

**MIDEA GROUP CO., LTD.  
INTERIM REPORT FOR THE THIRD  
QUARTER 2017**



**October 2017**

## Section I Important Statements

1. The Board of Directors, the Supervisory Committee as well as all the directors, supervisors and senior management staff of Midea Group Co., Ltd. (hereinafter referred to as the “Company”) have warranted that this Report contains no false records, misleading statements or material omissions. And they shall be jointly and severally liable for the factuality, accuracy and completeness of the information given in this Report.
2. All the directors have attended the Q1 report review board meeting.
3. The financial statements contained in this Report have not been audited by a certified public auditors (CPAs) firm.
4. Mr. Fang Hongbo, Chairman of the Board and President of the Company, and Mr. Xiao Mingguang, responsible person for the Company’s financial affairs, and Ms. Chen Lihong, responsible person for the Company’s accounting department have represented and warranted that the financial statements in this Report are factual, accurate and complete.
5. This Report has been prepared in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

## Section II Company Profile

### 1. Key Accounting Data and Financial Indicators

Indicate by tick mark whether the Company needs to retrospectively restate any of its accounting data.

Yes  No

	Sep. 30, 2017	Dec. 31, 2016	Change	
Total assets (RMB'000)	242,183,276	170,600,711	41.96%	
Net assets attributable to shareholders of the Company (RMB'000)	71,217,588	61,126,923	16.51%	
	July-September 2017	YoY change	January-September 2017	YoY change
Operating revenues (RMB'000)	62,498,801	60.85%	186,948,866	60.64%
Net profits attributable to shareholders of the Company (RMB'000)	4,186,853	26.43%	14,998,175	17.10%
Net profits attributable to shareholders of the Company before non-recurring profits and losses (RMB'000)	4,078,172	30.22%	13,969,938	14.21%
Net cash flows from operating activities (RMB'000)	--	--	20,067,642	5.41%
Basic earnings per share (RMB/share)	0.64	25.49%	2.31	15.50%
Diluted earnings per share (RMB/share)	0.64	25.49%	2.30	15.58%
Weighted average return on equity (%)	6.09%	0.27%	22.61%	-1.15%

Notes: During the period from January to September 2017, Midea Group, exclusive of its recently acquired subsidiaries, achieved operating revenues of RMB156,389,246,000, up 39% compared to the same period of last year; and achieved consolidated net profits attributable to shareholders of the Company of RMB15,725,201,000, representing a 23% year-on-year increase. According to a professional international evaluation agency and China's accounting standards for business enterprises, the amortization of the M&A expenses for the period from January to September 2017 was recognized at RMB1,851,780,000.

During the period from January to September 2017, the newly acquired KUKA achieved operating revenue of RMB19,837,513,000, representing a 27% YoY increase. And the net profit has a 26% YoY increase, indicating continued business growth.

Total shares outstanding of the Company as of the last trading session before the disclosure of this Report:

Number of total shares outstanding of the Company as of last trading session before disclosure of this Report (share)	6,548,526,448
Fully diluted earnings per share based on latest number of total shares outstanding above (RMB/share)	2.29

Non-recurring profits and losses:

Applicable  Not applicable

Unit: RMB'000

Item	January-September 2017	Note
Gains or losses on disposal of non-current assets (including offset asset impairment provisions)	775,994	
Government grants accounted for, in the profit or loss for the current period (except for the government grants closely related to the business of the Company and given at a fixed amount or quantity in accordance with the State's uniform standards)	1,070,631	
Gains or losses on debt restructuring	2,573	
Gains/Losses on fair value changes of financial assets and liabilities held for trading & investment income from disposal of financial assets and liabilities held for trading as well as financial assets available for sale (exclusive of effective hedges related to normal business operations of the Company)	-7,206	
Other non-operating income and expenditure except above-mentioned items	-167,908	
Less: Corporate income tax	545,990	
Minority interests (after tax)	99,857	
Total	1,028,237	-

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

□ Applicable √ N/A

No such cases for the Reporting Period.

