

Midea Group Co., Ltd.
Report for the First Quarter of 2015



April 2015

Section I. Important Reminders

1.1 The Board of Directors, the Supervisory Committee as well as all directors, supervisors and senior management staff of Midea Group Co., Ltd. (hereinafter referred to as the “Company”) warrant that this report contains no false records, misleading statements or material omission. And they shall be jointly and severally liable for the factuality, accuracy and completeness of the contents of this report.

1.2 All directors have attended the Q1 report review board meeting.

1.3 The Q1 Financial Report has not been audited by a CPAs firm.

1.4 Mr. Fang Hongbo, Chairman of the Board and President of the Company, and Ms. Yuan Liquan, responsible person for the Company’s financial affairs, have represented and warranted that the financial report in this report is factual, accurate and complete.

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

Section II. Financial Highlights & Changes in Shareholders

I. Major accounting data and financial indexes

Does the Company adjust retrospectively or restate accounting data of previous years due to changes in accounting policy or correction of any accounting error?

Yes No

| | Jan.-Mar. 2015 | Jan.-Mar. 2014 | +/- (%) |
|---|----------------|----------------|---------|
| Sales revenues (RMB'000) | 42,426,713.97 | 38,351,110.06 | 10.63% |
| Net profit attributable to shareholders of the Company (RMB'000) | 3,342,134.83 | 2,538,849.11 | 31.64% |
| Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB'000) | 3,019,956.04 | 2,889,535.17 | 4.51% |
| Net cash flows from operating activities (RMB'000) | 2,498,715.37 | 3,223,813.31 | -22.49% |
| Basic EPS (RMB Yuan/share) | 0.79 | 0.60 | 31.67% |
| Diluted EPS (RMB Yuan/share) | 0.79 | 0.60 | 31.67% |
| Weighted average ROE (%) | 8.11% | 7.47% | 0.64% |
| | 31 Mar. 2015 | 31 Dec. 2014 | +/- (%) |
| Total assets (RMB'000) | 135,830,927.66 | 120,292,088.16 | 12.92% |
| Net assets attributable to shareholders of the Company (RMB'000) | 42,939,219.43 | 39,470,499.84 | 8.79% |

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 |
|--|---------------|

Whether the Company's share capital changed and the change affected the owners' equity due to reasons like 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 this report was released

Yes No

Items and amounts of extraordinary gains and losses

Applicable Inapplicable

Unit: RMB'000

| Item | Jan.-Mar. 2015 | Note |
|---|----------------|------|
| Gains/losses on the disposal of non-current assets (including the | -24,085.96 | |

| | | |
|--|------------|----|
| offset part of asset impairment provisions) | | |
| Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the country's unified standards | 50,679.86 | |
| Gain/loss on entrusting others with investments or asset management | 327,797.78 | |
| Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sale, except for effective hedging related to the normal businesses of the Company | 226,393.76 | |
| Non-operating income and expenses other than the above | 18,487.37 | |
| Less: Income tax effects | 172,995.55 | |
| Minority interests effects (after tax) | 104,098.47 | |
| Total | 322,178.79 | -- |

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

Applicable Inapplicable

No such cases in the reporting period.

II. Total number of shareholders and shareholdings of the top ten shareholders at the period-end

1. Total number of common shareholders and shareholdings of the top ten common shareholders at the period-end

Unit: share

| Total number of common shareholders at the period-end | 90,553 | | | | | |
|---|-----------------------|-----------------------------|---------------------------|----------------------------------|--------------------------|------------------|
| Shareholdings of the top ten common shareholders | | | | | | |
| Name of shareholder | Nature of shareholder | Shareholding percentage (%) | Number of the shares held | Number of 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 | Pledged | 205,205,500 |
|---|---|---------------------|---------------|---------------|---------|-------------|
| Rongrui Equity Investment (Zhuhai) Partnership (limited partnership) | Domestic non-state-owned corporation | 7.22% | 304,500,000 | 0 | | |
| Fang Hongbo | Domestic individual | 2.17% | 91,326,995 | 90,000,000 | | |
| Tianjin CDH Jiatai Equity Investment Partnership (limited partnership) | Domestic non-state-owned corporation | 1.85% | 78,000,000 | 0 | | |
| Huang Jian | Domestic individual | 1.78% | 75,160,057 | 75,000,000 | | |
| Ningbo Maysun Equity Investment Partnership (limited partnership) | Domestic non-state-owned corporation | 1.78% | 75,000,000 | 75,000,000 | | |
| Yuan Liquan | Domestic individual | 1.44% | 60,500,000 | 60,000,000 | | |
| CDH M-Tech (HK) Co., Ltd. | Overseas corporation | 1.42% | 60,000,000 | 0 | | |
| CDH Spark (HK) Co., Ltd. | Overseas corporation | 1.36% | 57,500,000 | 0 | | |
| Huang Xiaoming | Domestic individual | 1.24% | 52,213,366 | 50,000,000 | Pledged | 8,993,000 |
| Shareholdings of the top ten non-restricted common shareholders | | | | | | |
| Name of shareholder | Number of non-restricted common shares held at the period-end | Type of shares | | | | |
| | | Type | Number | | | |
| Rongrui Equity Investment (Zhuhai) Partnership (limited partnership) | 304,500,000 | RMB ordinary shares | 304,500,000 | | | |
| Tianjin CDH Jiatai Equity Investment Partnership (limited partnership) | 78,000,000 | RMB ordinary shares | 78,000,000 | | | |
| CDH M-Tech (HK) Co., Ltd. | 60,000,000 | RMB ordinary shares | 60,000,000 | | | |
| CDH Spark (HK) Co., Ltd. | 57,500,000 | RMB ordinary shares | 57,500,000 | | | |
| Merrill Lynch International | 44,005,222 | RMB ordinary shares | 44,005,222 | | | |
| China Life Insurance Company Ltd. – Dividend – Individual Dividend-005L-FH002Shen | 41,465,007 | RMB ordinary shares | 41,465,007 | | | |
| UBS AG | 39,177,207 | RMB ordinary shares | 39,177,207 | | | |

