
Fengcheng Shunyin Rural Bank Co., Ltd.					6.00	60.00
Wanjiang Financial Leasing Co., Ltd.					12.00	25,200.00
Subtotal						85,506.52

(4) Changes of the depreciation reserve of the available-for-sale financial assets

Category of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Subtotal
Amount of the withdrawn impairment at the period-begin			
Withdrawn amount of the period	100.30		100.30
Of which: transferred from other comprehensive income			

Decreased of the period			
Of which: recovered and reserved of the fair value after the period			
Amount of the withdrawn impairment at the period-end	100.30		100.30

14. Long-term equity investment

(1) Classification situation

Items	Closing balance		
	Book balance	Depreciation reserve	Book value
Investment in the associated enterprises	951,874.39		951,874.39
Total	951,874.39		951,874.39

(Continued)

Items	Opening balance		
	Book balance	Depreciation reserve	Book value
Investment in the associated enterprises	912,427.64		912,427.64
Total	912,427.64		912,427.64

(2) Detailed situation

Investees	Opening balance	Increase/decrease		
		Additional investment	Decreased investment	Gains and losses of the investment confirmed by the equity method
Associated enterprises				
Golden Eagle Asset Management Co., Ltd.	27,760.03			188.10
Guangzhou Antaida Logistics Co. Ltd.	3,169.15			-319.11
Misr Refrigeration And Air Conditioning Manufacturing Co.	360,379.42			20,930.08
MIDEA ELECTRIC TRADING THAILAND CO., LTD	2,758.38			
Shanxi Huaxiang Group Co., Ltd.	218,699.41			29,644.86
Linkgo-HK Limited	27,218.79			3,043.95

Foshan Micro Midea Filter Co., Ltd.	19,430.38			6,064.78
(Philippines) CONCEPCION MIDEA INC	10,987.35	13,623.55		-5,339.44
Hefei Royalstar Motor Co., Ltd.	80,838.82			19,118.81
Foshan City Shunde District Midea Micro-Credit Inc.	70,358.75			1,939.30
Midea Micro-Credit Inc.	90,827.16			18,483.90
MIDEA TRADING (THAILAND) CO., LTD				352.23
PT.MIDEA PLANET INDONESIA				642.29
Zhuhai Lidewan Electronics Co., Ltd.		13,001.63		-10.68
Total	912,427.64	26,625.18		94,739.07

(Continued)

Investees	Increase/decrease			
	Adjustment of other comprehensive income	Changes of other equities	Cash bonus or profits declared to issue	Withdrawal of depreciation reserve
Associated enterprises				
Golden Eagle Asset Management Co., Ltd.				
Guangzhou Antaida Logistics Co. Ltd.				
Misr Refrigeration And Air Conditioning Manufacturing Co.	-2,195.72		-28,056.33	
MIDEA ELECTRIC TRADING THAILAND CO., LTD				
Shanxi Huaxiang Group Co., Ltd.				
Linkgo-HK Limited				
Foshan Micro Midea Filter Co., Ltd.				
(Philippines) CONCEPCION MIDEA INC	-2,858.34			
Hefei Royalstar Motor Co., Ltd.				
Foshan City Shunde District Midea Micro-Credit Inc.				
Midea Micro-Credit Inc.				
MIDEA TRADING (THAILAND) CO., LTD	-57.96			
PT.MIDEA PLANET INDONESIA				

Zhuhai Lidewan Electronics Co., Ltd.			
Total	-5,112.02		-28,056.33

(Continued)

Investees	Increase/decrease Other	Closing balance	Closing balance of depreciation reserve
Associated enterprises			
Golden Eagle Asset Management Co., Ltd.		27,948.13	
Guangzhou Antaida Logistics Co. Ltd.		2,850.04	
Misr Refrigeration And Air Conditioning Manufacturing Co.	-41,235.01	309,822.44	
MIDEA ELECTRIC TRADING THAILAND CO., LTD	-2,758.38		
Shanxi Huaxiang Group Co., Ltd.		248,344.27	
Linkgo-HK Limited	-6,124.01	24,138.73	
Foshan Micro Midea Filter Co., Ltd.		25,495.16	
(Philippines) CONCEPCION MIDEA INC	2,384.70	18,797.82	
Hefei Royalstar Motor Co., Ltd.		99,957.63	
Foshan City Shunde District Midea Micro-Credit Inc.		72,298.05	
Midea Micro-Credit Inc.		109,311.06	
MIDEA TRADING (THAILAND) CO., LTD	-294.27		
PT.MIDEA PLANET INDONESIA	-642.29		
Zhuhai Lidewan Electronics Co., Ltd.	-79.89	12,911.06	
Total	-48,749.15	951,874.39	

15. Investment properties

Items	Houses and buildings	Land use right	Total
Original book value			

Opening balance	340,131.54	45,966.57	386,098.11
Increased amount of the period	69,493.36	11,962.93	81,456.29
1) Outsourcing	2,204.13		2,204.13
2) Transferred from fixed assets/intangible assets	67,289.23	11,962.93	79,252.16
3) Increased from enterprise merger			
4) Other			
Decreased amount of the period	184,345.79	10,359.60	194,705.39
1) Disposal			
2) Transferred into fixed assets/intangible assets	184,345.79	10,359.60	194,705.39
Closing balance	225,279.11	47,569.90	272,849.01

(Continued)

Item	Houses and buildings	Land use right	Total
Accumulative depreciation and accumulative demortization			
Opening balance	154,533.66	13,153.68	167,687.34
Increased amount of the period	23,267.03	2,277.74	25,544.77
1) Withdrawal or demortization	10,241.74	916.57	11,158.31
2) Transferred from fixed assets/intangible assets	13,025.29	1,361.17	14,386.46
Decreased amount of the period	99,106.81	5,487.26	104,594.07
1) Disposal			
2) Transferred into fixed assets/intangible assets	99,106.81	5,487.26	104,594.07
Closing balance	78,693.88	9,944.16	88,638.04
Depreciation reserve			
Opening balance	12,576.07		12,576.07
Increased amount of the period			
1) Withdrawal			
Decreased amount of the period			
1) Disposal			
2) Transferred from others			
Closing balance	12,576.07		12,576.07
Book value at the period-end	134,009.16	37,625.74	171,634.90
Book value at the period-begin	173,021.81	32,812.89	205,834.70

16. Fixed Assets

(1) Detailed Information

Item	Houses and buildings	Machinery equipments	Transportation facilities	Electronic equipments and other	Total
Original book value					
Opening balance	13,903,055.27	12,786,771.86	893,075.97	2,071,443.32	29,654,346.42
Increased amount of the period	1,242,536.43	1,256,068.28	2,102.24	399,130.37	2,899,837.32
1) Purchasement	625,548.39	1,096,362.53	1,950.62	398,847.86	2,122,709.40
2) Transferred from construction in progress	432,510.62	159,705.75			592,216.37
3) Increased from enterprise merger	131.63		151.62	282.51	565.76
4) Transferred from investment properties	184,345.79				184,345.79
Decreased amount of the period	206,740.57	678,283.97	95,717.18	249,957.65	1,230,699.37
1) Disposal or scrapping	123,340.02	648,589.71	95,717.18	245,604.60	1,113,251.51
2) Transferred from others	83,400.55	29,694.26		4,353.05	117,447.86
Closing balance	14,938,851.13	13,364,556.17	799,461.03	2,220,616.04	31,323,484.37
Accumulative depreciation					
Opening balance	2,911,240.00	5,222,779.17	386,332.70	1,536,363.55	10,056,715.42
Increased amount of the period	860,280.09	1,177,670.37	91,575.49	317,867.83	2,447,393.78
1) Withdrawal	761,173.28	1,177,670.37	91,575.49	317,867.83	2,348,286.97
2) Transferred from investment properties	99,106.81				99,106.81
Decreased amount of the period	70,898.49	384,798.58	61,578.61	203,917.06	721,192.74
1) Disposal or scrapping	51,050.42	381,612.77	61,578.61	201,150.86	695,392.66
2) Transferred from				2,766.20	

others	19,848.07	3,185.81			25,800.08
Closing balance	3,700,621.60	6,015,650.96	416,329.58	1,650,314.32	11,782,916.46
Depreciation reserve					
Opening balance	4,550.55	19,133.16	293.97	1,492.00	25,469.68
Increased amount of the period		12,801.38	4.11	61.49	12,866.98
1) Withdrawal		12,801.38	4.11	61.49	12,866.98
Decreased amount of the period	632.10	18,538.17	247.06	165.48	19,582.81
1) Disposal or scrapping	632.10	18,538.17	247.06	165.48	19,582.81
2) Transferred from others					
Closing balance	3,918.45	13,396.37	51.02	1,388.01	18,753.85
Book value at the period-end	11,234,311.08	7,335,508.84	383,080.43	568,913.71	19,521,814.06
Book value at the period-begin	10,987,264.72	7,544,859.53	506,449.30	533,587.77	19,572,161.32

(2) Fixed assets without issued title certificate

Items	Book value	Unsettle reason
Chongqing Refrigeration 1 & 2 plants	281,648.55	In progress
Zhengzhou Logistics Park	96,868.63	In progress
Phase III of Chongqing Mettle	77,012.80	In progress
Wuhan Refrigeration 5 & 6 shift work floor, No. 3 canteen	45,083.01	In progress
Chongqing Refrigeration 1, 2, 3 dormitory	33,350.43	In progress
Subtotal	533,963.42	

17. Construction in progress

(1) Detailed Information

Name of the projects	Closing balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value

GMCC Compressor Engineering	89,066.83		89,066.83	25,116.39		25,116.39
Household Air-conditioner (Chongqing) Project	14,397.00		14,397.00	82,162.33		82,162.33
Suzhou Xiang City Cao Lake Base Project	121,599.18		121,599.18	9,711.00		9,711.00
Wuhan Annto Engineering	24,151.65		24,151.65	13,912.09		13,912.09
Handan Air-Conditioner Expansion Project	61,454.24		61,454.24	9,972.51		9,972.51
Compressor (Anhui)Project	9,567.02		9,567.02	47,117.24		47,117.24
Guiyang Meian Project	34,172.59		34,172.59	703.23		703.23
Guangdong Welling Construction in Progress	71,714.45		71,714.45	91,917.30		91,917.30
The fifth industrial zone dormitory building engineering of Midea	83,416.71		83,416.71			
Qihe Meian Project				94,826.46		94,826.46
Zhengzhou Annto	26,360.83		26,360.83	6,456.65		6,456.65
Hefei Annto Project	40,340.00		40,340.00			
Other projects	85,641.79		85,641.79	230,706.08		230,706.08
Total	661,882.29		661,882.29	612,601.28		612,601.28

(2) List of the changes of the significant construction in progress of this period

Name of the projects	Opening balance	Increase	Transferred in fixed assets	Decreased in others	Closing balance
GMCC Compressor Engineering	25,116.39	127,628.75	63,678.31		89,066.83
Household Air-conditioner (Chongqing) Project	82,162.33	29,958.36	97,723.69		14,397.00

Suzhou Xiang City Cao Lake Base Project	9,711.00	112,311.26	423.08		121,599.18
Wuhan Annto Engineering	13,912.09	10,239.56			24,151.65
Handan Air-Conditioner Expansion Project	9,972.51	77,872.16	26,390.43		61,454.24
Compressor (Anhui)Project	47,117.24	12,954.68	50,504.90		9,567.02
Guiyang Meian Project	703.23	33,469.36			34,172.59
Guangdong Welling Construction in Progress	91,917.30	63,769.67	83,972.52		71,714.45
The fifth industrial zone dormitory building engineering of Midea		83,416.71			83,416.71
Qihe Meian Project	94,826.46	26,493.69	121,320.15		
Zhengzhou Annto	6,456.65	19,904.18			26,360.83
Hefei Annto Project		40,340.00			40,340.00
Other projects	230,706.08	8,672.29	148,203.29	5,533.29	85,641.79
Total	612,601.28	647,030.67	592,216.37	5,533.29	661,882.29

(Continued)

Name of the projects	Accumulative amount of the capitalized interests	Amount of the capitalized interests of the period	Capitalized interests rate of the period (%)	Resources of the capital
GMCC Compressor Engineering				Self-financing
Household Air-conditioner (Chongqing) Project				Self-financing
Suzhou Xiang City Cao Lake Base Project				Self-financing
Wuhan Annto Engineering	1,606.62	1,008.46	6.00	Loans
Handan Air-Conditioner Expansion Project				Self-financing
Compressor (Anhui)Project				Self-financing
Guiyang Meian Project	957.33	549.81	6.00	Loans
Guangdong Welling Construction in Progress				Self-financing
The fifth industrial zone dormitory building engineering of Midea				Self-financing
Qihe Meian Project	7,054.44	1,916.40	6.00	Loans
Zhengzhou Annto	4,374.79	2,365.15	6.00	Loans

Hefei Annto Project				Self-financing
Other projects	4,374.79	2,365.15		Self-financing
Total	18,367.97	8,204.97		