## 2. Total Number of Shareholders and Shareholdings of Top 10 Shareholders at Period-End

### 2.1 Numbers of Common Shareholders and Preference Shareholders with Resumed Voting Rights, and Shareholdings of Top 10 Shareholders

Unit: share

Name of shareholder	Nature of shareholder	Share holding percentage	Total shares held at period-end	Restricted shares held at period-end	Pledged or frozen shares	
					Status	Number
Total number of common shareholders at period-end						
		106,209	Total number of preference shareholders with resumed voting rights at period-end (if any)		0	
Top 10 shareholders						
Midea Holding Co., Ltd.	Domestic non-state-owned corporation	33.78	2,212,046,613	0	Pledged	854,955,000
Hong Kong Exchanges and Clearing Limited	Foreign corporation	8.82	577,323,779	0	-	-
China Securities Finance Co., Ltd.	State-owned corporation	3.05	199,439,709	0	-	-
Fang Hongbo	Domestic individual	2.09	136,990,492	102,742,869	-	-
Hillhouse Capital Management Limited—HCM China Fund	Foreign corporation	1.74	113,891,138	0	-	-
Huang Jian	Domestic individual	1.34	87,980,000	0	Pledged	22,999,900
Xiaomi Technology Co., Ltd.	Domestic non-state-owned corporation	1.26	82,500,000	82,500,000	-	-
Central Huijin Asset Management Ltd.	State-owned corporation	1.20	78,474,900	0	-	-
Yuan Liquan	Domestic individual	1.14	74,365,200	0	Pledged	20,908,300

UBS AG	Foreign corporation	1.11	72,468,364	0	-	-
Top 10 non-restricted shareholders						
Name of shareholder	Non-restricted shares held at period-end	Type of stock				
		Type	Number			
Midea Holding Co., Ltd.	2,212,046,613	RMB-denominated common stock	2,212,046,613			
Hong Kong Exchanges and Clearing Limited	577,323,779	Ditto	577,323,779			
China Securities Finance Co., Ltd.	199,439,709	Ditto	199,439,709			
Hillhouse Capital Management Limited—HCM China Fund	113,891,138	Ditto	113,891,138			
Huang Jian	87,980,000	Ditto	87,980,000			
Central Huijin Asset Management Ltd.	78,474,900	Ditto	78,474,900			
Yuan Liquan	74,365,200	Ditto	74,365,200			
UBS AG	72,468,364	Ditto	72,468,364			
Fu Xuan	68,005,680	Ditto	68,005,680			
Li Jianwei	64,144,834	Ditto	64,144,834			
Related or acting-in-concert parties among shareholders above	N/A					
Top 10 common shareholders conducting securities margin trading (if any)	N/A					

Indicate by tick mark whether any of the top 10 common shareholders or the top 10 non-restricted common shareholders of the Company conducted any agreed buy-back during the Reporting Period.

Yes  No

No such cases in the Reporting Period.

## 2.2 Total Number of Preference Shareholders and Shareholdings of Top 10 of Preference Shareholders at Period-End

Applicable  Not applicable

## Section III Significant Events

### I Major Changes of Main Items in Financial Statements and Financial Indicators within the Reporting Period, as well as the Reasons for the Changes

√ Applicable □ Not applicable

Unit: RMB'000

Item	Sep. 30, 2017 or 9M 2017	Dec. 31, 2016 or 9M 2016	Change	Main reasons for the changes
Cash at bank and on hand	41,657,437	27,169,118	53.33%	Growth in sales
Notes receivable	15,518,453	7,427,488	108.93%	Growth in sales
Advances to suppliers	2,105,052	1,587,366	32.61%	Growth in sales and consolidation of KUKA
Other receivables	2,099,815	1,140,133	84.17%	Consolidation of KUKA
Inventories	23,752,878	15,626,897	52.00%	Consolidation of KUKA
Available-for-sale financial assets	1,846,009	5,187,732	-64.42%	Consolidation of KUKA
Long-term receivables	377,473	33,868	1,014.54%	Consolidation of KUKA
Construction in progress	1,020,704	580,729	75.76%	Higher investment in ongoing construction
Intangible assets	16,010,089	6,868,538	133.09%	Consolidation of KUKA
Goodwill	28,620,233	5,730,995	399.39%	Consolidation of KUKA
Other non-current assets	798,322	4,158,530	-80.80%	Reduced investment in long-term wealth management products
Short-term borrowings	4,472,839	3,024,426	47.89%	Increase of loans obtained
Customer deposits and deposits from banks and other financial institutions	158,141	36,708	330.81%	Changes in business operations of Midea Group Finance
Derivative	146,771	89,838	63.37%	Changes in fair value of