| | | | |
|--|--|---------------------|------------|
| National Social Security Fund 104 Portfolio | 35,488,888 | RMB ordinary shares | 35,488,888 |
| New China Life Insurance Company Ltd. — Dividend — Individual Dividend-018L-FH002Shen | 32,837,906 | RMB ordinary shares | 32,837,906 |
| Morgan Stanley & Co. International Plc. | 31,494,873 | RMB ordinary shares | 31,494,873 |
| Related-parties or acting-in-concert parties among the above-mentioned shareholders | <p>Two individual shareholders, Mr. Fang Hongbo and Ms. Yuan Liqun, serve as a director and as a senior executive in Midea Group. CDH Jiatai, CDH M-Tech and CDH Spark, which hold a total stake of 4.63% in Midea Group, are related parties.</p> <p>The company has not confirmed if any associated relationship exists among other shareholders of tradable shares and whether other shareholders of tradable shares belong to persons acting-in-concert specified in the "Management of Information Disclosure for Shareholding Alteration in a Listed Company".</p> | | |
| asTop ten non-restricted common shareholders taking part in securities margin trading (if any) | Inapplicable | | |

Did any of the top 10 common shareholders or the top 10 non-restricted common shareholders of the Company carry out any agreed buy-back in the reporting period?

Yes No

No such cases in the reporting period.

2. Total number of preference shareholders and shareholdings of the top ten preference shareholders at the period-end

Applicable Inapplicable

Section III. Significant Events

I. Major changes in main accounting statement items and financial indicators within the reporting period, as well as reasons for the changes

√ Applicable □ Inapplicable

Unit: RMB'000

| Balance sheet items | 31 Mar. 2015 | 31 Dec. 2014 | Increase/ Decrease (%) | Main reason for the change |
|--|-------------------|-------------------|---------------------------|---|
| Monetary funds | 9,210,123.97 | 6,203,282.81 | 48.47% | Business grew and the operating efficiency improved. |
| Due from banks and other financial institutions | 1,046,502.02 | 2,126,444.99 | -50.79% | Operating changes in Midea Group Finance |
| Derivative financial assets | 308,051.02 | 162,513.84 | 89.55% | Changes in the fair value of derivative financial assets |
| Notes receivable | 27,551,795.43 | 17,097,233.37 | 61.15% | Sales increased. |
| Accounts receivable | 13,487,865.88 | 9,362,102.75 | 44.07% | Sales increased. |
| Prepayments | 2,093,978.64 | 1,414,470.45 | 48.04% | Procurement increased. |
| Dividends receivable | 61,603.82 | 45,943.22 | 34.09% | Dividends receivable from associates increased. |
| Short-term borrowings | 8,238,588.50 | 6,070,879.03 | 35.71% | Short-term borrowings from outside increased. |
| Customer bank deposits due to banks and other financial institutions | 213.58 | 7,493.81 | -97.15% | Operating changes in Midea Group Finance |
| Derivative financial liabilities | 103,679.33 | 74,960.70 | 38.31% | Changes in the fair value of derivative financial assets |
| Notes payable | 18,522,639.98 | 12,648,496.99 | 46.44% | Procurement increased. |
| Payroll payable | 1,208,350.59 | 2,199,776.95 | -45.07% | Remuneration for employees was paid. |
| Taxes and fares payable | 4,908,100.78 | 3,280,150.71 | 49.63% | Sales increased and income tax and VAT increased accordingly. |
| Dividends payable | 11,703.66 | 93,799.03 | -87.52% | The dividends for last year were paid in the current period. |
| Non-current liabilities due within 1 year | 17,061.66 | 611,900.00 | -97.21% | Some non-current liabilities due within 1 year were repaid. |
| Income statement items | Jan.-Mar. 2015 | Jan.-Mar. 2014 | Increase/Dec rease (%) | Main reason for the change |

| | | | | |
|--|-----------------------|-----------------------|------------------------------|---|
| Interest expenses | 98,854.06 | 68,558.65 | 44.19% | The business scale of Midea Group Finance expanded. |
| Business tax and surtaxes | 329,869.89 | 215,272.48 | 53.23% | Sales increased. |
| Selling expenses | 5,363,077.42 | 3,710,417.81 | 44.54% | Sales increased. |
| Financial expenses | 195,782.99 | -44,139.27 | -543.56% | Exchange losses increased. |
| Asset impairment losses | 241,604.72 | 353,776.63 | -31.71% | Accounts receivable grew slower. |
| Gains on fair value changes | 153,580.51 | -776,075.05 | -119.79% | Changes in the fair value of derivative financial instruments |
| Investment gains | 527,790.47 | 272,930.60 | 93.38% | Financial management gains increased. |
| Gains on disposal of non-current assets | 8,650.10 | 17,633.87 | -50.95% | Gains on disposal of non-current assets decreased. |
| Non-operating expense | 43,517.96 | 81,111.66 | -46.35% | Losses on disposal of non-current assets decreased. |
| Losses on disposal of non-current assets | 26,312.08 | 62,182.41 | -57.69% | Losses on disposal of non-current assets decreased. |
| Income tax expenses | 776,836.83 | 594,390.32 | 30.69% | Profits increased. |
| Cash flow statement items | Jan.-Mar. 2015 | Jan.-Mar. 2014 | Increase/Decrease (%) | Main reason for the change |
| Net cash flows from investing activities | -1,175,368.57 | 257,253.68 | -556.89% | Investments and financial management increased. |
| Net cash flows from financing activities | 1,325,027.56 | 4,571,664.18 | -71.02% | Borrowings secured decreased. |

II. Progress and influence of significant events, as well as the analysis and explanation on solutions

Applicable Inapplicable

1. The Company and Beijing Jingdong Century Trading Co., Ltd., a subsidiary of Jingdong Group, signed on 31 Dec. 2014 a letter of intent for strategic cooperation in 2015, confirming the annual business goal of RMB10 billion between Midea and Jingdong as well as the wish to deepen cooperation in intelligent homes and channel expansion. Jingdong, with its expertise in logistics, Internet technology, big data analysis and the intelligent cloud platform, is beneficial to Midea's e-commerce business.

2. On 12 Dec. 2014, the Proposal for the Plan for Private A-share Offering to Specific Entities was reviewed and approved at the 25th Meeting of the 1st Board of Directors. The Company intended to issue RMB ordinary shares

(A-share) of 55,000,000 in number to Xiaomi Technology Co., Ltd. at RMB23.01/share, with the par value per share at RMB1.00/share and the total raised funds not exceeding RMB1,265,550,000.

