

**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 & 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 www.cninfo.com.cn |
| 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 |
|--|--|--|--|

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 |
| Current assets: | | | | |
| 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 |
| Total current assets | 163,349,932 | 120,621,320 | 68,176,947 | 54,239,381 |
| Non-current assets: | | | | |
| 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 |
| Total non-current assets | 78,833,344 | 49,979,391 | 26,814,777 | 28,831,395 |
| TOTAL ASSETS | 242,183,276 | 170,600,711 | 94,991,724 | 83,070,776 |

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 |
| Current liabilities: | | | | |
| 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 |
| Total current liabilities | 114,918,493 | 89,184,000 | 61,636,390 | 54,982,308 |
| Non-current liabilities: | | | | |
| 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 | - | - |
| Total non-current liabilities | 47,011,054 | 12,440,015 | - | - |
| Total liabilities | 161,929,547 | 101,624,015 | 61,636,390 | 54,982,308 |
| Shareholders' equity: | | | | |
| 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 | - | - |
| Total shareholders' equity | 80,253,729 | 68,976,696 | 33,355,334 | 28,088,468 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 242,183,276 | 170,600,711 | 94,991,724 | 83,070,776 |

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 |
| 1. Total revenue | 187,764,435 | 117,077,949 | 1,116,610 | 851,892 |
| 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 | - | - |
| 2. Total Cost | (172,344,718) | (102,498,007) | (545,033) | (1,006,971) |
| 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 | | | |
| 3. Operating profit | 18,243,070 | 15,275,326 | 10,115,069 | 9,359,260 |
| 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) |
| 4. Total profit | 18,839,340 | 16,340,190 | 10,115,106 | 9,400,533 |

| | | | | |
|---|-------------------|-------------------|-------------------|------------------|
| Less: Income tax expenses | (2,737,940) | (2,588,202) | 90,336 | (17,685) |
| 5. Net profit | 16,101,400 | 13,751,988 | 10,205,442 | 9,382,848 |
| 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 | - | - |
| 6. Other comprehensive income, net of tax | 13,190 | 538,964 | (7,859) | (1,902) |
| 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 | - | - |
| 7. Total comprehensive income | 16,114,590 | 14,290,952 | 10,197,583 | 9,380,946 |
| 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 | - | - |
| 8. Earnings per share | | | | |
| 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 |
|--|------|------|-----|-----|

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 |
| 1. Total revenue | 62,800,819 | 39,070,433 | 415,540 | 263,641 |
| 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 | - | - |
| 2. Total Cost | (58,381,100) | (35,679,594) | (221,378) | (247,382) |
| 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 | - | - | - |
| 3. Operating profit | 5,206,917 | 3,897,230 | 3,612,416 | 1,949,214 |
| 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) |

| | | | | |
|---|------------------|------------------|------------------|------------------|
| 4. Total profit | 5,232,216 | 4,162,621 | 3,612,737 | 1,990,207 |
| Less: Income tax expenses | (678,887) | (641,531) | 98,238 | 17,216 |
| 5. Net profit | 4,553,329 | 3,521,090 | 3,710,975 | 2,007,423 |
| 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 | - | - |
| 6. Other comprehensive income, net of tax | (13,132) | (808,298) | (4,433) | 8,675 |
| 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 | - | - |
| 7. Total comprehensive income | 4,540,197 | 2,712,792 | 3,706,542 | 2,016,098 |
| 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 | - | - |
| 8. Earnings per share | | | | |
| 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 | |
|--|--|------|--|

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 |
| 1. Cash flows from operating activities: | | | | |
| 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 |
| Sub-total of cash inflows | 157,579,847 | 119,454,075 | 8,729,382 | 10,532,437 |
| 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) |

| | | | | |
|---|----------------------|----------------------|---------------------|---------------------|
| Sub-total of cash outflows | (137,512,205) | (100,416,580) | (444,167) | (4,670,603) |
| Net cash flow from operating activities | 20,067,642 | 19,037,495 | 8,285,215 | 5,861,834 |
| 2. Cash flows from investing activities: | | | | |
| 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 | - | - | - | - |
| Sub-total of cash inflows | 59,391,648 | 50,763,728 | 49,859,076 | 34,413,712 |
| 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 | - | - | - | - |
| Sub-total of cash outflows | (77,719,398) | (68,534,169) | (36,813,042) | (35,892,100) |
| Net cash from investing activities | (18,327,750) | (17,770,441) | 13,046,034 | (1,478,388) |
| 3. Cash flows from financing activities: | | | | |
| 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 | - | - | - | - |
| Sub-total of cash inflows | 34,283,841 | 31,468,944 | 2,965,855 | 4,435,111 |
| 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 | - | - | - | - |
| Sub-total of cash outflows | (12,296,793) | (29,476,236) | (8,570,870) | (11,323,546) |
| Net cash flows from financing activities | 21,987,048 | 1,992,708 | (5,605,015) | (6,888,435) |
| 4. Effect of foreign exchange rate changes on cash and cash equivalents | 121,585 | 101,834 | - | - |
| 5. Net decrease in cash and cash equivalents | 23,848,525 | 3,361,596 | 15,726,234 | (2,504,989) |
| Add: Cash and cash equivalents at beginning of the period | 12,513,730 | 5,187,317 | 8,174,915 | 6,245,008 |
| 6. Cash and cash equivalents at end of the period | 36,362,255 | 8,548,913 | 23,901,149 | 3,740,019 |

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