financial liabilities				derivative financial instruments
Advances from customers	17,782,778	10,252,375	73.45%	Growth in sales and consolidation of KUKA
Payroll payable	4,181,519	3,154,387	32.56%	Consolidation of KUKA
Interest payable	66,170	21,343	210.03%	Increase of loans obtained
Dividends payable	176,000	105,641	66.60%	Increase of dividends declared by subsidiary
Other payables	2,668,054	1,571,422	69.79%	Consolidation of KUKA
Long-term borrowings	33,075,133	2,254,348	1,367.17%	Increase of loans obtained
Provisions	645,287	325,217	98.42%	Provisions for possible losses on pending legal matters
Long-term payroll payable	2,325,670	1,449,954	60.40%	Consolidation of KUKA
Deferred income tax liabilities	4,381,425	1,831,973	139.16%	Rise in assessed asset value due to consolidation of KUKA
Other comprehensive income	19,749	13,125	50.47%	Consolidation of KUKA
Operating revenue	186,948,866	116,378,417	60.64%	Growth in sales and consolidation of KUKA
Fee and commission income	4	7,773	-99.95%	Changes in business operations of Midea Group Finance
Cost of sales	139,559,489	83,828,027	66.48%	Growth in sales and consolidation of KUKA
Interest expenses	215,904	384,002	-43.78%	Changes in business operations of Midea Group Finance
Taxes and surtaxes	1,076,026	662,794	62.35%	Reclassification of stamp duty and property tax
Selling and distribution expenses	19,954,150	12,341,424	61.68%	Growth in sales and consolidation of KUKA
General and administrative	10,430,157	5,981,080	74.39%	Growth in sales and consolidation of KUKA



expenses				
Finance expenses	852,759	-913,165	193.38%	Changes in foreign exchange gains/losses
Gains/losses on changes in fair value	-44,156	-488,089	90.95%	Changes in fair value of derivative financial instruments
Investment income	1,792,009	1,183,473	51.42%	Consolidation of KUKA
Non-operating expenses	492,928	193,914	154.20%	Provisions for possible losses on pending legal matters
Net cash flows from financing activities	21,987,048	1,992,708	1,003.38%	Increase of loans obtained

## 2. Progress, Influence and Solutions Associated with Significant Events

Applicable  Not applicable

## 3. Commitments that the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company and Other Commitment Makers, Failed to Fulfill on Time during Reporting Period

Applicable  Not applicable

No such cases in the Reporting Period.

## 4. Forecast of 2017 Annual Operating Results

Warning of possible loss or considerable YoY change of the accumulated net profit made during the period-start until the end of the next Reporting Period according to predictions as well as any explanations for these reasons:

Applicable  Not applicable

## 5. Securities Investments

Applicable  Not applicable

No such cases in the Reporting Period.

## 6. Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

Unit: RMB'000

Operating party	Related party or not	Related transaction or not	Investment type	Initial investment amount	Commencement date	Termination date	Investment amount at beginning of the period	Purchased in the period	Sold in the period	Amount provided for impairment (if applicable)	Investment amount at end of the period	Ratio of investment amount to the Company's consolidated net assets at end of the period (%)	Actual gain or loss amount during the period
Futures company	Not	Not	Futures contracts	-120	01/01/2017	12/31/2017	-120	-	-	-	8,960	0.01%	16,380
Bank	Not	Not	Forward forex contracts	328,180	01/01/2017	12/31/2017	328,180	-	-	-	392,180	0.55%	540,760
Total				328,060	--	--	328,060	-	-	-	401,140	0.56%	557,140
Source of derivatives investment funds				All from the Company's own funds									
Legal matters involved (if applicable)				N/A									
Disclosure date of board announcement approving derivative investment (if any)				03/31/2017									
Disclosure date of shareholders' meeting announcement approving derivative				04/22/2017									

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

	Company can update operating status of the funds business on a timely basis to ensure proper funds arrangement before the expiry dates.
Changes in market price or fair value of derivatives product invested during Reporting Period: specific methods used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives	<p>1. Gains/losses on futures hedging contracts incurred during the Reporting Period were RMB16.38 million.</p> <p>2. Gains/losses on forward forex contracts incurred during the Reporting Period were RMB540.76 million.</p> <p>3. Public quotations in futures market or forward forex quotations announced by the Bank of China are used in the analysis of derivatives fair value.</p>
Explanation of significant changes in accounting policies and specific financial accounting principles in respect of the Company's derivatives for Reporting Period compared to last reporting period	No change
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	The Company's independent directors are of the view that the futures hedging business is an effective instrument for the Company to eliminate price volatility and implement risk prevention measures through enhanced internal control, thereby improving the operation and management of the Company; the Company's foreign exchange risk management capability can be further improved through the forex funds business, so as to maintain and increase the value of foreign exchange assets and the abovementioned investment in derivatives can help the Company to fully bring out its competitive advantages. Therefore, it is practicable for the Company to carry out derivatives investment business, and the risks are controllable.