On 23 Jan. 2015, the Company received the CSRC Notice of Acceptance of Administrative Permission Application (No. 150067) issued by China Securities Regulatory Commission (“CSRC”) dated 22 Jan. 2015. On 24 Apr. 2015, the Company disclosed the Announcement about Implementation of the 2014 Annual Profit Distribution, with the date recorded as 29 Apr. 2015 and the ex-right and ex-dividend date on 30 Apr. 2015. Upon completion of the profit distribution, the price for the said private A-share offering to Xiaomi Technology was adjusted from RMB23.01/share to RMB22.01/share.

3. On 27 Mar. 2015, the Core Management Team Shareholding Plan and Midea Group Partners Plan (Draft) was reviewed and approved at the 26th Meeting of the 1st Board of Directors, which was initiated to further improve the corporate governance mechanism, increase the overall value, promote transformation of “managers” towards “partners” and improve and reform the remuneration and incentive structure. The shareholding plan would be rolled out to 31 core management personnel who have played and will play an important role in the Company’s overall performance and its medium to long-term development, with capital from the Shareholding Plan special fund, the holders’ own funds and the funds raised through financing under the staff shareholding plan. The special fund provided for the first phase of the shareholding plan stood at RMB115 million. As the shareholding plan’s Phase One holders’ meeting resolved, China International Capital Co., Ltd. (CICC) agreed to serve as the administrator for the shareholding plan’s Phase One. On 21 Apr. 2015, the shareholding plan was reviewed and approved at the 2014 Annual General Meeting.

4. On 27 Mar. 2015, the Proposal for Adjustments to the Incentive Receivers and Exercised Option Number of the Stock Option Incentive Plan was reviewed and approved at the 26th Meeting of the 1st Board of Directors, agreeing to the adjustments to the incentive receivers and exercising any option number for the equity incentive plan Phase One due to resignations, position changes, disqualification in performance appraisal, by some incentive receivers. After adjustments, the number of incentive receivers changed from 681 to 626 and the number of stock options entitled but not yet exercised fell from 99,862,500 to 90,660,000. Meanwhile, the Proposal for the Exercise-related Matters for the First Exercise Period for the Stock Option Incentive Plan Phase One was also reviewed and approved at the Meeting. The exercise conditions for the first exercise period for the Stock Option Incentive Plan Phase One were satisfied. 613 incentive receivers were confirmed and passed the appraisal for the Stock Option Incentive Plan Phase One, with 29,840,000 exercisable stock options in the first exercise period.

5. On 27 Mar. 2015, the Proposal for the Stock Option Incentive Plan Phase II (Draft) and its abstract were reviewed and approved at the 26th Meeting of the 1st Board of Directors. In order to further improve the corporate

governance structure, perfect the incentive mechanism, increase the sense of duty and mission of the management team and key business personnel for the Company's sustained and healthy development, and ensure the realization of development objectives, the Company intended to grant 84,300,000 stock options to 738 incentive receivers, which accounted for 2% of the totally issued shares. The exercise price for the said stock options was RMB31.54/share. The Stock Option Incentive Plan Phase II can only be carried out when the Company files it to CSRC with no dissent from the latter and after it is reviewed and approved by the General Meeting.

| Overview of the significant event | Date of disclosure | Index to the relevant announcement disclosed on the website |
|---|--------------------|---|
| Announcement about Midea and Jingdong Signing a Letter of Intent for Strategic Cooperation | 6 Jan. 2015 | www.cninfo.com.cn |
| Announcement about CSRC's Acceptance of the Private Offering Application | 24 Jan. 2015 | www.cninfo.com.cn |
| Core Management Team Shareholding Plan & "Midea Group Partners Plan" (Draft) | 31 Mar. 2015 | www.cninfo.com.cn |
| Announcement about Adjustments to the Incentive Receivers and Exercised Option Number of the Stock Option Incentive Plan | 31 Mar. 2015 | www.cninfo.com.cn |
| Announcement about the Exercise-related Matters for the First Exercise Period for the Stock Option Incentive Plan Phase I | 31 Mar. 2015 | www.cninfo.com.cn |
| Stock Option Incentive Plan Phase II (Draft) of Midea Group Co., Ltd. | 31 Mar. 2015 | www.cninfo.com.cn |

III. Commitments made by the Company or any shareholder holding over 5% of the Company's shares in the reporting period or such commitments carried down into the reporting period

√ Applicable □ Inapplicable

| 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, etc. in accordance with relevant laws and regulations and regulatory documents. They will faithfully fulfill the</p> | 28 Mar. 2013 | <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 no violation of commitments.</p> <p>2. There is no violation of commitments.</p> |