18. Intangible assets

(1) Detailed information

Items	Land use right	Non-patented technology	Other	Total
Original book value				
Opening balance	3,648,151.69	150,075.13	43,468.54	3,841,695.36
Increased amount of the period	256,802.28	47,962.02	7,431.37	312,195.67
1) Purchasement	246,442.68	47,962.02	7,431.37	301,836.07
2) Internal R&D				
3) Increased in enterprise merger				
4) Other	10,359.60			10,359.60
Decreased amount of the period	73,990.84	10,813.02	1,077.88	85,881.74
1) Disposal	62,027.91	10,813.02	1,052.86	73,893.79
2) Transferred from others	11,962.93		25.02	11,987.95
Closing balance	3,830,963.13	187,224.13	49,822.03	4,068,009.29
Accumulative demortization				
Opening balance	416,225.12	82,539.26	17,192.58	515,956.96
Increased amount of the period	73,331.67	62,851.20	2,717.10	138,899.97
1) Withdrawal	67,844.41	62,851.20	2,717.10	133,412.71
2) Other	5,487.26			5,487.26
Decreased amount of the period	7,650.73	10,645.65	509.38	18,805.76
1) Disposal	6,289.56	10,645.65	509.38	17,444.59
2) Transferred from others	1,361.17			1,361.17
Closing balance	481,906.06	134,744.81	19,400.30	636,051.17
Depreciation reserve				
Opening balance				

Increased amount of the period				
1) Withdrawal				
Decreased amount of the period				
1) Disposal				
2) Transferred from others				
Closing balance				
Book value at the period-end	3,349,057.07	52,479.32	30,421.73	3,431,958.12
Book value at the period-begin	3,231,926.57	67,535.87	26,275.96	3,325,738.40

(2) Land use right without issued title certificate

Items	Book value	Unsettle reason
Land use right of Anhui GMCC Precision	84,875.62	In progress
Subtotal	84,875.62	

19. Goodwill

(1) Original book value of goodwill

Name of the investees	Opening balance	Formed by the enterprise merger in the period	Decrease		Closing amount
			Disposal	Other	
Wuhu Lexiang Electric Appliance Co., Ltd.	4,817.20				4,817.20
Guangdong GMCC Compressor Co., Ltd.	13,732.33				13,732.33
Guangdong Midea Wuhu Refrigeration Equipment Co., Ltd.	46,787.54				46,787.54
Guangdong Midea Refrigeration Equipment Co., Ltd.	11,436.08				11,436.08
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	10,160.73				10,160.73
Guangdong Midea Commercial Air					

Conditioning Equipment Co., Ltd.	4,107.14				4,107.14
Hefei Midea Royalstar Refrigerator Co., Ltd.	5,259.68				5,259.68
Hefei Royalstar Midea Appliance Marketing Co., Ltd.	9,008.52				9,008.52
Hefei Royalstar Washing Equipment Manufacturing Co., Ltd.	34,373.76				34,373.76
Chongqing Midea General Refrigeration Equipment Co., Ltd.	8,210.30				8,210.30
Wuxi Little Swan Company Limited	1,326,932.45				1,326,932.45
Midea Carrier Latin American Company	1,037,366.70				1,037,366.70
Jiangxi Midea Elegant Lighting Co., Ltd.	54,427.28				54,427.28
Calpore Macao Commercial Offshore Ltd.	329,956.93				329,956.93
Kim Eng Enterprise Co., Ltd.	29,467.39				29,467.39
Ningbo Meijia Investment Management Co., Ltd.	320.53				320.53
Changzhou Honglu Huate Electric Co., Ltd.	4,639.03				4,639.03
MIDEA ELECTRIC TRADING THAILAND CO., LTD		787.82			787.82
Total	2,931,003.59	787.82			2,931,791.41

(2) Impairment test process, parameters and recognition method of the impairment losses of the goodwill
Our company tests impairment of goodwill based on cash flows, discount rate, and other indicators. After testing and calculation, the book value of the goodwill which is corresponding to relevant asset groups or combination of assets groups is not depreciated; therefore it's unnecessary to prepare provision for goodwill impairment.

(3) Decrease in goodwill

In Jan. 2014, the Company purchased 51% equities of MIDEA ELECTRIC TRADING THAILAND CO LTD 51%, with the difference between the purchased cost and the enjoyed share of the net assets of the acquirees on the purchase date is included in the goodwill.

20. Long-term unamortized assets

Items	Opening balance	Increase in current period	Amortized of the current period	Other decreases	Closing balance
IT software and consulting fees	163,278.09	212,018.59	162,171.22	973.35	212,152.11
Mould fees	363,323.61	331,129.34	389,947.20	2,989.60	301,516.15
Technical getting-started fees	302.35	1,698.11	585.37		1,415.09
Expenses on improvement of assets under operating lease	2,386.16	8,988.34	3,932.89	53.46	7,388.15
Others	118,592.13	391,444.00	270,918.38	3,013.15	236,104.60
Total	647,882.34	945,278.38	827,555.06	7,029.56	758,576.10

21. Deferred income tax assets and deferred tax liabilities

(1) Deferred income tax assets had not been offset

Items	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Deductible losses	420,646.74	128,425.13	560,386.53	173,762.25
Provision for assets impairment	587,439.08	96,013.22	347,182.70	80,589.81
Workers compensation and dismissal costs	1,679,405.74	290,303.22	1,506,604.78	256,213.48
Accrued expenses	19,641,041.97	3,143,330.25	12,134,601.69	1,971,118.75
Unrealized profits of internal transactions	172,023.68	41,586.58	312,395.59	51,569.61
Change of fair value	253,864.35	15,992.96	2,378.28	356.83
Estimated liabilities	25,573.83	3,836.07	23,683.42	3,552.51
Deferred revenue	338,852.58	52,722.28	144,561.80	23,611.69
Others	50,552.55	7,777.84	27,323.36	6,429.52
Total	23,169,400.52	3,779,987.55	15,059,118.15	2,567,204.45

(2) Deferred income tax liabilities had not been offset

Items	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax liabilities	Deductible temporary differences	Deferred income tax liabilities

Change of fair value	101,673.89	25,917.24	647,354.18	120,556.06
Others			19,340.65	3,241.56
Total	101,673.89	25,917.24	666,694.83	123,797.62

22. Short-term borrowings

Items	Closing balance	Opening balance
Credit Loans	723,606.26	456,476.16
Hypothecated Loans	381,497.53	448,603.78
Guaranteed Loans	2,630,494.73	2,844,038.20
Trade financing	2,335,280.51	5,123,055.84
Total	6,070,879.03	8,872,173.98

23. Deposit taking and deposit taking of interbank

Items	Closing balance	Opening balance
Deposit taking	7,493.81	61.00
Total	7,493.81	61.00

24. Derivative financial liabilities

Items	Closing balance	Opening balance
Derivative financial liabilities	74,960.70	11,260.18
Total	74,960.70	11,260.18

25. Notes payable

Classification	Closing balance	Opening balance
Bank acceptance bill	12,648,496.99	6,308,478.45
Total	12,648,496.99	6,308,478.45

26. Accounts payable

Aging	Closing balance	Opening balance
Within 1 Year	18,825,285.22	15,627,789.98
1-2 Years	906,360.45	1,366,968.81
2-3 years	211,023.92	236,466.05
3-5 years	194,784.87	276,874.82
Total	20,137,454.46	17,508,099.66

27. Advances from customers

Aging	Closing balance	Opening balance
Within 1 Year	3,798,152.11	4,834,477.76
1-2 Years	127,180.66	85,771.38
2-3 years	14,382.35	15,689.17
3-5 years	52,825.34	47,407.95

Total	3,992,540.46	4,983,346.26
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28. Employee benefits payable

(1) Detailed information

Items	Opening balance	Increase	Decrease	Closing balance
Short-term compensation	1,839,804.60	9,838,066.84	9,594,356.33	2,083,515.11
Departure welfare—defined contribution plans	41,668.24	718,129.57	722,872.99	36,924.82
Dismission welfare	87,364.89	101,123.83	109,151.70	79,337.02
Total	1,968,837.73	10,657,320.24	10,426,381.02	2,199,776.95

(2) List of short-term compensation

Items	Opening balance	Increase	Decrease	Closing balance
Wages, bonuses, allowances and subsidies	1,721,864.47	8,335,769.44	8,116,076.95	1,941,556.96
Employee welfare fund	61,822.78	661,032.11	644,957.73	77,897.16
Social security charges	21,192.88	417,140.02	416,780.72	21,552.18
Including: medical insurance premium	19,166.88	360,810.09	360,042.25	19,934.72
Premium on work Injury	1,097.44	31,708.26	31,977.50	828.20
Premium on birth	928.56	24,621.67	24,760.97	789.26
Housing fund	13,868.28	154,994.25	155,314.37	13,548.16
Labor union funds and education funds	19,316.48	57,333.52	57,672.12	18,977.88
Other	1,739.71	211,797.50	203,554.44	9,982.77
Subtotal	1,839,804.60	9,838,066.84	9,594,356.33	2,083,515.11

(3) List of defined contribution plans

Items	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	40,091.09	666,596.75	671,439.51	35,248.33
Unemployment insurance premium	1,577.15	51,532.82	51,433.48	1,676.49
Subtotal	41,668.24	718,129.57	722,872.99	36,924.82

29. Taxes payable

Items	Closing balance	Opening balance
Added-value tax	375,167.87	-759,078.82
Business tax	7,523.05	7,169.44
Corporate income tax	2,721,473.24	1,636,321.57

Personal income tax deduction and withholding	22,713.69	21,670.27
Housing property tax	29,868.71	34,240.35
Land use tax	14,366.12	16,043.00
City maintenance construction tax	40,701.95	30,274.72
Education surcharge	17,630.65	12,195.45
Local education surcharge	7,783.64	8,130.30
Other	42,921.79	21,048.82
Total	3,280,150.71	1,028,015.10

30. Interests payable

Items	Closing balance	Opening balance
Enterprise bond interest	8,878.24	2,716.59
Short-term loan interests payable	14,033.93	67,107.28
Total	22,912.17	69,823.87

31. Dividend payables

Items	Closing balance	Opening balance
Dividends of common shares	93,799.03	94,046.21
Total	93,799.03	94,046.21

32. Other payables

(1) Detailed information

Aging	Closing balance	Opening balance
Within 1 year	1,091,306.26	1,062,796.67
1-2 years	7,025.78	182,120.75
2-3 years	90,606.50	192,594.58
3-5 years	34,610.22	50,269.02
Total	1,223,548.76	1,487,781.02

(2) Other significant accounts payable aging over 1 year

Items	Closing balance	Reasons of unpaid or unreversed
Foshan City Hanyu Investment Development Co., Ltd.	8,000.00	Margin
Jiangsu Heping Construction Group Co., Ltd.	2,258.00	Margin
Li Dongmei	2,003.16	Margin
SAMSUNG ELECTRONICS CO., LTD.	1,907.30	Margin

Hefei Tatong Gelan Plastic Industry Co., Ltd.	1,675.00	Margin
Subtotal	15,843.46	

33. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term loans within 1 year	611,900.00	617,427.59
Bonds payable due within 1 year		999,942.58
Total	611,900.00	1,617,370.17

34. Other current liabilities

Items	Closing balance	Opening balance
Withholding promotion fees	986,113.85	532,974.75
Withholding utilities	106,723.68	106,791.89
Withholding sale's returned profits	13,428,467.67	7,340,776.69
Withholding installation maintenance	4,231,210.96	3,186,622.40
Withholding rent	53,978.42	30,508.57
Withholding technology commission	126,984.70	149,372.77
Withholding traffic expenses	358,027.23	363,316.69
Hedging instrument	285,732.99	
Withholding other expenses	1,074,145.49	898,016.27
U.S. commercial notes	2,127,551.06	
Total	22,778,936.05	12,608,380.03

35. Long-term loans

Items	Closing balance	Opening balance
Credit loans	19,205.03	13,246.78
Mortgage loans		54,656.18
Guaranteed loans		643,561.68
Total	19,205.03	711,464.64

36. Bonds payable

(1) Detailed information

Items	Closing balance	Opening balance
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Collective bond of 12 Wuhu small and medium enterprises	153,026.30	152,716.59
Total	153,026.30	152,716.59

(2) Changes of the bonds payable (excluding the other financial instruments such as the preferred shares and the perpetual capital securities divided as financial liabilities)

Bond name	Par value	Issue date	Bonds period	Amount	Opening balance
Collective bond of 12 Wuhu small and medium enterprises	150,000.00	2012/7/19	6 years	150,000.00	152,716.59
Subtotal	150,000.00			150,000.00	152,716.59
Bond name	Issued in the period	Interests withdrawal according to the face value	Overflow discount amortization	Paid in the period	Closing balance
Collective bond of 12 Wuhu small and medium enterprises		4,562.50	1,536.20		153,026.30
Subtotal		4,562.50	1,536.20		153,026.30

37. Special payable

Items	Opening balance	Increase	Decrease	Closing balance	Formed reason
Demolition compensation shall	52,073.96	1,094,260.96	294,509.43	851,825.49	Demolition
Total	52,073.96	1,094,260.96	294,509.43	851,825.49	

38. Estimated liabilities

Items	Closing balance	Opening balance	Formed reason
Deposit for assurance of product quality	25,573.83	33,466.19	Settlement of loss
Total	25,573.83	33,466.19	

39. Deferred income

Items	Opening balance	Increase	Decrease	Closing balance	Formed reason
Government					

subsidiaries	144,561.80	209,207.38	11,533.27	342,235.91	
Total	144,561.80	209,207.38	11,533.27	342,235.91	

40. Capital stock

(1) Detailed information

Items	Opening balance	Increase/decrease (“-” means decrease)					Closing balance
		Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Other	Subtotal	
Total amount of shares	1,686,323.39			2,529,485.08		2,529,485.08	4,215,808.47

(2) Other notes

On 30 Apr. 2014, according to the 2013 profits distribution and the proposal of turning capital reserve into share capital, the Company based on the original total share capital of 1,686,323,389 shares to distribute the cash dividends to the whole shareholders of RMB20 for every 10 shares and with the share capital increased the transfer of 15 shares to the whole shareholders for every 10 shares by capital reserve. The total share capital of the Company before the dividend was of 1,686,323,389 shares, the total capital after dividend increased to 4,215,808,472 shares and the amount of the turning of the capital reserve into share capital was of RMB2,529,485,083.00.