## 7. Visits Paid to the Company for Purposes of Research, Communication, Interview, etc. during Reporting Period

√ Applicable □ Not applicable

Date of visit	Way of visit	Type of visitor	About
08/31/2017-09/01/2017	Field research	Institution	See <i>Investor Relations Activities Log Sheet during Period 31 August through 1 September 2017</i> on the website of <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
09/08/2017	Field research	Institution	See <i>Investor Relations Activities Log Sheet</i>

			during 8 September 2017 on the website of www.cninfo.com.cn
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## 8. Irregularities Arising from Provision of Guarantees for Third Parties

Applicable  Not applicable

No such cases in the Reporting Period.

## 9. Occupation of the Company's Funds by Its Controlling Shareholder or Related Parties for Non-Operating Purposes

Applicable  Not applicable

No such cases in the Reporting Period.

## 10. Targeted Measures Taken to Help People Lift Themselves out of Poverty

### 10.1 Overview of Targeted Poverty Alleviation Actions Taken in Q3 2017

Midea has faithfully followed *The Decision of the State Council and the CPC Central Committee on Winning the Fight against Poverty* by attaching great importance to helping those in need as a way to fulfill their social responsibilities and reward the society. In the first three quarters of 2017, Midea Group donated a total of RMB20 million, of which RMB10 million was earmarked for poverty alleviation. The Guangdong Poverty Alleviation and Development Office co-ordinated the project to help alleviate poverty in more than 2,000 relatively poor villages in Guangdong Province, and the other half was given to Beijiao Charity Foundation to support the education, pension, medical treatment, infrastructure construction and housing in the town. At the same time, the government of Foshan actively supported Liangshan poverty alleviation work in Sichuan, and donated 1,100 sets of small household appliances worth 500,000 yuan to people in Liangshan in Sichuan in July this year.

### 10.2 Poverty Alleviation Plans for Coming Future

Midea will continue to follow the Guangdong government's guidance and make plans to help reduce poverty as a way to meet its social responsibility as a private company.

Midea will work closely with the Guangdong government's office for poverty alleviation and development to help those most in need with what they really need by targeted identification and planning. The

poverty alleviation will focus on development or improvement of the poor's abilities to increase their income on their own, building of a longlasting poverty alleviation mechanism and optimization of donation projects. In the meantime, it will be fair, transparent and open for public supervision.

## Section IV Financial Statements

### 1. Financial Statements

### Balance Sheet

Prepared by Midea Group Co., Ltd. As of Sep. 30, 2017

Unit: RMB'000

Assets	Sep. 30, 2017	Dec. 31, 2016	Sep. 30, 2017	Dec. 31, 2016
	Consolidated	Consolidated	Company	Company
<b>Current assets:</b>				
Cash at bank and on hand	41,657,437	27,169,118	26,136,798	17,135,480
Derivative financial assets	392,267	412,813	-	-
Notes receivable	15,518,453	7,427,488	-	-
Accounts receivable	17,360,462	13,454,511	-	-
Advances to suppliers	2,105,052	1,587,366	35,167	8,252
Loans and advances to customers	10,918,457	10,273,397	-	-
Dividends receivable	-	-	737,585	285,916
Other receivables	2,099,815	1,140,133	11,724,056	12,644,592
Inventories	23,752,878	15,626,897	-	-
Including: Amount due from customer for finished products	5,557,738	-	-	-
Other current assets	49,545,111	43,529,597	29,543,341	24,165,141
<b>Total current assets</b>	<b>163,349,932</b>	<b>120,621,320</b>	<b>68,176,947</b>	<b>54,239,381</b>
<b>Non-current assets:</b>				
Available-for-sale financial assets	1,846,009	5,187,732	56,868	28,931
Long-term receivables	377,473	33,868	-	-
Long-term equity investments	2,821,345	2,211,732	24,359,050	23,058,980
Investment properties	474,159	494,122	578,450	604,881
Fixed assets	22,348,578	21,056,791	882,217	984,666
Construction in progress	1,020,704	580,729	516,948	467,053
Intangible assets	16,010,089	6,868,538	232,771	236,083