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| | <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 engage 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 production and operation, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they will</p> | | | <p>3. There has been no violation of commitments.</p> |
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| | <p>agree on solving the problem of competition within the industry arising therefrom, within a reasonable period;</p> <p>(3). If Midea Group and its controlled companies expand their business scope on the basis of the existing ones to those where the above mentioned related subjects have not gone into production or operation, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they would undertake as not to engage in any business competing with 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</p> | | | <p>4. There has been no violation of commitments.</p> |
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| | <p>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 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 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</p> | | | |
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| | <p>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 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, i.e. He Xiangjian, Chen Dajiang, Feng Jingmei, Chen Kangning and Liang Jieyin, where it transferred all 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 Midea</p> | | | <p>5. So far, this shareholding transfer has not brought about any loss caused by any dispute or potential disputes. There has been no violation of commitments.</p> |
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| | <p>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 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 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 where 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</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 no 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>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, houses, 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 property declared in related files of this merger.</p> <p>(3) For those houses without ownership certificates due to incomplete formalities in the past, Midea Holding shall assist Midea Group (including its controlled subsidiaries) in going through relevant construction-related formalities again and obtaining the corresponding house ownership certificates. If the competent authorities require Midea Group to dismantle buildings that can not acquire the real estate registration procedures re-application, 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 through no longer using those properties or failing to obtain or collect in time, the ownership</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>certificates of those properties currently being used or any losses caused by 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 from penalties subjected to by competent authorities or through claims by any third party.</p> <p>(5) Based on issues of defective house leasing declared in related files of this merger, Midea Holding shall provide sufficient compensations for all economic losses incurred by Midea Group (including its subsidiaries) where the leasehold relations above become invalid or other disputes occur, which are caused by rights claims from a third party or by means of an administrative authority exercising a right and therefore results in any economic losses due to eviction from rental houses, or any penalties subjected to by competent government departments or any recourse from related parties.</p> <p>(6) Based on the issues of defective land leasing declared in related files of this merger, when leasehold relations become invalid caused by defects of land leasing or when other disputes occur, resulting in any economic losses to Midea Group (including its subsidiaries) or through any penalties administered by competent government departments. Likewise if the lessor can't compensate for losses caused by such defective leasing, Midea Holding shall compensate Midea Group for losses caused by such defective land leasing</p> <p>Midea Holding will compensate any losses of Midea Group where a violation of</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>guarantees and commitments referred to previously occurs or such guarantees and commitments are not consistent with the reality.</p> | | <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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|---|--------------------|--|--------------|---|--|
| | | | | | There has been no violation of commitments. |
| | Other shareholders | Shareholders of Midea Group, Ningbo Maysun, Fang Hongbo, Huang Jian, Cai Qiwu, Yuan Liqun, Huang Xiaoming, Li Jianwei, Zheng Weikang, promise that since Midea Group is listed on the Shenzhen Stock Exchange Center, the transferal or delegation of others to manage these issued shares who have direct or indirect ownership of Midea Group, has been forbidden for a period of 36 months. Midea Group is not allowed to buy back those shares either. | 28 Mar. 2013 | 36 months from 18 Sept. 2013, the date of Midea Group's listing, to 18 Sept. 2016 | There has been no violation of commitments. |
| 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 | | | | |

IV. Predicting the operating results for Jan.-Jun. 2015

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 Inapplicable

V. Securities investment

Applicable Inapplicable

No such cases in the reporting period.

VI. Shareholdings in other listed companies

Applicable Inapplicable

No such cases in the reporting period.

VII. Investments in derivatives

Applicable Inapplicable

Unit: RMB'0,000

| Operator | Relation | Related-party transaction or not | Type of derivative investment | Initial investment amount | Start date | End date | Opening investment amount | Impairment provision (if any) | Closing investment amount | Proportion of the closing investment amount in the Company's closing net assets | Actual gain/loss in reporting period |
|--|----------|----------------------------------|-------------------------------|---------------------------|------------|------------|---------------------------|-------------------------------|---------------------------|---|--------------------------------------|
| Futures company | No | No | Futures hedging contracts | -327.94 | 2015.01.01 | 2015.12.31 | -327.94 | 0.00 | 341.90 | 0.01% | -402.35 |
| Bank | No | No | Forward exchange contract | -19,490.04 | 2015.01.01 | 2015.12.31 | -19,490.04 | 0.00 | 15,764.61 | 0.37% | 46,898.32 |
| Total | | | | -19,817.98 | | | -19,817.98 | 0.00 | 16,106.51 | 0.38% | 46,495.97 |
| Capital source for derivative investment | | | | All self-owned funds | | | | | | | |
| Disclosure date of the board announcement approving the derivative investment (if any) | | | | 31 Mar. 2015 | | | | | | | |
| Disclosure date of the general meeting announcement approving the derivative | | | | 22 Apr. 2015 | | | | | | | |

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| investment (if any) | |
| <p>Analysis of risks and control measures of derivative products held in the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)</p> | <p>In order to reduce the price 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 reducing the risks associated with exchange and interest rate fluctuations, realizing the preservation and appreciation of forex assets, reducing forex liabilities, and achieving locked-in costs. The Company has undertaken extensive evaluation and risk control with regard to derivative investment positions, details of which are as follows:</p> <p>1. Legal risk: The Company's futures business and forex funds businesses are conducted in compliance with laws and regulations, with clearly defined responsibilities and obligations between the Company and agencies.</p> <p>Control measures: The Company has designated relevant departments with the responsibility for enhancing expertise in laws, regulations and market rules, conducting strict examination and verification of contracts, defining responsibility and obligations, and strengthening compliance checks, 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: Risks caused by imperfect internal processes, staff, systems and external issues may cause the Company to incur losses 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 define the assignment of responsibility and approval process for the futures business and forex funds businesses, but has also established a well-developed monitoring mechanism, aimed at effectively reducing operational risk by strengthening its risk control over the business, decision-making and trading processes.</p> <p>3. Market risk: Uncertainties caused by changes in the prices of bulk commodities and exchange rate fluctuations in foreign exchange markets could lead to greater market risk in the futures business and forex funds business. Meanwhile, the inability to raise sufficient funds in a timely manner in order to establish and maintain hedging positions in futures operations, or forex funds required for performance in forex funds operations that are 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 are always conducted by adhering to prudent operation principles. For futures business, futures transaction volumes and applications have been strictly determined according to the requirements for production and operations, and a stop-loss mechanism has been implemented. Furthermore, to determine the prepared margin amount which may be required to be supplemented, a futures risk measuring system has been established to measure and calculate the margin amount already in use, 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 applications for funds business should conduct a risk analysis on the conditions and environment that could affect the 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 the operating status of the funds business on a timely basis thus ensuring the arrangement of proper funds before expiry dates.</p> |
| <p>Changes in market prices or fair values of the invested derivatives during the reporting period. Analysis of the derivative's fair value should include the specific methods of use and the</p> | <p>1. Profit/loss from futures hedging contracts incurred during the Reporting Period was RMB -4,023,500; 2. Profit/loss from forward forex contracts incurred during the Reporting Period was RMB 468,983,200; 3. Public quotations in futures market or forward forex quotations announced by Bank of China are used in</p> |

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| relevant assumptions and parameters. | the analysis of the derivatives fair value. |
| Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the reporting period compared to the previous reporting period | No change |
| Specific opinion from independent directors on 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 controls, 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; the abovementioned investment in derivatives can help the Company to fully realize its competitive advantages. Therefore, it is practical for the Company to carry out derivatives investment business when the risks are controllable. |