41. Capital reserve

(1) Detailed Information

Items	Opening balance	Increase	Decrease	Closing balance
Stock premium	13,075,812.83		2,684,618.87	10,391,193.96
Other capital reserve	2,490,491.11	152,799.76	9,601.64	2,633,689.23
Total	15,566,303.94	152,799.76	2,694,220.51	13,024,883.19

(2) Other notes

1) The decrease of the capital surplus-share premium mainly due to the turning of the capital reserve into share capital, and for the details please refer to the notes of the share capital of the projects of the consolidated balance

sheet of the financial statement.

2) The increase of the other capital surplus of the period was due to the increase of the equity incentive.

42. Other comprehensive income

Items	Opening balance	Amount					Closing balance
		Amount of the pre-tax income of the period	Less: the previous amount included in the other comprehensive income with the current amount in the gains and losses	Less: income tax expenses	Attributed to the parent company after tax	Attributed to the minority shareholders after tax	
Other comprehensive income could not be re-classified in the gains and losses afterwards							
Of which: changes of re-measured the net liabilities and the net assets of defined benefit plans							
Shares enjoyed by the other comprehensive income could not be re-classified in the gains and losses of the investees under the equity method							
Other comprehensive income be re-classified in the gains and losses	-279,729.82	-556,461.77	54,525.71	-14,522.67	-494,569.01	-101,895.80	-774,298.83

afterwards							
Of which: shares enjoyed by the other comprehensive income be re-classified in the gains and losses of the investees under the equity method	-36,053.70	-5,112.02			-5,112.02		-41,165.72
Flexible gains and losses of the fair value of the available-for-sale financial assets	524.48	434.88	212.52	33.35	295.69	-106.68	820.17
Gains and losses of the held-to-maturity investment be re-classified as available-for-sale financial assets							
Effective part of the gains and losses of cash flow hedging	53,962.36	-285,732.98	54,313.19	-14,556.02	-323,116.22	-2,373.93	-269,153.86
Difference of the foreign currency financial statement translation	-298,162.96	-266,051.65			-166,636.46	-99,415.19	-464,799.42
Total of other comprehensive income	-279,729.82	-556,461.77	54,525.71	-14,522.67	-494,569.01	-101,895.80	-774,298.83

43. Surplus reserve

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	569,544.32	620,247.00		1,189,791.32
Total	569,544.32	620,247.00		1,189,791.32

The increase of the surplus reserve of the period was the Statutory surplus reserve withdrawn according to 10% of net profits of the Company of the period.

44. Undistributed profits

Items	2014	2013
Undistributed profit at the end of previous period before adjustment	15,304,989.21	10,490,636.40
Adjustment of the total undistributed profit at the beginning of the period (“+” for increase, and “-” for decrease)		
Undistributed profit after adjustment at the begin of this period	15,304,989.21	10,490,636.40
Add: net profit attributable to the owners of the parent company for the period	10,502,220.26	5,317,458.06
Less: statutory accumulation reserve	620,247.00	503,105.25
Discretionary surplus reserve		
Appropriation of general risk reserve		
Withdrawal of bonus and welfare fund for staff and workers		
Ordinary share dividends payable	3,372,646.78	
Common stock dividend transferred to share capital		
Others		
Undistributed profit end the year	21,814,315.69	15,304,989.21

(II) Notes to consolidated income statement

1. Operating incomes/costs

(1) Detailed information

Items	2014		2013	
	Income	Cost	Income	Cost
Main operations income	131,062,048.50	97,295,261.22	112,396,577.36	85,819,000.64
Other operating income	11,248,918.52	8,780,619.96	8,868,602.66	7,204,104.67
Total	142,310,967.02	106,075,881.18	121,265,180.02	93,023,105.31

(2) Main operating incomes and costs (by products)

Category of	2014	2013
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product or business	Income	Cost	Income	Cost
Large home appliances	92,402,439.88	67,622,503.71	78,362,227.69	59,434,947.19
Air-conditioner and spare parts	72,704,842.97	53,110,596.68	62,177,696.67	46,942,826.43
Refrigerator and spare parts	9,723,780.64	7,382,156.97	8,131,083.38	6,581,673.70
Washing machine and spare parts	9,973,816.27	7,129,750.06	8,053,447.64	5,910,447.06
Small household electrical appliance	32,709,715.23	24,618,302.79	27,843,791.00	21,107,489.10
Motor	3,983,548.79	3,336,927.89	4,431,182.33	3,721,174.78
Logistics	1,966,344.60	1,717,526.83	1,759,376.34	1,555,389.57
Subtotal	131,062,048.50	97,295,261.22	112,396,577.36	85,819,000.64

2. Interest income/expense

Items	2014	2013
Interest income	632,524.67	290,159.30
Granting loans and advances	611,665.71	271,023.84
Including: personal loans and advances		
Corporate loans and advances	39,936.09	20,122.25
Notes discount	571,729.62	250,901.59
Deposit in other banks	20,858.96	19,135.46
Interest expense	404,526.90	203,826.84
Interest net income	227,997.77	86,332.46

3. Fees and commission income/expenditure

Items	2014	2013
Settlement business fees and commission income	10,267.19	17.58
Settlement business fees and commission expenditure	1,667.81	1,215.41
Fees and commissions net income	8,599.38	-1,197.83

4. Business tax and surcharges

Items	2014	2013
Business tax	41,761.30	58,454.22
City maintenance Construction Tax	432,578.10	307,734.06

Education Surcharge	314,954.10	217,749.44
Others	20,302.71	25,994.89
Total	809,596.21	609,932.61

5. Selling expenses

Items	2014	2013
Selling expenses	14,733,917.42	12,432,343.86
Total	14,733,917.42	12,432,343.86

6. Administrative expenses

Items	2014	2013
Administrative expense	7,498,255.09	6,733,456.28
Total	7,498,255.09	6,733,456.28

7. Financial expense

Items	2014	2013
Interest expense	183,751.81	651,247.89
Less: interest income	348,389.82	802,075.42
Add: exchange Loss	234,204.53	570,350.65
Add: others	181,760.42	144,697.41
Total	251,326.94	564,220.53

8. Assets impairment losses

Items	2014	2013
Bad debt loss	199,474.13	35,200.94
Inventory falling price loss	93,908.15	49,851.56
Fixed assets impairment loss	12,866.98	22,344.87
Available-for-sale financial assets impairment loss	100.30	
Loan impairment loss	43,468.60	15,318.17
Total	349,818.16	122,715.54

9. Gain on change in fair value

Items	2014	2013
Financial assets measured by fair value with the changes included in the current gains and losses	-652,790.54	546,265.97
Including: gains on change in fair value of derivative	-652,790.54	546,265.97

financial instruments		
Total	-652,790.54	546,265.97

10. Investment income

Sources of generating investment income	2014	2013
Long-term equity investment income measured using equity method	94,739.07	37,265.41
Investment income obtained from disposal of long-term equity investment	-7,154.21	-48,371.74
Investment income obtained from disposal of the financial assets measured by fair value with the changes included in the current gains and losses	384,368.71	956,628.84
Investment income of the available-for-sale financial assets during the holding period	85,506.52	52,456.44
Financial investment income	953,662.11	
Total	1,511,122.20	997,978.95

11. Non-operating income

(1) Detailed information

Items	2014	2013	Amount recorded in current extraordinary profit and loss
Total gain on disposal of non-current assets	53,602.26	31,101.02	53,602.26
Including: income to dispose fixed assets	50,441.53	31,101.02	50,441.53
Gain on disposal of intangible assets	3,160.73		3,160.73
Income from claim reimbursement	23,303.72	33,782.21	23,303.72
Reimbursable receipts	45,504.45	55,072.33	45,504.45
Governmental subsidies	819,041.59	719,585.93	790,500.54
Gain from debt restructuring	7,708.29	2,807.24	7,708.29
Other incomes	107,908.90	162,875.55	107,908.90
Total	1,057,069.21	1,005,224.28	1,028,528.16

(2) Detailed of government subsidies

Items	2014	2013	Related to assets/related to
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			revenues
Science and technology awards	14,612.53	11,615.00	Related to revenues
Replacing business tax with VAT	28,541.05	63,127.61	Related to revenues
Specific subsidies	764,354.74	644,843.32	Related to revenues
Specific subsidies	11,533.27		Related to assets
Subtotal	819,041.59	719,585.93	

12. Non-operating expenses

Items	2014	2013	Amount recorded in current extraordinary profit and loss
Total loss on disposal of non-current assets	270,391.26	198,119.54	270,391.26
Including: loss on disposition fixed assets	236,172.93	197,886.98	236,172.93
Loss on disposal of intangible assets	34,218.33	232.56	34,218.33
Fixed assets inventory loss	765.08		765.08
External donation	27,760.21	36,511.70	27,760.21
Reimbursable expenditure	16,006.35	18,918.69	16,006.35
Loss from debt restructuring		240.00	
Other Expenses	201,965.40	63,313.16	201,965.40
Total	516,888.30	317,103.09	516,888.30

13. Income tax expenses

(1) Detailed information

Items	2014	2013
Income tax expenses of the current period	3,665,358.94	3,463,335.75
Deferred income tax expenses	-1,321,003.01	-1,749,060.18
Total	2,344,355.93	1,714,275.57

(2) Accounting profits and the adjustment process of the income tax expenses

Items	2014
Total amount of the profits	13,990,684.59
Income tax expenses calculated according to the statutory/applicable tax rate	3,497,671.15

Influences of adopting different tax rate by the subsidiaries	-868,238.46
Influences of the tax rate of the period before adjustment	-6,605.92
Influences of the non-taxable income	-180,245.59
Influences of the non-deductible cost, expenses and losses	-44,637.35
Influences of the deductible loss of the unrecognized deferred income tax assets of the previous using period	-82,768.80
Influences of the deductible temporary difference or the deductible loss of the unrecognized deferred income tax assets at the period-end	29,180.90
Other	
Income tax expenses	2,344,355.93

14. Net after-tax amount of other comprehensive income

For the details of the net after-tax amount of other comprehensive income, please refer to the notes to the other comprehensive income of the items of the consolidated balance sheet of the notes of the financial statement.

(III) Notes to Consolidated Cash Flow Statement

1. Other cash received relating to operating activities

Items	2014	2013
Property rental received	75,514.96	37,096.79
Government subsidies received	1,016,715.70	764,358.07
Interest income	326,388.65	792,945.84
Income from claim reimbursement	68,808.17	88,854.54
Security Money		650,655.51
Intercourse funds		25,182.89
Other incomes	1,006,757.82	653,193.39
Total	2,494,185.30	3,012,287.03

2. Other cash paid relating to operating activities

Items	2014	2013
Cash paid for management expenses	3,129,731.62	3,018,633.12
Cash paid for sales expenses	11,697,676.46	9,770,445.06
Non-operating expenses	245,731.97	118,983.55
Intercourse funds	287,324.17	221,727.36
Cash deposit	61,106.50	
Other expenses	184,601.31	1,315.53

Total	15,606,172.03	13,131,104.62
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3. Cash paid for the investment

Items	2014	2013
Cash paid for the investment	28, 800, 775.41	34, 221.43

The cash paid for the investment of the period was due to the investment such as purchasing the bank financing.