Goodwill	28,620,233	5,730,995	-	-
Long-term prepaid expenses	702,846	625,971	39,427	46,090
Deferred income tax assets	3,813,586	3,030,383	136,769	62,711
Other non-current assets	798,322	4,158,530	12,277	3,342,000
<b>Total non-current assets</b>	<b>78,833,344</b>	<b>49,979,391</b>	<b>26,814,777</b>	<b>28,831,395</b>
<b>TOTAL ASSETS</b>	<b>242,183,276</b>	<b>170,600,711</b>	<b>94,991,724</b>	<b>83,070,776</b>

Legal representative: Fang Hongbo

Person in charge of accounting function: Xiao Mingguang

Person in charge of accounting department: Chen Lihong



## Balance Sheet (Continued)

Prepared by Midea Group Co., Ltd. As of Sep. 30, 2017

Unit: RMB'000

Liabilities and Shareholders' Equity	Sep. 30, 2017	Dec. 31, 2016	Sep. 30, 2017	Dec. 31, 2016
	Consolidated	Consolidated	Company	Company
<b>Current liabilities:</b>				
Short-term borrowings	4,472,839	3,024,426	-	-
Customer deposits and deposits from banks and other financial institutions	158,141	36,708	-	-
Derivative financial liabilities	146,771	89,838	-	-
Notes payable	23,029,466	18,484,939	-	-
Accounts payable	32,588,743	25,356,960	-	-
Advances from customers	17,782,778	10,252,375	-	-
Including: Prepayments by customers for unfinished products	1,838,709			
Payroll payable	4,181,519	3,154,387	97,092	199,842
Taxes payable	2,813,129	2,364,446	8,368	103,848
Interest payable	66,170	21,343	136,203	76,776
Dividends payable	176,000	105,641	-	-
Other payables	2,668,054	1,571,422	61,386,959	54,461,578
Current portion of non-current liabilities	111,062	158,545	-	-
Other current liabilities	26,723,821	24,562,970	7,768	140,264
<b>Total current liabilities</b>	<b>114,918,493</b>	<b>89,184,000</b>	<b>61,636,390</b>	<b>54,982,308</b>
<b>Non-current liabilities:</b>				
Long-term borrowings	33,075,133	2,254,348	-	-
Debentures payable	4,621,102	4,818,769	-	-
Long-term payables	456,162	366,881	-	-
Payables for specific projects	2,500	2,405	-	-

Provisions	645,287	325,217	-	-
Deferred revenue	647,849	502,316	-	-
Long-term payroll payable	2,325,670	1,449,954	-	-
Deferred income tax liabilities	4,381,425	1,831,973	-	-
Other non-current liabilities	855,926	888,152	-	-
<b>Total non-current liabilities</b>	<b>47,011,054</b>	<b>12,440,015</b>	-	-
<b>Total liabilities</b>	<b>161,929,547</b>	<b>101,624,015</b>	<b>61,636,390</b>	<b>54,982,308</b>
<b>Shareholders' equity:</b>				
Share capital	6,548,163	6,458,767	6,548,163	6,458,767
Capital surplus	15,425,561	13,596,569	7,267,676	5,455,268
Less: Treasury stock	366,842	-	366,842	-
Other comprehensive income	19,749	13,125	(16,928)	(9,069)
Surplus reserve	2,804,469	2,804,469	2,804,469	2,804,469
General reserve	148,602	148,602	-	-
Undistributed profits	46,637,886	38,105,391	17,118,796	13,379,033
Total equity attributable to shareholders of the Company	71,217,588	61,126,923	33,355,334	28,088,468
Minority interests	9,036,141	7,849,773	-	-
<b>Total shareholders' equity</b>	<b>80,253,729</b>	<b>68,976,696</b>	<b>33,355,334</b>	<b>28,088,468</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>242,183,276</b>	<b>170,600,711</b>	<b>94,991,724</b>	<b>83,070,776</b>