VIII. Research, visits and interviews received during the reporting period

√Applicable □Inapplicable

| Time | Place | Way of reception | Visitor type | Visitor | Main discussion and materials provided by the Company |
|--------------|-------------|------------------|--------------|--|---|
| 8 Jan. 2015 | Hong Kong | Strategy meeting | Institution | China Universal Assets, Step Stone Assets, Investment Banking, Corporate Finance, Value Partners Funds, Ideapark, OCH-ZIFF Capital, Xijing, Tianma Assets, Indus, TPG-AXON CAPITAL, Farallon, MARSHALL WACE, Rays Capital, LBN, BAM, PINE RIVER, Full Vision Capital, Primero | The main contents of the Company's reception of investors included: (1) Industry status and development condition; (2) The Company's business situation and development strategy; (3) Related content in regular reports, and announcements published by the other companies. Information provided by the Company: regular reports, announcements and other public data of the Company. |
| 12 Jan. 2015 | Shanghai | Strategy meeting | Institution | Changli Capital, Goldman Sachs, BlackRock Assets, Henderson Global Investors (Hong Kong) Limited, Fedelity Fund, Invesco Ltd, Cathay Life, J.P. Morgan Asset, Shanghai Baoyin, China Universal Assets, Harvest Fund, Temasek, Yiheng Capital, PROTEK(HK), Prudence Investment Management, Nomura Securities, New Ideas Investment, UBP Asset Management, APS Asset Management, REYHER Investment, Springs Capital, Baring Assets BOSVALEN, Panah Fund, Kingsmead, Tiger Pacific, HIGHBRIDGE, WELLINGTON MANAGEMENT, SPARX, Carrhae Capital, Stone Forest Capital, Bestinver, Turiyacapital, Comgest, Bernstein, PIMCO, Matthews, Truck, Broad Peak | |
| 16 Jan. 2015 | The Company | Field research | Institution | Jingyuan Capital, Trivest Investment, Ideapark, SMC CHINA FUND, Pacific Eagle, BlueCrest, UG, | |

| | | | | |
|--------------|-------------|-------------------------|-------------|---|
| | | | | ACORN CAPITAL |
| 21 Jan. 2015 | The Company | Field research | Institution | Stock Department of China Life Insurance Asset |
| 23 Jan. 2015 | The Company | Field research | Institution | GLG |
| 23 Jan. 2015 | The Company | Field research | Institution | Carmignac Gestion |
| 27 Jan. 2015 | The Company | Field research | Institution | Tiger Fund |
| 28 Jan. 2015 | The Company | Telephone communication | Institution | Government of Singapore Investment Corp |
| 28 Jan. 2015 | The Company | Field research | Institution | Fidelity Fund, |
| 29 Jan. 2015 | The Company | Telephone communication | Institution | Taiwan SinoPac Securities, Fuh Hwa Securities Investment Trust, Mega International Investment Trust, Taishin Securities Investment Trust, Fubon Securities Investment Trust, Nan Shan Life Insurance, MassMutual Mercuries Life, CTBC Life Insurance, Fubon Life Insurance, CENTRAL REINSURANCE CORPORATION, Ruiteng Investment |
| 29 Jan. 2015 | The Company | Field research | Institution | China Merchants Securities |
| 29 Jan. 2015 | The Company | Field research | Institution | Nikko Asset |
| 30 Jan. 2015 | Hong Kong | Field research | Institution | Shenyin & Wanguo Investment Management, Princeton Capital Management, Value Partners Fund, Blue Pool Capital, Janchor, The Bank of Tokyo-Mitsubishi UFJ Ltd., The Bank of China Life Insurance, Oberweis, Daiwa Asset Investment, VL Asset Investment, Taiping Assets, Xinsheng Assets, Hong Kong Huguang International Investment, BOSVALEN, Morgan Stanley, Karst Peak, Primero |
| 2 Feb. 2015 | The Company | Field research | Institution | Putnam Investment Management |
| 4 Feb. 2015 | The Company | Telephone communication | Institution | Yuanta Securities Investment Trust, KGI Securities |
| 5 Feb. 2015 | The Company | Field research | Institution | Capital World Investors |

| | | | | |
|--------------|-------------|--------------------------|-------------|---|
| 6 Feb. 2015 | The Company | Field research | Institution | Singapore Jin Rong Assets |
| 11 Feb. 2015 | The Company | Telephone communication | Institution | Falcon Edge |
| 11 Feb. 2015 | The Company | Field research | Institution | Merrill Lynch |
| 12 Feb. 2015 | The Company | Telephone communication | Institution | BROAD PEAK |
| 5 Mar. 2015 | The Company | Field research | Institution | Merrill Lynch |
| 10 Mar. 2015 | The Company | Field research | Institution | Kora Capital |
| 10 Mar. 2015 | The Company | Field research | Institution | Excel Investment、Trilogy Partners, Farallon Capital, Myriad Asset, Azentus Capital |
| 12 Mar. 2015 | The Company | Field research | Institution | Investec |
| 16 Mar. 2015 | The Company | Field research | Institution | Broad Peak |
| 18 Mar. 2015 | The Company | Field research | Institution | Mercuries Life Insurance |
| 31 Mar. 2015 | Shenzhen | Performance presentation | Institution | Bank of China Investment Management, (CITIC Asset Management Corporation Ltd, CITICS, CICC, Zheng Xiang Investment, China Merchants investment Management, Great Wall Fund, Yuan Xin, Golden Trust Sinopac Fund Management, Galaxy Securities, E Fund, Aegon-industrial Fund Management, New China Assets, Co-power Capital, Century Securities, Rongtong Fund, Invesco Great Wall, Greenwoods Asset, Jin Niu Investment, Harvest Fund, Huili Assets, ChinaAMC, Huaqiang investment, Citibank, Hanxi Fund, Korea Investment Trust, Haitong Securities, Guosen Securities, Guotai Junan Security Assets Management, GuoDu Securities Institute, Guangzhou Long Term Investment, GF Securities, Everbright Prudential Fund, GUANJUN Asset, ICBC Credit Suisse, ICBCI - Circulation Capital, Gaoyi Capital, Goldman Sachs Gao Hua, ChinaVenture Investment, Fengling Capital, Soochow Fund, Orient Securities, Daoning |

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|--|--|--|--|---|--|
| | | | | Investment, Springs- Capital, Da Hong Assets, Bosera Fund, ESSENCE SECURITIES, Yiheng Capital, Ward Ferry, Value partner, Trilogy Partners, Sumeru Capital, Senrigan Capital Group Limited, RCM Asia Pacific Limited, Ozcap, Overlook capital, Norges, First State, Eton Park Asia Limited, Comgest, Cloud Ridge Capital, Central Asset, BOSVALEN ASSET MANAGEMENT, Black Rock, Axis Capital, APS Asset, etc. (120 institutions in total) | |
|--|--|--|--|---|--|

Section IV. Financial Statements

I. Financial statements

Balance Sheet

Prepared by: Midea Group Co., Ltd.