4. Supplementary information on cash flow statements

(1) Supplementary information on cash flow statements

Supplementary information	2014	2013
1) To adjust the net-profit as cash flow of operating activities:		
Net profit	11,646,328.66	8,297,496.43
Add: Provision for asset impairment	306,349.56	107,397.37
Provision for loan asset impairment	43,468.60	15,318.17
Depreciation of fixed assets and investment property	2,359,445.27	2,301,876.55
Amortization of intangible assets	133,412.71	97,914.88
Amortization of long-term deferred expenses	827,555.06	644,951.45
Losses on disposal of fixed assets, intangible assets and other long-term assets (income marked “-”)	216,789.01	167,018.52
Fixed asset abandoned losses (income marked “-”)		138.61
Increase of the borrowings from central bank (less: decrease)	-89,708.03	89,144.23
Increase of the deposit taking and the deposit taking of interbank (less: decrease)	7,432.81	-407,408.54
Decrease of the accounts deposited in central bank and the same trade accounts (less: increase)	-357,838.44	
Increase in discount (Less: increase)		
Decrease in loans granted	-884,183.36	-4,705,896.45
Sound value flexible loss (profit marked “-”)	652,790.54	-546,265.97
Financing expense (profit marked “-”)	100,069.06	554,575.29
Investment loss (profit marked “-”)	-1,511,122.20	-997,978.95
Decrease in deferred income tax assets (increase marked “-”)	-1,198,425.43	-1,782,076.99
Increase in Deferred Income Tax Liabilities (decrease)	-97,715.39	37,639.82

marked “-”)		
Decrease in inventory	118,729.24	-1,865,958.79
Decrease in operating items receivable (increase marked “-”)	-7,856,367.71	-4,873,219.02
Increase of operating payable (decrease marked “-”)	20,195,152.54	12,919,529.80
Others	176,348.63	
Net cash flow from operating activities	24,788,511.13	10,054,196.41
2. Significant investment and financing activities without cash receipts and payments		
Conversion of debt into capital		
Convertible bonds due within 1 year		
Fixed assets under finance leases		
3. Change in cash and cash equivalents		
Cash at the end of the period	5,272,238.35	16,763,873.80
Less: amount at the beginning period	16,763,873.80	12,544,078.77
Add: amount of cash equivalents at the end of period		
Less: amount of cash equivalents at the beginning period		
Net increase in cash and cash equivalents	-11,491,635.45	4,219,795.03

(2) Net cash amount of obtaining the subsidiaries paid in the current period

Items	2014
Cash or cash equivalents paid of the period for the enterprise merger occurred in the current period	3,658.79
Of which: MIDEA ELECTRIC TRADING THAILAND CO., LTD	3,658.79
Less: cash and cash equivalents held by the subsidiaries on the purchase date	1,290.73
Of which: MIDEA ELECTRIC TRADING THAILAND CO., LTD	1,290.73
Add: cash and cash equivalents paid of the period for the enterprise merger occurred in the previous period	
Obtained the net cash amount paid by the subsidiaries	2,368.06

(3) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
1) Cash	5,272,238.35	16,763,873.80
Including: cash in stock	1,037.93	2,125.61

Bank deposit available for immediate payment	3,010,484.74	14,946,953.96
Other currency available for immediate payment	132,241.82	64,602.93
Deposit in central bank available for payment	2,028.87	3,907.06
Deposit in other banks	2,126,444.99	1,746,284.24
Withdraw of deposit from other banks		
2) Cash equivalents		
Including: bond investment maturing within 3 months		
3) Balance of cash and cash equivalents at the end of the period	5,272,238.35	16,763,873.80
Of which: restricted cash and cash equivalents of the subsidiaries among the Company or the Group		

(IV) Other

1. Assets with restricted ownership or usage right

Items	Book value at the period-end	Restricted reason
Monetary capital	3,059,518.32	Cash deposit and fixed time deposit
Due from central bank	1,277,563.60	Legal reserve
Notes receivable	1,091,200.00	L/C guarantee
Total	5,428,281.92	

2. Foreign currency monetary items

(1) Detailed information

Items	Foreign currency balance at the period-end	Exchange rate convert	Convert into RMB balance at the period-end
Monetary capital			
Of which: USD	174,180.50	6.1190	1,065,810.48
JPY	2,688.25	0.0514	138.18
HKD	270,434.63	0.7889	213,345.88
EUD	28,650.37	7.4556	213,605.70
BRL	214,875.82	2.3030	494,859.01
Dong	46,742,723.44	0.00029	13,555.39
INR	92,573.07	0.0971	8,988.85
MYR	3,577.43	1.7625	6,305.22
Accounts receivable			
Of which: USD	795,720.95	6.1190	4,869,016.49
EUD	25,109.74	7.4556	187,208.18

HKD	300,247.39	0.7889	236,865.17
JPY	18,682.43	0.0514	960.28
Dong	300,243,008.04	0.00029	87,070.47
INR	645,187.20	0.0971	62,647.68
BRL	625,186.15	2.3030	1,439,803.70
MYR	17,224.98	1.7625	30,359.03
Short-term loans			
Of which: USD	932,189.85	6.1190	5,704,069.69
MYR	12,513.93	1.7625	22,055.81
Accounts payable			
Of which: USD	320,161.62	6.1190	1,959,068.95
EUD	3,113.12	7.4556	23,210.18
HKD	65,894.03	0.7889	51,983.80
JPY	211,404.02	0.0514	10,866.17
Dong	84,493,872.02	0.00029	24,503.22
INR	782,418.91	0.0971	75,972.88
BRL	142,564.76	2.3030	328,326.64
MYR	12,656.00	1.7625	22,306.20
Long-term loans			
Of which: BRL	8,022.29	2.3030	18,475.33
MYR	414.14	1.7625	729.91

VI. Changes of the consolidated scope

(I) Enterprise merger not under the same control

1. Enterprise merger occurred not under the same control in the current period

Name of the acquirees	Obtained time-point of the equity	Cost obtained from the equity	Obtaining proportion of the equity (%)	Obtaining method of the equity
MIDEA ELECTRIC TRADING THAILAND CO., LTD	May 2010	5,282.32	49.00	Purchase
	Jan. 2014	3,658.79	51.00	Purchase

(Continued)

Name of the acquirees	Purchase date	Recognition basis of the purchase date	Revenues of the acquirees from the purchase date to the period-end	Net profits of the acquirees from the purchase date to the period-end
MIDEA ELECTRIC TRADING THAILAND CO., LTD	6 Jan. 2014	Share purchase agreement	24,452.47	170.47

2. Merger cost and goodwill

(1) Detailed information

Items	MIDEA ELECTRIC TRADING THAILAND CO.,LTD
Merger cost	
Cash	3,658.79
Fair value on the purchase date of the equity held before the purchase date	2,758.39
Total of the merger cost	6,417.18
Less: shares of the fair value of the obtained net identifiable assets	5,629.37
Amount of the goodwill/merger cost which lower than the share of the fair value of the obtained net identifiable assets	787.81

3. Identifiable assets and liabilities on the purchase date of the acquirees

(1) Detailed information

Items	MIDEA ELECTRIC TRADING THAILAND CO., LTD	
	Fair value on the purchase date	Book value on the purchase date
Assets	13,428.32	13,428.32
Monetary capital	1,290.73	1,290.73
Accounts receivable	3,372.22	3,372.22
Inventories	8,357.96	8,357.96
Fixed assets	400.62	400.62
Intangible assets	6.79	6.79
Liabilities	7,798.95	7,798.95
Accounts payable	6,434.49	6,434.49
Other current liabilities	1,364.46	1,364.46
Net assets	5,629.37	5,629.37
Less: minority shareholders' equities		
Obtained net assets	5,629.37	5,629.37

(2) Recognition method of the fair value of the identifiable assets and liabilities

If the acquirees were the light assets trade enterprises, the fair value was the amount of the book value on the purchase date.

4. Profits or losses occurred from the re-measurement of the equities held before the purchase date which in accord with the fair value

Name of the acquirees	Book value on the purchase date of the original held equity before the purchase date	Fair value on the purchase date of the original held equity before the purchase date	Profits or losses occurred from the re-measurement of the equities held before the purchase date which in accord with the fair value	Recognition method and main suppose of the fair value on the purchase date of the original held equity before the purchase date	Amount of the other comprehensive income related to the original held equity before the purchase date and the amount of the changes of the other owners' equities transferred in the investment income
MIDEA ELECTRIC TRADING THAILAND CO., LTD	2,758.39	2,758.39	0.00	Calculated according to the net assets multiplies the shareholding proportion	-485.69

(II) Changes of the consolidated scope with other reasons

1. Increase of the consolidated scope

Name of the companies	Obtaining method of the equity	Obtaining time-point of the equity	Contribution amount	Contribution proportion
Midea Group E-commerce Co., Ltd.	Establishment	Mar. 2014	100,000.00	100.00%
Zhejiang GMCC Compressor Co., Ltd.	Establishment	Jan. 2014	50,000.00	100.00%

2. Decrease of the consolidated scope

Name of the companies	Disposal method of the equity	Disposal time-point of the equity	Net assets on the disposal date	Net profits from the period-begin to the disposal date
Tianjin Little Swan Washing Machine Co., Ltd.	Written off	Jan. 2014	191,486.95	-0.10
Wuxi Little Swan Washing Machinery Co., Ltd.	Written off	Jul. 2014	-38,129.00	17.11
Wuxi Meitian Refrigerator Sales Co., Ltd.	Written off	Nov. 2014	-28,469.74	
Hefei Midea Washing Equipment Manufacturing Co., Ltd.	Written off	Dec. 2014	21,867.95	622.65

Foshan Midea Kitchen Appliance Manufacturing Co., Ltd.	Written off	Dec. 2014	143,953.60	1,636.94
Foshan Shunde Environmental Protection Electrical Appliance Manufacturing Co., Ltd.	Written off	Oct. 2014	10,640.17	-29.88
Foshan Witol Road Maintenance Equipment Co., Ltd.	Written off	Dec. 2014	35,962.51	-398.15
Ningbo Meian Logistics Investment Co., Ltd.	Consolidation by merger	Jun. 2014	434,259.65	23,456.13
Midea Air-conditioning Equipment (Vietnam) Co., Ltd.	Consolidation by merger	Jul. 2014	86,738.25	31,533.12
Anhui GMCC Compressor Co., Ltd.	Written off	Feb. 2014	23,842.79	-22.96
Kai Yuan Trading Co., Ltd. Foshan	Written off	Apr. 2014	11,367.52	-66.27
Liberty International Co., Ltd.	Written off	Feb. 2014	575.69	23,569.23

VII. Equities among other entities

(I) Equities amount the significant subsidiaries

1. Composition of the significant subsidiaries

Name of the subsidiaries	Main operating place	Registered place	Business nature
GD Midea Holding (Singapore) Trading Co., Ltd.	Singapore	Singapore	Commerce
Guangdong Midea HVAC Equipment Co., Ltd.	Foshan	Foshan	Manufacturing
Guangzhou Hualing Refrigeration Equipment Co., Ltd.	Guangzhou	Guangzhou	Manufacturing
Foshan Shunde Midea Electrothermal Equipment Manufacturing Co., Ltd.	Foshan	Foshan	Manufacturing
Ningbo Midea United Material Supply Co., Ltd.	Ningbo	Ningbo	Commerce
Anhui GMCC Precision Manufacturing Co., Ltd.	Wuhu	Wuhu	Manufacturing
Anhui GMCC Compressor Sales Co., Ltd.	Wuhu	Wuhu	Commerce
Wuhu Midea Life Electric Appliance Manufacturing Co., Ltd.	Wuhu	Wuhu	Manufacturing
Guangdong Midea Kitchen Appliance Manufacturing Co., Ltd.	Foshan	Foshan	Manufacturing
Hefei Midea Refrigerator Co., Ltd.	Hefei	Hefei	Manufacturing

(Continued)

Name of the subsidiaries	Shareholding proportion (%)		Obtaining method
	Directly	Indirectly	
GD Midea Holding (Singapore) Trading Co., Ltd.		100.00	Establishment
Guangdong Midea HVAC Equipment Co., Ltd.	100.00		Establishment
Guangzhou Hualing Refrigeration Equipment Co., Ltd.	75.00	25.00	Establishment
Foshan Shunde Midea Electrothermal Equipment Manufacturing Co., Ltd.		100.00	Establishment
Ningbo Midea United Material Supply Co., Ltd.	100.00		Establishment
Anhui GMCC Precision Manufacturing Co., Ltd.	95.00	5.00	Establishment
Anhui GMCC Compressor Sales Co., Ltd.	95.00	5.00	Establishment
Wuhu Midea Life Electric Appliance Manufacturing Co., Ltd.		100.00	Establishment
Guangdong Midea Kitchen Appliance Manufacturing Co., Ltd.		100.00	Enterprise merger under the same control
Hefei Midea Refrigerator Co., Ltd.	75.00	25.00	Enterprise merger not under the same control

2. Significant non-wholly-owned subsidiaries

Name of the subsidiaries	Shareholding proportion of minority shareholders (%)	Gains and losses attributed to the minority shareholders of the current period	Dividends declared to distribute to the minority shareholders of the current period	Balance of the equities of the minority shareholders at the period-end
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	20.00	98,967.06	73,413.20	267,312.65
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	20.00	57,808.64	40,466.88	142,226.20
Guangdong Midea Refrigeration Equipment Co., Ltd.	20.00	175,072.88	114,352.67	622,330.70
Wuxi Little Swan Co., Ltd.	47.33	383,811.15	113,696.00	2,032,770.64
Guangdong GMCC Compressor Co., Ltd.	40.00	63,024.51	38,804.74	654,786.09

South American Holding Co. II B. V.	49.00	79,548.96		469,570.42
Weiling Holding Limited	31.32	167,234.29	64,302.84	1,112,593.23