Legal representative: Fang Hongbo

Person in charge of accounting function: Xiao Mingguang

Person in charge of accounting department: Chen Lihong

## Income Statement

Prepared by Midea Group Co., Ltd. January-September 2017

Unit: RMB'000

Item	January-September 2017	January-September 2016	January-September 2017	January-September 2016
	Consolidated	Consolidated	Company	Company
<b>1. Total revenue</b>	<b>187,764,435</b>	<b>117,077,949</b>	<b>1,116,610</b>	<b>851,892</b>
Including: Operating revenue	186,948,866	116,378,417	1,116,610	851,892
Interest income	815,565	691,759	-	-
Fee and commission income	4	7,773	-	-
<b>2. Total Cost</b>	<b>(172,344,718)</b>	<b>(102,498,007)</b>	<b>(545,033)</b>	<b>(1,006,971)</b>
Including: Cost of sales	(139,559,489)	(83,828,027)	(29,054)	(14,829)
Interest expenses	(215,904)	(384,002)	-	-
Fee and commission expenses	(2,140)	(2,012)	-	-
Taxes and surtaxes	(1,076,026)	(662,794)	(11,267)	(7,988)
Selling and distribution expenses	(19,954,150)	(12,341,424)	-	-
General and administrative expenses	(10,430,157)	(5,981,080)	(206,857)	(276,093)
Finance costs	(852,759)	913,165	(298,404)	(708,030)
Asset impairment (loss)/reversal	(254,093)	(211,833)	549	(31)
Add: Gains/(losses) on changes in fair value	(44,156)	(488,089)	-	22,673
Investment income	1,792,009	1,183,473	9,543,492	9,491,666
Including: Share of profit of associates and joint ventures	390,089	295,082	288,285	201,015
Other income	1,075,500			
<b>3. Operating profit</b>	<b>18,243,070</b>	<b>15,275,326</b>	<b>10,115,069</b>	<b>9,359,260</b>
Add: Non-operating income	1,089,198	1,258,778	1,505	44,954
Including: Gains on disposal of non-current assets	837,073	10,933	24	-
Less: Non-operating expenses	(492,928)	(193,914)	(1,468)	(3,681)
Including: Losses on disposal of non-current assets	(93,239)	(73,136)	(119)	(1,562)
<b>4. Total profit</b>	<b>18,839,340</b>	<b>16,340,190</b>	<b>10,115,106</b>	<b>9,400,533</b>

Less: Income tax expenses	(2,737,940)	(2,588,202)	90,336	(17,685)
<b>5. Net profit</b>	<b>16,101,400</b>	<b>13,751,988</b>	<b>10,205,442</b>	<b>9,382,848</b>
Including: Net profit of consolidated subsidiaries before consolidation	-	-	-	-
Attributable to shareholders of the Company	14,998,175	12,807,993	10,205,442	9,382,848
Attributable to minority shareholders	1,103,225	943,995	-	-
<b>6. Other comprehensive income, net of tax</b>	<b>13,190</b>	<b>538,964</b>	<b>(7,859)</b>	<b>(1,902)</b>
Attributable to shareholders of the Company	6,624	465,254	(7,859)	(1,902)
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss	37,472	-	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss	(30,848)	465,254	(7,859)	(1,902)
1) Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	(9,831)	(56,537)	(7,859)	(1,902)
2) Changes in fair value of available-for-sale financial assets	(288,537)	358,607	-	-
3) Gains/Losses on reclassification of held-to-maturity investments as available-for-sale financial assets	-	-	-	-
4) Effective portion of cash flow hedging gains or losses	140,809	174,794	-	-
5) Foreign-currency financial statement translation differences	126,711	(11,610)	-	-
Attributable to minority shareholders	6,566	73,710	-	-
<b>7. Total comprehensive income</b>	<b>16,114,590</b>	<b>14,290,952</b>	<b>10,197,583</b>	<b>9,380,946</b>
Attributable to shareholders of the Company	15,004,799	13,273,247	10,197,583	9,380,946
Attributable to minority shareholders	1,109,791	1,017,705	-	-
<b>8. Earnings per share</b>				
Basic earnings per share (RMB/share)	2.31	2.00	N/A	N/A

Diluted earnings per share (RMB/share)	2.30	1.99	N/A	N/A
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**Legal representative: Fang Hongbo**