Unit: RMB'000

| Assets | 30 Mar. 2015 | | 31 Dec. 2014 | |
|--|---------------|---------------|---------------|--------------|
| | Consolidated | The Company | Consolidated | The Company |
| Current assets: | | | | |
| Monetary funds | 9,210,123.97 | 13,017,745.12 | 6,203,282.81 | 8,452,623.95 |
| Deposits at central bank | 1,428,629.09 | | 1,279,592.47 | |
| Deposits at other banks | 1,046,502.02 | | 2,126,444.99 | |
| Financial assets measured at fair value and for which changes are recorded into current gains and losses | | | | |
| Derivative financial assets | 308,051.02 | | 162,513.84 | |
| Notes receivable | 27,551,795.43 | 519,825.93 | 17,097,233.37 | 693,828.61 |
| Accounts receivable | 13,487,865.88 | | 9,362,102.75 | |
| Accounts paid in advance | 2,093,978.64 | 2,879.83 | 1,414,470.45 | 1,102.42 |
| Loans and advances | 7,074,277.66 | | 5,940,800.47 | |
| Interest receivable | | | | |
| Dividends receivable | 61,603.82 | 3,129.44 | 45,943.22 | 280,771.02 |
| Other accounts receivable | 866,643.28 | 2,639,024.15 | 1,180,767.53 | 2,418,306.21 |
| Inventories | | | | |

| | | | | |
|--------------------------------------|-----------------------|----------------------|----------------------|----------------------|
| | 11,029,452.31 | | 15,020,030.26 | |
| Assets held for sale | | | | |
| Non-current assets due within 1 year | | | | |
| Other current assets | 27,833,598.41 | 22,920,117.28 | 26,593,892.46 | 22,892,049.61 |
| Total current assets | 101,992,521.53 | 39,102,721.75 | 86,427,074.62 | 34,738,681.82 |
| Non-current assets: | | | | |
| Available-for-sale financial assets | 1,709,070.34 | 1,218,277.80 | 1,655,494.72 | 1,230,277.80 |
| Held-to-maturity investments | | | | |
| Long-term accounts receivable | | | | |
| Long-term equity investment | 892,488.65 | 16,652,242.51 | 951,874.39 | 16,548,882.73 |
| Investment property | 152,145.97 | 298,877.58 | 171,634.90 | 323,355.75 |
| Fixed assets | 19,225,545.69 | 1,600,574.36 | 19,521,814.06 | 1,653,024.17 |
| Construction in progress | 565,298.63 | 42,386.34 | 661,882.29 | 42,386.34 |
| Engineering materials | | | | |
| Disposal of fixed assets | | | | |
| Intangible assets | 3,380,380.94 | 285,079.66 | 3,431,958.12 | 280,656.35 |
| R&D expense | | | | |
| Goodwill | 2,931,791.41 | | 2,931,791.41 | |
| Long-term deferred expenses | 843,137.29 | 79,507.00 | 758,576.10 | 68,787.68 |
| Deferred income tax assets | 4,138,547.21 | 1,061.99 | 3,779,987.55 | 4,483.56 |
| Other non-current assets | | | | |
| Total of non-current assets | 33,838,406.13 | 20,178,007.24 | 33,865,013.54 | 20,151,854.38 |

| | | | | |
|---------------------|-----------------------|----------------------|-----------------------|----------------------|
| Total assets | 135,830,927.66 | 59,280,728.99 | 120,292,088.16 | 54,890,536.20 |
|---------------------|-----------------------|----------------------|-----------------------|----------------------|

Legal representative: Fang Hongbo

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

Chief of the accounting division: Chen Jianwu

Balance Sheet (Continued)

Prepared by: Midea Group Co., Ltd.

Unit: RMB'000

| Liabilities and Shareholders' Equity | 30 Mar. 2015 | | 31 Dec. 2014 | |
|---|---------------|-------------|---------------|-------------|
| | Consolidated | The Company | Consolidated | The Company |
| Current liabilities: | | | | |
| Short-term borrowings | 8,238,588.50 | | 6,070,879.03 | 500,000.00 |
| Borrowings from the Central Bank | | | | |
| Customer bank deposits and due to banks and other financial institutions | 213.58 | | 7,493.81 | |
| Intra-group borrowings | | | | |
| Financial liabilities measured at fair value and for which changes are recorded into current gains and losses | | | | |
| Derivative financial liabilities | 103,679.33 | 2,939.62 | 74,960.70 | 54.78 |
| Financial assets sold and repurchased | 210,153.27 | | | |
| Notes payable | 18,522,639.98 | | 12,648,496.99 | |
| Accounts payable | 20,720,158.95 | 3,243.31 | 20,137,454.46 | 2,671.39 |
| Accounts received in advance | 4,178,809.48 | | 3,992,540.46 | |
| Employees' compensation payable | 1,208,350.59 | 832.32 | 2,199,776.95 | 16,865.00 |
| Tax payable | 4,908,100.78 | 79,234.73 | 3,280,150.71 | 51,951.23 |
| Interest payable | 25,274.92 | 142,527.52 | 22,912.17 | 217,050.96 |

| | | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| Dividends payable | 11,703.66 | | 93,799.03 | |
| Other accounts payable | 1,396,760.54 | 40,825,904.15 | 1,223,548.76 | 36,057,338.71 |
| Liabilities held for sale | | | | |
| Non-current liabilities due within 1 year | 17,061.66 | | 611,900.00 | |
| Other current liabilities | 25,497,009.90 | | 22,778,936.05 | |
| Total current liabilities | 85,038,505.14 | 41,054,681.65 | 73,142,849.12 | 36,845,932.07 |
| Non-current liabilities: | | | | |
| Long-term borrowings | 14,607.85 | | 19,205.03 | |
| Bonds payable | 155,763.80 | | 153,026.30 | |
| Long-term payables | | | | |
| Specific payables | 847,394.36 | | 851,825.49 | |
| Estimated liabilities | 24,428.61 | | 25,573.83 | |
| Deferred income tax liabilities | 343,743.98 | | 342,235.91 | |
| Other non-current liabilities | 27,748.86 | | 25,917.24 | |
| Total non-current liabilities | | | | |
| Total liabilities | 1,413,687.46 | | 1,417,783.80 | |
| Shareholders' equity | 86,452,192.60 | 41,054,681.65 | 74,560,632.92 | 36,845,932.07 |
| Share capital | | | | |
| Notes payable | 4,215,808.47 | 4,215,808.47 | 4,215,808.47 | 4,215,808.47 |
| Other equity instruments | | | | |
| Of which: preference shares | | | | |
| Perpetual bonds | | | | |
| Capital reserves | 13,058,394.16 | 5,356,552.11 | 13,024,883.19 | 5,356,080.10 |
| Less: Treasury stock | | | | |
| Other comprehensive income | -681,225.04 | | -774,298.83 | |

| | | | | |
|--|-----------------------|----------------------|-----------------------|----------------------|
| Surplus reserves | 1,189,791.32 | 1,189,791.32 | 1,189,791.32 | 1,189,791.32 |
| Retained profits | 25,156,450.52 | 7,463,895.44 | 21,814,315.69 | 7,282,924.24 |
| Total equity attributable to shareholders of the Company | 42,939,219.43 | 18,226,047.34 | 39,470,499.84 | 18,044,604.13 |
| Minority interests | 6,439,515.63 | | 6,260,955.40 | |
| Total shareholders' equity | 49,378,735.06 | 18,226,047.34 | 45,731,455.24 | 18,044,604.13 |
| Total liabilities and shareholders' equity | 135,830,927.66 | 59,280,728.99 | 120,292,088.16 | 54,890,536.20 |

Legal representative: Fang Hongbo

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

Chief of the accounting division: Chen Jianwu

Income Statement

Prepared by: Midea Group Co., Ltd.

Unit: RMB'000

| Item | Jan.-Mar. 2015 | | Jan.-Mar. 2014 | |
|--|----------------------|-------------------|----------------------|-------------------|
| | Consolidated | The Company | Consolidated | The Company |
| I. Total operating revenues | 42,574,425.37 | 126,937.94 | 38,533,256.41 | 137,257.35 |
| Including: Sales income | 42,426,713.97 | 126,937.94 | 38,351,110.06 | 137,257.35 |
| Interest income | 146,675.78 | | 182,146.35 | |
| Handling charges and commission income | 1,035.62 | | | |
| II. Total operating costs | 38,878,820.78 | 321,306.78 | 34,616,054.15 | 156,249.60 |
| Including: Cost of sales | 31,041,580.76 | 5,131.89 | 28,689,939.33 | 17,127.61 |
| Interest expenses | 98,854.06 | | 68,558.65 | |
| Handling charges and commission expenses | 389.37 | | 337.45 | |
| Business taxes and surcharges | 329,869.89 | 440.55 | 215,272.48 | 1,256.02 |
| Selling and distribution expenses | 5,363,077.42 | | 3,710,417.81 | |
| Administrative expenses | 1,607,661.57 | 80,775.91 | 1,621,891.07 | 92,142.16 |
| Financial expenses | 195,782.99 | 235,496.85 | -44,139.27 | 49,945.05 |
| Asset impairment loss | 241,604.72 | -538.42 | 353,776.63 | -4,221.24 |
| Add: Gain from change in fair value | 153,580.51 | -2,884.84 | -776,075.05 | -3,556.74 |

| | | | | |
|--|---------------------|-------------------|---------------------|-------------------|
| Income from investment | 527,790.47 | 390,492.65 | 272,930.60 | 233,441.94 |
| Including: share of profits in associates and joint ventures | 15,208.72 | 1,215.68 | 19,454.63 | 71.27 |
| III. Business profit | 4,376,975.57 | 193,238.97 | 3,414,057.81 | 210,892.95 |
| Add: non-operating income | 94,168.96 | 22,027.33 | 122,099.17 | 10,852.36 |
| Including: gain from non-current asset disposal | 8,650.10 | 354.15 | 17,633.87 | 41.11 |
| Less: non-operating expenses | 43,517.96 | 4,334.46 | 81,111.66 | 8,870.04 |
| Including: loss from non-current asset disposal | 26,312.08 | 3,734.46 | 62,182.41 | 8,769.38 |
| IV. Total profit | 4,427,626.57 | 210,931.84 | 3,455,045.32 | 212,875.27 |
| Less: Income tax expense | 776,836.83 | 29,960.65 | 594,390.32 | 5,685.39 |
| V. Net profit | 3,650,789.74 | 180,971.19 | 2,860,655.00 | 207,189.88 |
| Including: Net profit achieved by combined parties before the combinations | | | | |
| Attributable to owners of the Company | 3,342,134.83 | 180,971.19 | 2,538,849.11 | 207,189.88 |
| Minority shareholders' income | 308,654.91 | | 321,805.89 | |
| VI. The after-tax net income of other comprehensive income | -2,510.60 | | -234,564.28 | |
| The after-tax net income of other comprehensive income attributable to owners of the Company | 93,073.79 | | -264,728.01 | |
| (I) Other comprehensive income items that cannot be reclassified as gains and losses | | | | |
| 1. Changes in net liabilities or assets from re-measuring benefit plans | | | | |
| 2. The share of other comprehensive income under the equity method, in the invested entity, that cannot be classified into profits and losses | | | | |
| (II) Other comprehensive income that will be reclassified into profits and losses | 93,073.79 | | -264,728.01 | |
| 1. The share of other comprehensive income, under the equity method, in the invested entity, that will be reclassified into profits and losses | -5,514.27 | | 16,022.30 | |
| 2. Changes in fair value of | -820.17 | | -14.42 | |

| | | | | |
|---|---------------------|-------------------|---------------------|-------------------|
| available-for-sale financial assets | | | | |
| 3. Held-to-maturity investments reclassified as gains and losses on available-for-sale financial assets | | | | |
| 4. Effective part of the gains and losses of cash flows through hedging | 231,232.42 | | -293,971.99 | |
| 5. Foreign exchange differences | -131,824.19 | | 13,236.10 | |
| 6. Other | | | | |
| The after-tax net income of other comprehensive income attributable to minority shareholders | -95,584.39 | | 30,163.73 | |
| VII. Total comprehensive income | 3,648,279.14 | 180,971.19 | 2,626,090.72 | 207,189.88 |
| Attributable to owners of the Company | 3,435,208.62 | 180,971.19 | 2,274,121.10 | 207,189.88 |
| Attributable to minority shareholders | 213,070.52 | | 351,969.62 | |
| VIII. Earnings per share | | | | |
| (I) Basic earnings per share | 0.79 | | 0.60 | |
| (II) Diluted earnings per share | 0.79 | | 0.60 | |