3. Main financial information of the significant non-wholly owned subsidiaries

(1) List of assets and liabilities

Name of subsidiaries	Closing balance					
	Current assets	Non-current assets	Total of assets	Current liabilities	Non-current liabilities	Total of liabilities
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	10,801,029.64	1,247,291.63	12,048,321.27	10,763,058.27		10,763,058.27
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	1,643,639.02	322,411.43	1,966,050.45	1,254,919.46		1,254,919.46
Guangdong Midea Refrigeration Equipment Co., Ltd.	17,563,389.95	3,368,997.75	20,932,387.70	17,967,667.01	30,669.97	17,998,336.98
Wuxi Little Swan Co., Ltd.	9,794,839.33	1,643,783.83	11,438,623.16	6,216,176.98	33,822.49	6,249,999.47
Guangdong GMCC Refrigeration Equipment Co., Ltd.	3,556,196.47	650,588.80	4,206,785.27	2,569,820.04		2,569,820.04
South American Holding Co. II B. V.	3,427,891.32	560,500.35	3,988,391.67	2,838,263.49	18,475.12	2,856,738.61
Weiling Holding Limited	4,702,104.07	1,631,599.18	6,333,703.25	2,815,635.23	37,435.43	2,853,070.66

(Continued)

Name of subsidiaries	Opening balance					
	Current assets	Non-current assets	Total of assets	Current liabilities	Non-current liabilities	Total of liabilities
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	4,739,678.98	633,075.61	5,372,754.59	4,207,844.18		4,207,844.18

Midea Group Wuhan Refrigeration Equipment Co., Ltd.	1,760,802.69	313,649.63	2,074,452.32	1,451,420.82		1,451,420.82
Guangdong Midea Refrigeration Equipment Co., Ltd.	10,229,333.95	2,857,112.09	13,086,446.04	10,436,841.36	27,579.61	10,464,420.97
Wuxi Little Swan Co., Ltd.	7,616,340.01	1,669,606.40	9,285,946.41	4,678,064.53	34,139.10	4,712,203.63
Guangdong GMCC Refrigeration Equipment Co., Ltd.	2,710,108.89	652,731.73	3,362,840.62	1,793,852.40	576.14	1,794,428.54
South American Holding Co. II B. V.	2,926,912.18	557,107.57	3,484,019.75	2,317,992.59	31,964.60	2,349,957.19
Weiling Holding Limited	4,357,473.19	1,604,760.68	5,962,233.87	2,778,816.55	68,530.71	2,847,347.26

(2) List of gains and losses and cash flow

Name of subsidiaries	2014			
	Operating income	Net profits	Total amount of comprehensive income	Cash flow from the operating activities
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	19,913,332.31	485,630.62	485,630.62	3,474,334.97
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	9,989,490.87	289,043.21	289,043.21	-216,702.69
Guangdong Midea Refrigeration Equipment Co., Ltd.	33,280,720.33	835,653.63	834,652.41	4,566,966.56
Wuxi Little Swan Co., Ltd.	10,804,217.29	795,340.30	795,269.68	1,657,114.32
Guangdong GMCC Refrigeration Equipment Co., Ltd.	5,773,336.94	157,561.28	155,591.99	100,332.66
South American Holding Co. II B. V.	7,157,466.24	162,344.81	162,344.81	371,841.98
Weiling Holding Limited	7,696,584.70	532,778.52	540,233.99	667,952.60

(Continued)

Name of subsidiaries	2013			
	Operating income	Net profits	Total amount of comprehensive income	Cash flow from the operating activities

Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	16,653,565.58	410,864.01	410,864.01	1,243,757.68
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	7,909,039.78	210,605.21	210,605.21	779,964.97
Guangdong Midea Refrigeration Equipment Co., Ltd.	28,835,981.19	665,404.26	666,122.85	1,925,898.79
Wuxi Little Swan Co., Ltd.	8,727,956.04	467,063.89	466,147.30	904,882.10
Guangdong GMCC Refrigeration Equipment Co., Ltd.	5,462,726.20	145,960.69	145,960.69	-91,484.71
South American Holding Co. II B. V.	5,910,015.28	230,752.29	230,752.29	334,109.89
Weiling Holding Limited	7,323,330.82	638,046.94	638,046.94	1,010,630.22

(II) Transactions with the shares of the owners' equities of the subsidiaries changed but still control the subsidiaries

1. List of the changes of the shares of the owners' equities of the subsidiaries

Name of subsidiaries	Chaging time	Shareholding proportion before changes	Shareholding proportion after changes
Wuxi Little Swan Co., Ltd.	Aug. 2014	40.08%	52.67%
Indonesia Commercial Air Conditioning Joint Venture Company	Jul. 2014	49.00%	100.00%
Weiling Holding Limited*	Mar. 2014	68.99%	68.97%
Weiling Holding Limited*	Apr. 2014	68.97%	68.88%
Weiling Holding Limited*	May 2014	68.88%	68.81%
Weiling Holding Limited*	Dec. 2014	68.81%	68.68%

*The changes of the shares of the owners' equities of the Company in Weiling Holding Limited was due to the executing rights of the equity incentive policies of Weiling Holding Limited.

2. Influences of the transaction of the equities of the minority shareholders and the owners' equities attributed to the parent company

Items	Wuxi Little Swan Co., Ltd.	Indonesia Commercial Air Conditioning Joint Venture Company

Purchase cost/Consideration of disposal		
Cash	677,049.63	3,117.15
Fair value of the non-cash assets		
Total of purchase cost/consideration of disposal	677,049.63	3,117.15
Less: Net assets shares of the subsidiaries calculated according to the gained/disposed equity proportion	521,236.99	3,815.99
Difference	155,812.64	-698.84
Of which: adjust the capital surplus	155,812.64	-698.84
Adjust the earned surplus		
Adjust the undistributed profits		

(III) Equities among the joint venture enterprises

1. Significant joint venture enterprises

(1) Basic information

Name of the joint venture enterprises	Main operating place	Registration place	Nature	Shareholding proportion (%)		Accounting treatment of the investment of the joint venture enterprises
				Directly	Indirectly	
Foshan City Shunde District Midea Micro-Credit Inc.	Foshan	Foshan	Financial industry	30.00		Measured by equity method
Midea Micro-Credit Inc.	Wuhu	Wuhu	Financial industry	25.00	20.00	Measured by equity method
Misr Refrigeration and Air-conditioning Mfg. Co. S.A.E.	Cairo	Cairo	Manufacturing industry		32.50	Measured by equity method
Shanxi Huaxiang Group Co., Ltd.	Linfen	Linfen	Manufacturing industry		49.00	Measured by equity method

2. Main financial information of significant joint venture enterprises

Items	Closing balance/2014			
	Foshan City Shunde District Midea Micro-Credit Inc.	Midea Micro-Credit Inc.	Misr Refrigeration and Air-conditioning Mfg. Co. S.A.E.	Shanxi Huaxiang Group Co., Ltd.
Current assets	354,707.78	743,765.32	580,036.53	935,622.34
Non-current assets	1,858.73	14,538.13	72,520.86	670,776.40
Total of assets	356,566.51	758,303.45	652,557.39	1,606,398.74
Current liabilities	115,572.99	516,914.76	287,448.00	1,013,633.57
Non-current liabilities			8,652.70	43,107.12
Total of liabilities	115,572.99	516,914.76	296,100.70	1,056,740.69
Equities of minority shareholders			14,104.00	81,856.24
Owners' equities attributed to the parent company	240,993.52	241,388.69	342,352.69	467,801.81
Net assets shares calculated according to the shareholding proportion	72,298.05	108,624.91	111,264.62	229,222.89
Book value of the investment of the equities of the joint venture enterprises	72,298.05	109,311.06	309,822.44	248,344.27
Operating income	49,224.82	76,874.42	981,086.35	1,214,726.94
Net profits	6,877.43	43,078.46	68,039.27	70,038.93
Net profits of discontinued operations				
Other comprehensive income			-6,756.05	
Total of comprehensive income	6,877.43	43,078.46	61,283.22	70,038.93
Shares dividends received from the joint venture enterprises			28,056.33	

(Continued)

Items	Opening balance/2013			
	Foshan City Shunde District Midea Micro-Credit Inc.	Midea Micro-Credit Inc.	Misr Refrigeration and Air-conditioning Mfg. Co. S.A.E.	Shanxi Huaxiang Group Co., Ltd.

Current assets	430,030.21	349,428.61	506,804.64	839,662.91
Non-current assets	2,140.52	12,619.13	79,455.37	637,387.63
Total of assets	432,170.73	362,047.74	586,260.01	1,477,050.54
Current liabilities	197,641.56	160,131.90	192,201.98	845,277.05
Non-current liabilities			8,918.37	140,231.23
Total of liabilities	197,641.56	160,131.90	201,120.35	985,508.28
Equities of minority shareholders			14,784.37	85,143.31
Owners' equities attributed to the parent company	234,529.17	201,915.84	370,355.29	406,398.95
Net assets shares calculated according to the shareholding proportion	70,358.75	90,862.13	120,365.47	199,135.48
Book value of the investment of the equities of the joint venture enterprises	70,358.75	90,827.16	360,379.42	218,699.41
Operating income	60,427.93	36,374.94	934,524.61	1,124,432.42
Net profits	28,508.86	1,296.21	85,833.03	39,014.70
Net profits of discontinued operations				
Other comprehensive income			35,348.01	
Total of comprehensive income	28,508.86	1,296.21	121,181.04	39,014.70
Shares dividends received from the joint venture enterprises	4,864.86		25,312.86	

3. Summary of the financial information of the insignificant joint venture enterprises

Items	Closing balance/2014	Opening balance/2013
Joint venture		
Total of the investment book value	212,098.58	172,162.90
Total amount of the followings calculated according to the shareholding proportion		

Net profits	23,740.93	-13,360.53
Other comprehensive income	-2,916.30	1,037.17
Total amount of the comprehensive income	20,824.63	-12,323.36

VIII. Risks related to the financial instruments

The Company should balance the risks and benefits in risk management, minimize negative effects for business performance and maximize the benefits for shareholders and other equity investors. Based on the risk management target, the basic strategy for risk management is to define and analyze all possible risks, establish risk baseline for risk management, monitor all risks reliably and control the risks within agreed limits.

The Company will face all possible risks related to financial instruments during daily activities, including credit risk, liquidity risk and market risk. The management has reviewed and approved the management policies for risks, including:

(I) Credit risk

Credit risk is the possibility of financial loss to one party of financial instruments from failure of fulfillment of obligations of the other party.

Credit risk is related to accounts receivables, loans, acceptance, internal and external businesses in letter of guarantee. In order to control the risk, the Company takes following measures:

1. Bank deposit

The Company would deposit the money in financial institutions with high credit rating. Therefore, credit risk is low.

2. Accounts receivables

The Company would assess the customers for deal on credit. According to credit assessment, customers with good faith would be approved for transactions. The accounts receivables should be monitored to avoid significant risks of bad debts.

The risk points of accounts receivables are distributed to multiple partners and clients. Until December 31, 2014, 16.02% of accounts receivables come from top five clients (11.38, December 31, 2013). No significant concentrated credit risks occur.

3. Highest credit risk exposure

Without considering available collateral or other credit enhancement (such as netting agreement of mutual offset for nonconformance), amount of highest credit risk exposure on balance sheet date refers to book value of book balance of financial assets deducting depreciation reserves.

4. Overdue and impairment of financial assets

Non-overdue financial assets are those not overdue for principal and interest. Overdue financial assets are those overdue one day or more for principal and interest. Impaired financial assets are those impaired after individual impairment test.

Credit risk of financial assets should be assessed according to five credit quality categories classified by China Banking Regulatory Commission.

Until December 31, 2014, financial assets not overdue or impaired should be classified into normal category according to five credit quality categories classified by China Banking Regulatory Commission.

(II) Liquidity risk

Liquidity risk refers to that with capital shortage when the Company is fulfilling obligations of cash payment or payment by other financial assets methods. Liquidity risk comes from financial assets not sold by fair value as early as possible; or contractual liabilities unable to be paid; or premature liabilities; or unexpected cash flow.

In order to control the risk, the Company adopts settlement of instruments, bank loans and other financial means and combines short-term and long-term financing methods to optimize financing structure and balance the persistence and flexibility. The Company has obtained bank line of credit from multiple commercial banks to satisfy the requirements of working capital and expenditures.

(III) Market risk

Market risk refers to that fluctuant caused by market price development of fair value of financial instrument or future cash flow. Market risk includes interest rate risk and foreign exchange risk.

1. Interest rate risk

Interest rate risk refers to that fluctuant caused by market interest rate change of fair value of financial instrument or future cash flow. Risks related to market interest rate change is related to loans calculated by floating interest

rate.

Until December 31, 2014, bank loans calculated by floating interest rate of same grade national benchmark rate at same period was 6,701,984.06 thousand Yuan (December 31, 2013: 10,201,066.21 thousand Yuan). On the assumption of unchangeable variables, reasonable and possible changes of interest rate and 50% control point do not affect the total profit and shareholders' equity.

2. Foreign exchange risk

Foreign exchange risk is caused by fluctuation in exchange rate. Foreign exchange risk for the Company is related to foreign currency monetary assets and liabilities. If foreign currency assets and liabilities are unbalanced in the short term, the Company should buy or sell foreign currency when necessary to ensure the acceptable level of net risk exposure. The Company's mainland businesses are using RMB for quoting price. Therefore, foreign exchange risk undertaken by the Company is not significant.