**Person in charge of accounting function: Xiao Mingguang**

**Person in charge of accounting department: Chen Lihong**

## Income Statement

Prepared by Midea Group Co., Ltd. July-September 2017

Unit: RMB'000

Item	July-September 2017	July-September 2016	July-September 2017	July-September 2016
	Consolidated	Consolidated	Company	Company
<b>1. Total revenue</b>	<b>62,800,819</b>	<b>39,070,433</b>	<b>415,540</b>	<b>263,641</b>
Including: Operating revenue	62,498,801	38,856,130	415,540	263,641
Interest income	302,016	212,183	-	-
Fee and commission income	2	2,120	-	-
<b>2. Total Cost</b>	<b>(58,381,100)</b>	<b>(35,679,594)</b>	<b>(221,378)</b>	<b>(247,382)</b>
Including: Cost of sales	(46,508,408)	(28,961,867)	(9,725)	(1,181)
Interest expenses	(50,238)	(122,684)	-	-
Fee and commission expenses	(479)	(625)	-	-
Taxes and surtaxes	(321,255)	(195,032)	(7,488)	(4,653)
Selling and distribution expenses	(7,549,380)	(4,156,246)	-	-
General and administrative expenses	(3,597,199)	(2,291,021)	(101,419)	62,445
Finance costs	(506,145)	7,904	(103,441)	(303,995)
Asset impairment (loss)/reversal	152,004	39,977	695	2
Add: Gains/(losses) on changes in fair value	(34,633)	37,000	-	-
Investment income	592,557	469,391	3,418,254	1,932,955
Including: Share of profit of associates and joint ventures	102,955	94,340	73,852	69,904
Other income	229,274	-	-	-
<b>3. Operating profit</b>	<b>5,206,917</b>	<b>3,897,230</b>	<b>3,612,416</b>	<b>1,949,214</b>
Add: Non-operating income	98,284	355,506	748	43,117
Including: Gains on disposal of non-current assets	55,844	7,385	24	-
Less: Non-operating expenses	(72,985)	(90,115)	(427)	(2,124)
Including: Losses on disposal of non-current assets	(56,112)	(40,987)	-	(15)

<b>4. Total profit</b>	<b>5,232,216</b>	<b>4,162,621</b>	<b>3,612,737</b>	<b>1,990,207</b>
Less: Income tax expenses	(678,887)	(641,531)	98,238	17,216
<b>5. Net profit</b>	<b>4,553,329</b>	<b>3,521,090</b>	<b>3,710,975</b>	<b>2,007,423</b>
Including: Net profit of consolidated subsidiaries before consolidation	-	-	-	-
Attributable to shareholders of the Company	4,186,853	3,311,500	3,710,975	2,007,423
Attributable to minority shareholders	366,476	209,590	-	-
<b>6. Other comprehensive income, net of tax</b>	<b>(13,132)</b>	<b>(808,298)</b>	<b>(4,433)</b>	<b>8,675</b>
Attributable to shareholders of the Company	(3,058)	(811,460)	(4,433)	8,675
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss	(2,107)	-	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss	(951)	(811,460)	(4,433)	8,675
1) Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	(1,762)	9,169	(4,433)	8,675
2) Changes in fair value of available-for-sale financial assets	3,938	(723,900)	-	-
3) Gains/Losses on reclassification of held-to-maturity investments as available-for-sale financial assets	-	-	-	-
4) Effective portion of cash flow hedging gains or losses	(27,907)	29,191	-	-
5) Foreign-currency financial statement translation differences	24,780	(125,920)	-	-
Attributable to minority shareholders	(10,074)	3,162	-	-
<b>7. Total comprehensive income</b>	<b>4,540,197</b>	<b>2,712,792</b>	<b>3,706,542</b>	<b>2,016,098</b>
Attributable to shareholders of the Company	4,183,795	2,500,040	3,706,542	2,016,098
Attributable to minority shareholders	356,402	212,752	-	-
<b>8. Earnings per share</b>				
Basic earnings per share (RMB/share)	0.64	0.51	N/A	N/A
Diluted earnings per share (RMB/share)	0.64		N/A	N/A

		0.51	
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**Legal representative: Fang Hongbo**

**Person in charge of accounting function: Xiao Mingguang**

**Person in charge of accounting department: Chen Lihong**



## Cash Flow Statement

Prepared by Midea Group Co., Ltd. January-September 2017

Unit: RMB'000

Item	January-September 2017	January-September 2016	January-September 2017	January-September 2016
	Consolidated	Consolidated	Company	Company
<b>1. Cash flows from operating activities:</b>				
Cash received from sales of goods or rendering of services	148,783,253	112,216,632	-	-
Net increase in customer deposits and deposits from banks and other financial institutions	121,433	3,561	-	-
Net decrease in deposits with central bank and other financial institutions	-	126,053	-	-
Net increase in borrowing from central bank	-	80,730	-	-
Cash received from Interest, fees and commissions	864,098	700,653	-	-
Refund of taxes and surcharges	4,440,425	4,124,618	-	-
Cash received relating to other operating activities	3,370,638	2,201,828	8,729,382	10,532,437
<b>Sub-total of cash inflows</b>	<b>157,579,847</b>	<b>119,454,075</b>	<b>8,729,382</b>	<b>10,532,437</b>
Cash paid for goods and services	(87,143,944)	(63,672,706)	-	-
Net decrease in customer deposits and deposits from banks and other financial institutions	-	-	-	-
Net increase in loans and advances	(658,156)	(5,428,328)	-	-
Net increase in deposits with central bank and deposits from banks and other financial institutions	(744,270)	-	-	-
Cash paid for interest, fee and commission	(218,046)	(387,319)	-	-
Cash paid to and on behalf of employees	(17,042,705)	(8,673,520)	(114,654)	(27,898)
Payments of taxes and surcharges	(9,412,941)	(6,828,734)	(101,815)	(52,312)
Cash paid relating to other operating activities	(22,292,143)	(15,425,973)	(227,698)	(4,590,393)