Legal representative: Fang Hongbo
Chief of the accounting division: Chen Jianwu

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

Cash Flow Statement

Prepared by: Midea Group Co., Ltd.

Unit: RMB'000

| Item | Jan.-Mar. 2015 | | Jan.-Mar. 2014 | |
|---|----------------|-------------|----------------|-------------|
| | Consolidated | The Company | Consolidated | The Company |
| I. Cash flows from operating activities: | | | | |
| Cash received from sale of commodities and rendering of service | 25,578,062.67 | | 19,194,300.03 | |
| Net increase of deposits from customers and dues from banks | -7,280.23 | | 6,600.07 | |
| Net increase of loans from central bank | | | 110,291.66 | |
| Cash received from interest, | | | | |

| | | | | |
|---|----------------------|---------------------|----------------------|----------------------|
| handling charges and commissions | 147,711.40 | | 182,146.35 | |
| Tax refunds received | 1,121,281.80 | | 957,556.72 | |
| Other cash received relating to operating activities | 1,207,298.06 | 6,000,634.08 | 994,846.88 | 10,705,628.59 |
| Subtotal of cash inflows from operating activities | 28,047,073.70 | 6,000,634.08 | 21,445,741.71 | 10,705,628.59 |
| Cash paid for goods and services | 16,100,503.33 | | 9,236,942.09 | |
| Net increase of customer lendings and advances | 1,115,647.70 | | -592,727.39 | |
| Net increase of funds deposited at central bank and amounts due from banks | 151,065.49 | | -133,591.68 | |
| Cash for paying interest, handling charges and commissions | 99,243.43 | | 68,896.10 | |
| Cash paid to and for employees | 3,472,711.35 | 28,227.07 | 3,240,584.65 | 24,295.77 |
| Various taxes paid | 2,000,945.86 | 12,422.08 | 1,504,612.89 | 1,510.30 |
| Other cash payment relating to operating activities | 2,608,241.17 | 432,825.89 | 4,897,211.74 | 2,370,199.13 |
| Subtotal of cash outflows from operating activities | 25,548,358.33 | 473,475.04 | 18,221,928.40 | 2,396,005.20 |
| Net cash flows from operating activities | 2,498,715.37 | 5,527,159.04 | 3,223,813.31 | 8,309,623.39 |
| II. Cash flows from investing activities: | | | | |
| Cash received from retraction of investments | 2,380.46 | 13,860.00 | | 24,901.98 |
| Cash received from return on investments | 492,988.79 | 596,897.53 | 236,049.11 | 542,475.72 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 8,810.40 | 354.15 | 925,139.30 | 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 | 504,179.65 | 611,111.68 | 1,161,188.41 | 604,362.09 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | 523,829.03 | 183,970.53 | 902,058.24 | 140,335.52 |
| Cash paid for investments | 1,155,719.19 | 475,952.90 | | 330,000.00 |
| Net cash paid to acquire subsidiaries and other business units | | | 1,876.49 | |
| Other cash payments relating to investing activities | | | | |
| Subtotal of cash outflows from investing activities | 1,679,548.22 | 659,923.43 | 903,934.73 | 470,335.52 |
| Net cash flows from investing activities | -1,175,368.57 | -48,811.75 | 257,253.68 | 134,026.57 |
| III. Cash flows from financing activities: | | | | |
| Cash received from capital contributions | | | | |
| Including: Cash received from minority shareholder investments by subsidiaries | | | | |
| Cash received from borrowings | 5,883,038.37 | | 14,420,203.63 | 1,100,000.00 |
| 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 | 5,883,038.37 | | 14,420,203.63 | 1,100,000.00 |
| Cash repayment of borrowings | 4,433,876.85 | 500,000.00 | 8,595,134.47 | 340,000.00 |
| Cash for repaying medium term notes | | | 1,000,000.00 | 1,000,000.00 |
| Cash for repaying short-term financing bonds | | | | |
| Cash paid for interest expenses and distribution of dividends or profit | 124,133.96 | 405,234.42 | 253,404.98 | 232,604.90 |

| | | | | |
|---|---------------------|----------------------|----------------------|----------------------|
| Including: dividends or profit paid by subsidiaries to minority shareholders | 119,432.36 | | 82,760.68 | |
| Other cash payments relating to financing activities | | | | |
| Sub-total of cash outflows from financing activities | 4,558,010.81 | 905,234.42 | 9,848,539.45 | 1,572,604.90 |
| Net cash flows from financing activities | 1,325,027.56 | -905,234.42 | 4,571,664.18 | -472,604.90 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | -80,698.63 | | -14,111.80 | |
| V. Net increase in cash and cash equivalents | 2,567,675.73 | 4,573,112.87 | 8,038,619.37 | 7,971,045.06 |
| Add: Opening balance of cash and cash equivalents | 5,272,238.35 | 6,879,717.05 | 16,763,873.80 | 13,809,135.41 |
| VI. Closing balance of cash and cash equivalents | 7,839,914.08 | 11,452,829.92 | 24,802,493.17 | 21,780,180.47 |

Legal representative: Fang Hongbo
Chief of the accounting division: Chen Jianwu

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

II. Auditor's report

Is this report audited by a CPAs firm?

Yes No

The Company's report is un-audited by a CPAs firm.

Midea Group Co., Ltd.
Legal Representative: Fang Hongbo

29 April 2015