Refer to the appended notes of foreign exchange monetary items for the foreign exchange financial assets and liabilities.

IX. Disclosure of the fair value

(I) Detailed information of the fair value of the assets and liabilities measured by fair value at the period-end

Items	Fair value at the period-end			
	Measurement of the first level fair value	Measurement of the second level fair value	Measurement of the third level fair value	Total
Continuous fair value measurement				
Financial assets measured by fair value with the changes included in the current gains and losses				
1. Trading financial assets	162,513.84			162,513.84
(1) Investment of the liabilities instruments				
(2) Investment of the equity instruments				
(3) Derivative financial assets	162,513.84			162,513.84
2. Available-for-sale financial assets	1,190.67			1,190.67
(1) Investment of the equity	1,190.67			1,190.67

instruments				
Total amount of the assets continuously measured by fair value	163,704.51			163,704.51
Financial liabilities measured by fair value with the changes included in the current gains and losses				
1. Trading financial liabilities	74,960.70			74,960.70
(1) Issued trading bonds				
(2) Derivative financial liabilities	74,960.70			74,960.70
(3) Other				
Total amount of the liabilities continuously measured by fair value	74,960.70			74,960.70

(II) The items of the continuous and non-continuous first level fair value measurement adopted the market price at the period-end of the Exchange or the commercial bank as the basis of the fair value measurement.

X. Associated Party and Their Transactions

(I) Associated Party

1. List of the parent company of the Company

(1) Parent company of the Company

Name of parent company	Place of Registration	Nature	Registered capital	Percentage of parent company's shareholding rate (%)	Voting right of the parent company (%)
Midea Holding Co., Ltd.	Foshan City Shunde District	Commercial	330,000.00	35.49	35.49

(2) The ultimate controller of the Company is Mr. He Xiangjian.

2. For the details of the subsidiaries of the Company, please refer to the notes of the equities among the other entities of the notes of the financial statement.

3. List of the joint ventures enterprise of the Company

For the significant joint venture enterprise of the Company, please refer to the notes of the equities among the

other entities of the notes of the financial statement. The list of the other joint venture enterprises which had related transactions with the Company of the current period or had the related transactions with the Company in previous time that formed the balance was as follows:

Name of the joint venture enterprises	Relationship with the Company
PT.MIDEA PLANET INDONESIA	Joint venture enterprise of the subsidiary of the Company

4. List of the other related parties of the Company

Name of other related parties	Relationship of the other related parties with the Company
Foshan Weishang Technology Industry Development Group Co., Ltd.	Controlled by the actual controller of the Company
Foshan City Midea Household Appliances Co., Ltd.	Controlled by the actual controller of the Company
Hefei City Bainian Molding Technology Co., Ltd.	Controlled by direct relative of the ultimate controlling shareholder of the Company
Guangdong Wellkey Electric Material Co., Ltd.	Controlled by direct relative of the ultimate controlling shareholder of the Company
Anhui Wellkey Electric Material Co., Ltd.	Controlled by direct relative of the ultimate controlling shareholder of the Company
Infocore Holding Group Co., Ltd.	Controlled by direct relative of the ultimate controlling shareholder of the Company
Guangdong Yingke Electronics Co., Ltd.	Controlled by direct relative of the ultimate controlling shareholder of the Company
Foshan City Shunde Midea Development Co., Ltd.	Controlled by the actual controller of the Company
Foshan Midea Real Estate Development Co., Ltd.	Controlled by the actual controller of the Company
Shanxi Huaxiang Group Co., Ltd.	Joint venture of the shareholding subsidiary of the Company
Shanxi Huaxiang Tongchuang Casting Co., Ltd.	Subsidiary of the Company's joint-venture company
Guangdong Midea Property Co., Ltd.	Controlled by the actual controller of the Company
Guangdong Meilongbao Wine Co., Ltd.	Controlled by the actual controller of the Company
Foshan Shunde Rural Commercial Bank Company Limited	Share held by the Company

(II) Associated party transactions

1. Associated party transactions in relation to sales of goods, provision and receipt of labor services

(1) Associated party transactions in relation to purchase of goods and receipt of labor service

Associated party	Transaction content	2014	2013
Hefei City Bainian Molding Technology Co., Ltd.	Purchase commodities		65,778.12
Guangdong Wellkey Electric Material Co., Ltd.	Purchase commodities	819,285.71	868,092.57
Foshan Micro Midea Filter Co., Ltd.	Purchase commodities	108,981.31	66,449.44
Shanxi Huaxiang Group Co., Ltd.	Purchase commodities	214,148.69	240,782.63
Guangdong Yingke Electronics Co., Ltd.	Purchase commodities	148,237.81	61,332.82
Anhui Wellkey Electric Material Co., Ltd.	Purchase commodities	347,228.32	69,346.69
Subtotal		1,637,881.84	1,371,782.27

(2) Associated party transactions in relation to sales of goods and provision of labor service

Associated party	Transaction content	2014	2013
Hefei City Bainian Molding Technology Co., Ltd.	Sell commodities		24,636.42
PT.MIDEA PLANET INDONESIA	Sell commodities	74,247.14	55,462.07
Anhui Wellkey Electric Material Co., Ltd.	Sell commodities		3,355.99
Guangdong Wellkey Electric Material Co., Ltd.	Sell commodities		17,704.75
Guangdong Yingke Electronics Co., Ltd.	Sell commodities	27.39	23,559.63
Shanxi Huaxiang Group Co., Ltd.	Sell commodities		573.19
Subtotal		74,274.53	125,292.05

2. Associated party lease

(1) List of the lease of the Company

Lessee	Types of leasing assets	Leasing income recognized of the current period	Leasing income recognized of the same period of last year
Foshan City Shunde Midea Development Co., Ltd.	Office building		4,823.78
Infore Holding Group Co., Ltd.	Office building	2,971.97	2,808.87
Midea Holding Co., Ltd.	Office building	702.41	695.81
Guangdong Meilongbao Wine Co., Ltd.	Plant	185.37	388.77
Foshan Micro Midea Filter Co., Ltd.	Office building	257.80	384.77
Guangdong Midea Property Co., Ltd.	Office building	4,639.01	13.44

3. Reward of the key managers

Items	2014	2013
Reward of the key managers	41,260.00	31,830.00

4. Deposit of associated funds

Name of the items	Associated parties	2014	2013
Deposit of monetary capital	Foshan Shunde Rural Commercial Bank Company Limited	35,502,429.25	26,982,699.51

5. Notes discount interests paid by Associated Party

Name of the items	Associated parties	2014	2013
Notes discount interests	Anhui Wellkey Electric Material Co., Ltd.	3,470.18	2,075.52
Notes discount interests	Guangdong Wellkey Electric Material Co., Ltd.	7,031.43	6,592.68
Notes discount interests	Foshan Micro Midea Filter Co., Ltd.		9.28
	Subtotal	10,501.61	8,677.48

(III) Associated party accounts receivable and accounts payable

1. Accounts receivables due from associated party

Name of the items	Associated parties	2014	2013
		Book balance	Book balance
Prepayment	Foshan City Midea Real Estate Development Co., Ltd.		348,000.00
Subtotal			348,000.00
Accounts receivable	PT.MIDEA PLANET INDONESIA	4,378.06	2,507.86
Subtotal		4,378.06	2,507.86

2. Accounts payables due to associated party

Name of the items	Associated parties	Closing balance	Opening balance
Account payables	Hefei City Bainian Molding Technology Co., Ltd.	0.88	202.08
	Guangdong Wellkey Electric Material Co., Ltd.	103,113.58	99,197.47
	Foshan Micro Midea Filter Co., Ltd.		15,938.35
	Shanxi Huaxiang Group Co., Ltd.	58,751.86	44,554.69
	Shanxi Huaxiang Tongchuang Casting Co., Ltd.	1,743.19	16,559.88
	Guangdong Yingke Electronics Co., Ltd.	26,695.69	17,626.97
	Anhui Wellkey Electric Material Co., Ltd.	96,658.11	48,775.65
	Hefei Orinko Energy Saving Materials Co., Ltd.	63,966.03	
	Subtotal		350,929.35
Other accounts payable	Guangdong Wellkey Electric Material Co., Ltd.	200.00	
	Guangdong Yingke Electronics Co., Ltd.	560.00	
Subtotal		760.00	

XI. Stock payment

(I) Overall situation of stock payment

1. Detailed information

Items	Number	Amount
Total of equity instruments granted in this period	99,862.50	452,710.00
Total of equity instruments executed in this period		
Total of equity instruments invalid in this period	3,440.00	12,122.56
The scope and the remaining period of the contract of the executive price of the outstanding share option issued at the period-end of the Company	The executive price of RMB18.72; the first exercise schedule: since the first trading date after 12 months of the authorization date to the last trading date among the 36 months since the authorization date with the right proportion of 1/3; the second exercise schedule: the first trading date after 24 months of the authorization date to the last trading date among 48 months since the trading date with the right proportion of 1/3; the third exercise schedule: since the first trading date after 36 months of the authorization date to the last trading date among the 60 months since the authorization date with the right proportion of 1/3;	
The scope and the remaining period of the contract of the executive price of the outstanding other equity instruments issued at the period-end of the Company		

(II) List of the share-based payment settled by equity

Confirmation of fair value of equity instruments at the grant date	Black-Scholes Option Pricing Models
Recognition basis of the number of the vested equity instruments	Measured according to the expected lapsed option
Reasons of the significant difference between the estimates of the current period with that of the last period	
Accumulative amount of the share-based payment settled by equity and be included in the capital surplus	150,991.31
Total amount of the expenses recognized according to the share-based payment settled by equity of the current period	176,348.63

XII. Commitments and contingencies

(I) Significant commitments

Up to 31 Dec. 2014, there was no any significant commitment needed to be disclosed.

(II) Contingencies

Amount in tax affairs disputes for Brazil subsidiary with 51% shares held by the Company is about 496 million BRL (some cases are lasted for more than 10 years; above amount involves the principal and interest). Until December 31, 2014, some cases remain at the court. According to judgment of practicing lawyers in Brazil, it would be likely to win most cases. Besides, original shareholders of Brazil subsidiary have signed the agreement and promised to compensate the Company according to verdict results in above tax affairs disputes. Maximum compensation amount is about 220 million BRL.

Except for the above contingencies, there was no any other significant contingency needed to be disclosed up to the balance sheet date.

XIII. Events after the balance sheet date

List of the profits distribution after the balance sheet date

Profits or share dividends planed to be distributed	4,215,808.47
Profits or share dividends approved and declared to be issued after review	4,215,808.47

XIV. Other significant events

(I) Segment information

1. Recognition basis and accounting treatment of the segment of the report

The Company recognizes the operating segments based on the internal organizational structure, management requirements, internal report system etc. The operating segments of the Company refer to the components that satisfy the following conditions at the same time:

- (1) The components can cause revenues and also occurs expenses among the daily activities;
- (2) The management layer can periodically assess the operating results of the component for deciding to allot the resources and assess the performance;
- (3) Can acquire the relevant accounting information of the financial conditions, operating results and the cash flow of the components through analysis.

The Company recognizes the report segments based on the products segments and distributes the assets and liabilities jointly used by each segment according to the scale proportion within different segments.

2. Financial information of the report segments

Products segments

Items	2014			
	Air conditioning and parts	Refrigerators and parts	Washing machines and parts	Small appliances
Operating income	81,004,947.78	9,952,970.27	10,879,737.29	33,822,313.46
Of which: external transaction income	80,929,082.41	9,906,283.78	10,855,702.31	33,551,078.06
Transaction income among the segments	75,865.37	46,686.49	24,034.98	271,235.40
Operating expenses	74,272,408.59	9,282,138.09	10,055,396.33	30,369,040.47
Operating profits (losses)	6,732,539.19	670,832.18	824,340.96	3,453,272.99
Total amount of the assets	66,395,208.38	8,039,500.93	11,438,623.16	24,061,390.84
Total amount of the liabilities	46,164,397.27	4,620,201.37	6,249,999.47	20,286,712.40

(Continued)

Items	2014				
	Electric machine	Logistics	Other	Offset	Total
Operating income	7,873,132.93	3,564,558.63	1,485,307.92	6,272,001.26	142,310,967.02
Of which: external transaction income	4,468,629.62	1,966,344.60	633,846.24		142,310,967.02
Transaction income among the segments	3,404,503.31	1,598,214.03	851,461.68	6,272,001.26	
Operating expenses	7,219,266.00	3,519,965.23	1,345,591.89	6,345,011.60	129,718,795.00
Operating profits (losses)	653,866.93	44,593.40	139,716.03	-73,010.34	12,592,172.02
Total amount of the assets	7,109,578.99	5,147,059.27	57,775,325.20	59,674,598.61	120,292,088.16
Total amount of the liabilities	2,853,070.66	3,994,166.36	39,539,181.00	49,147,095.61	74,560,632.92

(Continued)

Items	2013			
	Air conditioning and parts	Refrigerators and parts	Washing machines and parts	Small appliances
Operating income	67,561,758.64	8,309,574.34	8,775,193.25	28,719,098.47
Of which: external transaction income	67,557,954.28	8,264,808.41	8,764,858.60	28,706,824.21
Transaction income among the segments	3,804.36	44,765.93	10,334.65	12,274.26
Operating expenses	63,742,359.47	8,105,094.65	8,303,120.43	26,859,937.16
Operating profits (losses)	3,819,399.17	204,479.69	472,072.82	1,859,161.31
Total amount of the assets	44,788,995.94	5,955,286.94	9,262,021.99	18,573,886.94
Total amount of the liabilities	27,006,611.04	2,837,488.59	4,655,548.02	12,585,139.58

(Continued)

Items	2013				
	Electric machine	Logistics	Other	Offset	Total
Operating income	7,772,296.26	2,631,320.67	11,486,645.22	13,990,706.83	121,265,180.02
Of which: external transaction income	4,881,309.13	1,759,584.14	1,329,841.25		121,265,180.02
Transaction income among the segments	2,890,987.13	871,736.53	10,156,803.97	13,990,706.83	-
Operating expenses	7,108,403.97	2,648,266.92	10,679,144.44	13,960,552.91	113,485,774.13
Operating profits (losses)	663,892.29	-16,946.25	807,500.78	30,153.92	7,779,405.89
Total amount of the assets	6,608,519.88	3,766,190.01	46,663,132.50	38,672,009.43	96,946,024.77
Total amount of the liabilities	2,847,395.61	2,598,545.17	25,919,379.53	20,584,645.05	57,865,462.49

(II) Significant transactions and events with influences on the decision of other investors

On 12 Dec. 2014, the 25th Session of the 1st Board of Directors reviewed and approved the Proposal on the Non-public Issuance to the Specified Targets by the Company of the Stock Plans of the A Share, which planned to issue the RMB common shares (A share) of 55 million shares with per share of RMB23.01 to Xiaomi Technology Co., Ltd. with the face value of RMB1.00 per share. The total amount of the issued raised funds was not more

than RMB1265.55 million.