<b>Sub-total of cash outflows</b>	<b>(137,512,205)</b>	<b>(100,416,580)</b>	<b>(444,167)</b>	<b>(4,670,603)</b>
<b>Net cash flow from operating activities</b>	<b>20,067,642</b>	<b>19,037,495</b>	<b>8,285,215</b>	<b>5,861,834</b>
<b>2. Cash flows from investing activities:</b>				
Cash received from disposal of investments	56,859,505	48,980,669	40,619,980	25,674,850
Cash received from returns on Investment income	1,664,387	1,339,590	9,227,047	8,738,751
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	865,341	170,570	12,049	111
Net cash received from disposal of subsidiaries and other business units	2,415	272,899	-	-
Cash received relating to other investing activities	-	-	-	-
<b>Sub-total of cash inflows</b>	<b>59,391,648</b>	<b>50,763,728</b>	<b>49,859,076</b>	<b>34,413,712</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(2,071,492)	(1,605,425)	(81,158)	(247,748)
Cash paid to acquire investments	(50,014,698)	(65,071,957)	(36,731,884)	(35,644,352)
Net cash paid to acquire subsidiaries and other business units	(25,633,208)	(1,856,787)	-	-
Cash used in other investing activities	-	-	-	-
<b>Sub-total of cash outflows</b>	<b>(77,719,398)</b>	<b>(68,534,169)</b>	<b>(36,813,042)</b>	<b>(35,892,100)</b>
<b>Net cash from investing activities</b>	<b>(18,327,750)</b>	<b>(17,770,441)</b>	<b>13,046,034</b>	<b>(1,478,388)</b>
<b>3. Cash flows from financing activities:</b>				
Cash received from capital contributions	1,365,855	651,628	1,365,855	635,611
Including: Cash received from capital contributions by minority shareholders of subsidiaries	-	16,017	-	-
Cash received from borrowings	32,917,986	28,817,816	1,600,000	1,800,000
Cash received from issuing of short-term financial bonds	-	1,999,500	-	1,999,500
Cash received relating to other financing activities	-	-	-	-
<b>Sub-total of cash inflows</b>	<b>34,283,841</b>	<b>31,468,944</b>	<b>2,965,855</b>	<b>4,435,111</b>
Cash repayment of borrowings	(4,718,342)	(21,748,594)	(1,600,000)	(3,090,000)
Cash repayment of short-term bonds	-	(1,999,500)	-	(1,999,500)
Cash payments for interest expenses and	(7,578,451)	(5,728,142)	(6,970,870)	(6,234,046)

distribution of dividends or profit				
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	(606,819)	(417,287)	-	-
Cash payments relating to other financing activities	-	-	-	-
<b>Sub-total of cash outflows</b>	<b>(12,296,793)</b>	<b>(29,476,236)</b>	<b>(8,570,870)</b>	<b>(11,323,546)</b>
<b>Net cash flows from financing activities</b>	<b>21,987,048</b>	<b>1,992,708</b>	<b>(5,605,015)</b>	<b>(6,888,435)</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>	121,585	101,834	-	-
<b>5. Net decrease in cash and cash equivalents</b>	<b>23,848,525</b>	<b>3,361,596</b>	<b>15,726,234</b>	<b>(2,504,989)</b>
Add: Cash and cash equivalents at beginning of the period	12,513,730	5,187,317	8,174,915	6,245,008
<b>6. Cash and cash equivalents at end of the period</b>	<b>36,362,255</b>	<b>8,548,913</b>	<b>23,901,149</b>	<b>3,740,019</b>

Legal representative: Fang Hongbo

Person in charge of accounting function: Xiao Mingguang

Person in charge of accounting department: Chen Lihong

## 2. Auditor's Report

Are the Q3 2017 financial statements audited by a CPAs firm?

Yes  No

These financial statements are unaudited by a CPAs firm.

Midea Group Co., Ltd.  
 Legal Representative: Fang Hongbo  
 Oct. 31, 2017