On 23 Jan. 2015, the Company received the Notice of Administrative Licensing Application Acceptance from CSRC issued on 22 Jan. 2015 by CSRC (No. 150067).

XV. Project notes of financial statements of the parent company

(I) Notes on items in the balance sheet of the parent company

1. Other receivables

(1) Detailed Information

1) Category details

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Significant single amount and individual provision for bad debts					
Withdraw the bad debt provision by credit risks characteristics	2,419,320.65	100.00	1,014.44	0.04	2,418,306.21
Non-significant single amount and individual provision for bad debts					
Total	2,419,320.65	100.00	1,014.44	0.04	2,418,306.21

(Continued)

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Significant single amount and individual provision for bad debts					
Withdraw the bad debt provision by credit risks characteristics	3,525,325.00	100.00	6,295.54	0.18	3,519,029.46
Non-significant single amount and individual provision for bad debts					-
Total	3,525,325.00	100.00	6,295.54	0.18	3,519,029.46

2) Other receivables with provision for bad debt by the aging analysis method in the combination

Aging	Closing balance
-------	-----------------

	Book balance	Provision for bad account	Withdrawal proportion (%)
Within 1 year	9,596.43	479.82	5.00
1 to 2 years	5,282.19	528.22	10.00
2 to 3 years	21.34	6.40	30.00
Subtotal	14,899.96	1,014.44	6.81

3) Receivables with provision for bad debt by the specific identification method in the combination

Name of the groups	Closing balance		
	Book balance	Provision for bad account	Withdrawal proportion (%)
Related come-and-go groups among the consolidated scope	2,404,420.69		

(2) List of the bad debt provision withdrawn, recovered or reversed

The amount of the reversed bad debt provision was of RMB5,281,100.

(3) List of the category of the nature of the other accounts receivable

Nature	Closing balance	Opening balance
Margin	488.08	297.30
Suspense payment receivable	2,418,832.57	3,525,027.70
Subtotal	2,419,320.65	3,525,325.00

(4) List of the top 5 of other accounts receivable

Name of the entities	Nature	Book balance	Aging	Proportion to the balance of the accounts receivable (%)	Bad debt provision
No. 1	Suspense payment receivable	2,087,066.06	Within 1 year	86.27	
No. 2	Suspense payment receivable	148,800.00	Within 1 year	6.15	
No. 3	Suspense payment receivable	67,489.05	Within 1 year	2.79	

No. 4	Suspense payment receivable	2,319.70	Within 1 year	0.10	82.14
No. 5	Suspense payment receivable	1,642.80	Within 1 year	0.07	
Subtotal		2,307,317.61			

2. Long-term equity investment

(1) Detailed information

Items	Closing balance		
	Book balance	Depreciation reserves	Book value
Investment on the subsidiaries	16,288,331.74		16,288,331.74
Investment on the joint venture enterprises	260,550.99		260,550.99
Total	16,548,882.73		16,548,882.73

(Continued)

Items	Opening balance		
	Book balance	Depreciation reserves	Book value
Investment on the subsidiaries	15,835,637.34		15,835,637.34
Investment on the joint venture enterprises	229,436.56		229,436.56
Total	16,065,073.90		16,065,073.90

(2) Investment on the subsidiaries

Investees	Opening balance	Increase	Decrease
Wuxi Little Swan Company Limited	2,469,774.73	170,194.40	
Foshan City Midea Household Appliances Group Co., Ltd.	1,954,935.95		
Midea Group Finance Co., Ltd.	1,425,000.00		
Hefei Midea HVAC Equipment Co., Ltd.	1,045,000.00		
Hubei Midea Refrigerator Co., Ltd.	830,239.03		
Anhui GMCC Precision Manufacturing Co., Ltd.	800,000.00		
Foshan City Shunde District Midea	749,000.00		

Home Appliance Industry Co., Ltd.			
Wuhu GMCC Air-Conditioning Equipment Co., Ltd.	726,000.00		
Guangdong Midea Refrigeration Equipment Co., Ltd.	641,920.00		
Annto Logistics Company Limited	626,739.34		
Guangdong Midea Commercial Air Conditioning Equipment Co., Ltd.	569,430.35		
Ningbo Midea United Material Supply Co., Ltd.	50,000.00	430,000.00	
Guangzhou Hualing Refrigeration Equipment Co., Ltd.	479,408.58		
Guangzhou Midea Hualing Refrigerator Co., Ltd.	420,000.00		
Hefei Royalstar Refrigerator Co., Ltd.	414,685.93		
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	339,074.28		
Anhui GMCC Refrigeration Equipment Co., Ltd.	308,750.00		
Guangdong Midea HVAC Equipment Co., Ltd.	90,000.00	180,000.00	
Midea Electric Investment (BVI) Limited	236,542.62		
Midea International Corporation Limited Company	176,974.50		
Guangzhou Hualing Air-conditioners Equipment Co., Ltd.	136,745.27		
Foshan City Midea Carrier Refrigeration Equipment Co., Ltd.	120,000.00		
Hefei Midea Material Supplies Co., Ltd.	117,000.00		
Midea Group E-commerce Co., Ltd.		100,000.00	
Anhui GMCC Compressor Sales Co., Ltd.	95,000.00		
Guangdong GMCC Compressor Co., Ltd.	89,787.77		
Hefei Hualing Co., Ltd.	88,646.33		
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	60,508.23		
Foshan City Midea Material Supplies Co., Ltd.	54,000.00		
Zhejiang GMCC Compressor Co., Ltd.		50,000.00	
Wuhu Little Swan Refrigeration Equipment Co., Ltd.	47,500.00		

Chongqing Midea Refrigeration Equipment Co., Ltd.	47,500.00		
Guangdong GMCC Precision Manufacturing Co., Ltd.	38,437.80		
Foshan City Midea Air-conditioners Industrial Investment Co., Ltd.	36,061.94		
Chongqing Midea General Refrigeration Equipment Co., Ltd.	31,420.56		
Ningbo Meijia Investment Management Co., Ltd.	18,305.20		
Hefei Royalstar Midea Appliance Marketing Co., Ltd.	14,668.09		
Foshan City Shunde District Midea Electronic Technology Co., Ltd.	9,000.00		
Midea Electric Investment (BVI) Limited	80.84		
Anhui GMCC Compressor Co., Ltd.	47,500.00		47,500.00
Ningbo Meian Logistics Investment Co., Ltd.	430,000.00		430,000.00
Subtotal	15,835,637.34	930,194.40	477,500.00

(Continued)

Investees	Closing balance	Depreciation reserves withdrawn of the current period	Closing balance of the depreciation reserves
Wuxi Little Swan Company Limited	2,639,969.13		
Foshan City Midea Household Appliances Group Co., Ltd.	1,954,935.95		
Midea Group Finance Co., Ltd.	1,425,000.00		
Hefei Midea HVAC Equipment Co., Ltd.	1,045,000.00		
Hubei Midea Refrigerator Co., Ltd.	830,239.03		
Anhui GMCC Precision Manufacturing Co., Ltd.	800,000.00		
Foshan City Shunde District Midea Home Appliance Industry Co., Ltd.	749,000.00		
Wuhu GMCC Air-Conditioning Equipment Co., Ltd.	726,000.00		
Guangdong Midea Refrigeration Equipment Co., Ltd.	641,920.00		

Annto Logistics Company Limited	626,739.34		
Guangdong Midea Commercial Air Conditioning Equipment Co., Ltd.	569,430.35		
Ningbo Midea United Material Supply Co., Ltd.	480,000.00		
Guangzhou Hualing Refrigeration Equipment Co., Ltd.	479,408.58		
Guangzhou Midea Hualing Refrigerator Co., Ltd.	420,000.00		
Hefei Royalstar Refrigerator Co., Ltd.	414,685.93		
Guangdong Midea Group Wuhu Refrigeration Equipment Co., Ltd.	339,074.28		
Anhui GMCC Refrigeration Equipment Co., Ltd.	308,750.00		
Guangdong Midea HVAC Equipment Co., Ltd.	270,000.00		
Midea Electric Investment (BVI) Limited	236,542.62		
Midea International Corporation Limited Company	176,974.50		
Guangzhou Hualing Air-conditioners Equipment Co., Ltd.	136,745.27		
Foshan City Midea Carrier Refrigeration Equipment Co., Ltd.	120,000.00		
Hefei Midea Material Supplies Co., Ltd.	117,000.00		
Midea Group E-commerce Co., Ltd.	100,000.00		
Anhui GMCC Compressor Sales Co., Ltd.	95,000.00		
Guangdong GMCC Compressor Co., Ltd.	89,787.77		
Hefei Hualing Co., Ltd.	88,646.33		
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	60,508.23		
Foshan City Midea Material Supplies Co., Ltd.	54,000.00		
Zhejiang GMCC Compressor Co., Ltd.	50,000.00		
Wuhu Little Swan Refrigeration Equipment Co., Ltd.	47,500.00		
Chongqing Midea Refrigeration Equipment Co., Ltd.	47,500.00		
Guangdong GMCC Precision Manufacturing Co., Ltd.	38,437.80		
Foshan City Midea Air-conditioners	36,061.94		

Industrial Investment Co., Ltd.			
Chongqing Midea General Refrigeration Equipment Co., Ltd.	31,420.56		
Ningbo Meijia Investment Management Co., Ltd.	18,305.20		
Hefei Royalstar Midea Appliance Marketing Co., Ltd.	14,668.09		
Foshan City Shunde District Midea Electronic Technology Co., Ltd.	9,000.00		
Midea Electric Investment (BVI) Limited	80.84		
Anhui GMCC Compressor Co., Ltd.			
Ningbo Meian Logistics Investment Co., Ltd.			
Subtotal	16,288,331.74		

(3) Investment on the joint venture enterprises

Investees	Opening balance	Increase/decrease			
		Additional investment	Negative investment	Gains and losses of the investment recognized under the equity method	Adjustment of other comprehensive income
Joint venture enterprises					
Hefei Royalstar Motor Co., Ltd.	80,838.82			19,118.82	
Foshan City Shunde District Midea Micro-Credit Inc.	70,358.75			1,939.30	
Midea Micro-Credit Inc.	50,478.96			9,868.21	
Golden Eagle Asset Management Co., Ltd.	27,760.03			188.10	
Subtotal	229,436.56			31,114.43	

(Continued)

Investees	Increase/decrease	Closing	Balance of
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	Changes of other equities	Cash dividends or profits declared to issue	Withdrawal of depreciation reserves	Other	balance	the depreciation reserves at the period-end
Joint venture enterprises						
Hefei Royalstar Motor Co., Ltd.					99,957.64	
Foshan City Shunde District Midea Micro-Credit Inc.					72,298.05	
Midea Micro-Credit Inc.					60,347.17	
Golden Eagle Asset Management Co., Ltd.					27,948.13	
Subtotal					260,550.99	

(II) Notes to profit statement of the parent company

1. Operating income/ Operating cost

Items	2014		2013	
	Income	Cost	Income	Cost
Income of other business	754,281.87	25,840.97	228,771.13	12,037.27
Total	754,281.87	25,840.97	228,771.13	12,037.27

2. Investment income

Items	2014	2013
Long-term investment incomes accounted for by cost method	5,639,069.82	969,466.95
Long-term investment incomes accounted for by equity method	31,114.43	9,623.22
Investment income produced from disposing the long-term equity investment	-28,062.40	3,915,483.63
Investment income of the holding period of the available-for-sale financial assets	84,654.96	51,267.48
Financial investment income	790,954.08	
Total	6,517,730.89	4,945,841.28

XVI. Other supplementary information

(I) Non-recurring profits and losses

Items	Amount	Notes
Profits and losses of disposal of illiquid assets, including the offset part with provision for the impairment of assets	-223,943.21	
Tax refund or exemption with ultra vires approval, without formal approval documents, or as sporadic		
The government subsidies included in the current profits and losses(the government subsidiary is closely related with normal business of the company, it keeps with the state industrial policy, but it does not include the government subsidiaries which based on standard quota or quantitative continuous enjoyment)	790,500.54	
Payment for occupied funds collected from the non-financial enterprises and recorded into the current profits and losses		
When the company obtains the subsidiary, the investment cost of associated enterprises and joint venture is less than the income produced from fair value of the identifiable net assets which shared by the investment company at the acquisition of the investment.		
Gain or loss arising from non-monetary asset trade		
Profits or losses which entrust others for investment or asset management.	953,662.11	
Provision of impairment of various assets for force majeure, i.e., natural disaster		
Gain or loss from debt recombination	7,708.29	
Expenses for enterprise restructuring, i.e., expenditures for laid-off staff, combination, etc.	-17,259.18	
Gain or loss arising from the trading price higher than fair value		
Net gain or loss of current period of the enterprises under common control from beginning of period to the date of merger.		
Profits and losses produced from contingencies which have nothing to do with the normal operation of business of the company		
In addition to the effective hedging business related with the normal operation of business of the company, holding the tradable financial assets, profits and losses of fair value variable produced from transaction monetary assets, and disposal of tradable financial assets, transaction financial liabilities and investment income produced from salable financial assets	-268,421.83	
Reversals of Provision for amounts receivable impairment which tested alone for impairment		
Profits and losses gained from foreign trusted loans		
Profits and losses produced form fair value variables of investment real estate by using the fair value modes for subsequent measurement		

The influences of current profits and losses by one-time adjustment according to the laws and regulations of the revenue, accountancy and so on		
Hosting fees obtained by entrusting the operation		
Other operating income and expenditure except the items mentioned above	-69,779.97	
Other profit and loss items in accordance with the definition of non-recurring profits and losses		
Subtotal	1,172,466.75	
Less: the number of the influence of income tax of the enterprise(the income tax decreased as “-”)	204,645.85	
The influence amount of the minority interests (after tax)	-57,551.38	
The net amount of non-recurring gains and losses belonged to the owner of the parent company	1,025,372.28	

(II) The rate of return on net assets and earnings per share

1. Detailed information

Profits of Reporting Period	The rate of return on common stockholder's equity by weighted average method	Earnings per share (RMB / share)	
		Basic EPS	Diluted EPS
Net-profits pertaining to the ordinary share shareholders	29.49%	2.49	2.49
Net profits attributed to the holders of ordinary shares of the company after deducting abnormal losses	26.61%	2.25	2.25

2. Counting process of the rate of return of the weighted average net assets

Items	S/N	2014
Net-profits pertaining to the ordinary share shareholders	A	10,502,220.26
Extraordinary gain or loss	B	1,025,372.28
Net profits attributed to the holders of ordinary shares of the company after deducting the nonrecurring gains and losses	C=A-B	9,476,847.98
The opening net assets attributed to the holders of ordinary shares of the company	D	32,847,431.04
The issue of new shares or debt and other new shares, these all belong to the net assets which attributed to the holders of ordinary shares of the company	E	
The cumulative number of months of the increased net assets during the next month to final Reporting Period	F	12

Repurchase or cash dividends decreased, these are parts of the net assets attributed to the holders of ordinary shares of the company		G	3,372,646.78
The cumulative number of months of the decreased net assets during the next month to final Reporting Period		H	8
Other	Purchase of the minority equities of the subsidiaries	I1	-155,113.80
	The cumulative number of months of the increased and decreased net assets during the next month to final Reporting Period	J1	5
	Changes of other net assets excluding the accumulation fund turning to increase subscribed	I2	-351,390.88
	The cumulative number of months of the increased and decreased net assets during the next month to final Reporting Period	J2	6
The number of months during the Reporting Period		K	12
The weighted average net assets		$L = D + A/2 + E \times F/K - G \times H/K + I \times J/K$	35,609,783.79
The rate of return on the weighted average net assets		$M = A/L$	29.49%
The rate of return on weighted average net assets after deducting the nonrecurring gains and losses		$N = C/L$	26.61%

3. Counting process of the basic EPS and diluted EPS

(1) Counting process of the basic EPS

Items	S/N	2014
Net-profits pertaining to the ordinary share shareholders	A	10,502,220.26
Extraordinary gain or loss	B	1,025,372.28
Net profits attributed to the holders of ordinary shares of the company after deducting the nonrecurring gains and losses	$C = A - B$	9,476,847.98
Total amount of the shares at the period-begin	D	1,686,323.39
Amount of the increased shares owing to accumulation fund turn add equity or the distribution of the shares dividends	E	2,529,485.08
Amount of the increased shares owing to the issue of new shares or the debt-to-equity swap	F	
The cumulative number of months of the increased shares during the next month to final Reporting Period	G	
Amount of the decreased shares owing to re-purchasement	H	

The cumulative number of months of the decreased shares during the next month to final Reporting Period	I	
The number of the share compressing during the Reporting Period	J	
The number of months during the Reporting Period	K	12
Weighted average amount of the outstanding common shares	$L=D+E+F \times G/K-H \times I/K-J$	4,215,808.47
Basic EPS	$M=A/L$	2.49
Basic EPS deducting the non-current gains and losses	$N=C/L$	2.25

(2) Counting process of the diluted EPS

Items	S/N	2014
Net-profits pertaining to the ordinary share shareholders	A	10,502,220.26
Influence number of the net profits by the dilutive potential ordinary shares	B	
Diluted net profits attributed to the common share shareholders of the Company	$C=A-B$	10,502,220.26
Extraordinary gain or loss	D	1,025,372.28
Diluted net profits attributed to the common share shareholders of the Company deducting the non-current gains and losses	$E=C-D$	9,476,847.98
Weighted average amount of the outstanding common shares	F	4,215,808.47
Weighted average amount of the increased common shares owing to the stock warrant, the stock option and the convertible bonds	G	3,920.36
Diluted weighted average amount of the outstanding common shares	$H=F+G$	4,219,728.83
Diluted EPS	$M=C/H$	2.49
Diluted EPS deducting the non-current gains and losses	$N=E/H$	2.25

(III) Relevant supplementary information about the changes of the accounting policies

The Company changed the relevant accounting policies according to the 8 ASBE of No. 2 of ASBE-Long-term Equity Investment and executed the retroactive restatement of the comparative financial statement with the consolidated balance sheet after the restatement on 31 Dec. 2012 and 31 Dec. 2013 as follows:

Items	2012.12.31	2013.12.31	2014.12.31
Current assets:			
Monetary capital	13,435,509.08	15,573,683.04	6,203,282.81
Accounts deposited in the central bank	517,142.87	923,632.22	1,279,592.47
Accounts deposits in other banks	314,399.48	1,746,284.24	2,126,444.99

Intra-group lendings			
Financial assets measured at fair value of which changes are recorded in current profits and losses			
Derivative financial assets	231,549.94	759,565.22	162,513.84
Financial assets purchased under agreements to resell			
Notes payable	12,386,424.76	14,150,532.20	17,097,233.37
Accounts payable	9,864,573.62	7,928,438.25	9,362,102.75
Accounts received in advance	1,802,482.18	2,432,420.54	1,414,470.45
Premiums receivable			
Reinsurance premiums payable			
Reserve fund of the reinsurance treaty payable			
Interest receivable			
Loans and advances	409,507.43	5,100,085.71	5,940,800.47
Dividend receivable		25,863.84	45,943.22
Other accounts receivable	1,121,345.63	1,025,395.19	1,180,767.53
Financial assets purchased under agreements to resell			
Inventories	13,350,000.92	15,197,723.84	15,020,030.26
Assets held for sale			
Non-current assets due within 1 year			
Other current assets	2,129,254.86	463,107.71	26,593,892.46
Total current assets	55,562,190.77	65,326,732.00	86,427,074.62

(Continued)

Items	2012.12.31	2013.12.31	2014.12.31
Non-current assets:			
Available-for-sale financial assets	840,694.50	844,439.05	1,655,494.72
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment	869,853.54	912,427.64	951,874.39
Investing real estate	84,388.01	205,834.70	171,634.90
Fixed assets	20,252,528.91	19,572,161.32	19,521,814.06
Construction in progress	1,600,696.10	612,601.28	661,882.29
Engineering materials			
Disposal of fixed assets			
Production biological assets			
Oil-gas assets			
Intangible assets	3,672,190.93	3,325,738.40	3,431,958.12

R&D expense			
Goodwill	3,473,028.55	2,931,003.59	2,931,791.41
Long-term deferred expenses	588,742.25	647,882.34	758,576.10
Deferred income tax assets	792,213.42	2,567,204.45	3,779,987.55
Other non-current assets			
Total of non-current assets	32,174,336.21	31,619,292.77	33,865,013.54
Total assets	87,736,526.98	96,946,024.77	120,292,088.16

(Continued)

Items	2012.12.31	2013.12.31	2014.12.31
Current liabilities:			
Short-term borrowings	5,082,087.08	8,872,173.98	6,070,879.03
Borrowings from Central Bank		89,708.03	
Customer bank deposits and due to banks and other financial institutions	624.80	61.00	7,493.81
Intra-group borrowings			
Financial liabilities measured at fair value of which changes are recorded in current profits and losses			
Derivative financial liabilities	22,073.08	11,260.18	74,960.70
Financial assets sold for repurchase			
Deposit taking			
Accounts received in advance	9,243,386.65	6,308,478.45	12,648,496.99
Financial assets sold for repurchase	15,773,596.24	17,508,099.66	20,137,454.46
Handling charges and commissions payable	3,570,152.79	4,983,346.26	3,992,540.46
Payroll payable			
Tax payable			
Interest payable	1,330,103.17	1,968,837.73	2,199,776.95
Dividend payable	917,644.57	1,028,015.10	3,280,150.71
Other accounts payable	190,137.57	69,823.87	22,912.17
Reinsurance premiums payable	72,913.44	94,046.21	93,799.03
Insurance contract reserves	2,469,318.48	1,487,781.02	1,223,548.76
Payables for acting trading of securities			
Payables for acting underwriting of securities			
Liabilities held for sale			

Non-current liabilities due within 1 year			
Other current liabilities			
Total current liabilities	3,944,828.25	1,617,370.17	611,900.00
Non-current liabilities:	8,193,297.74	12,608,380.03	22,778,936.05
Long-term borrowings	50,810,163.86	56,647,381.69	73,142,849.12
Bonds payable			
Of which: preferred shares	2,388,473.96	711,464.64	19,205.03
Perpetual bonds	1,149,250.61	152,716.59	153,026.30
Long-term payables			
Long-term payroll payables			
Specific payables			
Estimated liabilities			
Deferred income	12,594.55	52,073.96	851,825.49
Deferred income tax liabilities	24,611.19	33,466.19	25,573.83
Other non-current liabilities		144,561.80	342,235.91
Total non-current liabilities	86,157.80	123,797.62	25,917.24
Total liabilities	99,789.67		
Accounts received in advance	3,760,877.78	1,218,080.80	1,417,783.80
Financial assets sold for repurchase	54,571,041.64	57,865,462.49	74,560,632.92

(continued)

Items	2012.12.31	2013.12.31	2014.12.31
Owners' equity:			
Share capital	1,000,000.00	1,686,323.39	4,215,808.47
Other equity instruments			
Of which: preferred shares			
Perpetual bonds			
Capital reserves	3,027,987.45	15,566,303.94	13,024,883.19
Less: Treasury stock			
Other comprehensive income	-271,532.06	-279,729.82	-774,298.83
Specific reserves			
Surplus reserves	66,439.07	569,544.32	1,189,791.32
Provisions for general risks			
Retained profits	10,490,636.40	15,304,989.21	21,814,315.69
Total equity attributable to owners of the Company	14,313,530.86	32,847,431.04	39,470,499.84
Minority interests	18,851,954.48	6,233,131.24	6,260,955.40
Total owners' equity	33,165,485.34	39,080,562.28	45,731,455.24

Total liabilities and owners' equity	87,736,526.98	96,946,024.77	120,292,088.16
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Section XII Documents Available for Reference

- 1. The original of *the 2014 Annual Report of Midea Group Co., Ltd.* signed by the legal representative;**
- 2. Financial statements signed and stamped by the legal representative, the financial head and the accounting supervisor;**
- 3. The original of the auditor's report with the seal of the accounting firm, and signed and stamped by CPAs;**
- 4. The originals of all company documents and announcements that are disclosed to the public via newspaper designated for information disclosure during the Reporting Period; and**
- 5. The electronic version of the 2014 Annual Report that is released on <http://www.cninfo.com.cn>.**

Midea Group Co., Ltd.

Legal Representative: Fang Hongbo

31 March 2015