

Midea Group Co., Ltd.
Interim Report for the Third Quarter 2018



October 2018

Section I Important Reminders

- 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 record, misleading statement or material omission. 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 Q3 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, Mr. Xiao Mingguang, Director of Finance of the Company, 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. Major Accounting Data and Financial Indicators

Does the Company adjust retrospectively or restate accounting data of previous years?

☐ Yes ☒ No

	30 September 2018		31 December 2017		Change (%)	
Total assets (RMB'000)	256,651,139		248,106,858		3.44%	
Net assets attributable to shareholders of the Company (RMB'000)	82,864,509		73,737,437		12.38%	
	July-September 2018	YoY Change (%)	January-September 2018	YoY Change (%)		
Operating revenues (RMB'000)	63,132,816	1.01%	205,756,653	10.06%		
Net profits attributable to shareholders of the Company (RMB'000)	4,963,393	18.55%	17,900,239	19.35%		
Net profits attributable to shareholders of the Company before non-recurring gains and losses (RMB'000)	4,751,797	16.52%	17,252,050	23.49%		
Net cash flow from operating activities (RMB'000)	--	--	19,589,580	-2.38%		
Basic earnings per share (RMB/share)	0.76	18.75%	2.72	17.75%		
Diluted earnings per share (RMB/share)	0.75	17.19%	2.69	16.96%		
Weighted average ROE (%)	6.11%	0.02%	22.65%	0.04%		

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

Total share capital of the Company on the last trading session before disclosure (share)	6,605,324,151
Fully diluted earnings per share based on the latest share capital above (RMB/share)	2.71

Note: The Company's total share capital on 30 September 2018 was 6,644,656,857 shares. Minus the repurchased 39,332,706 shares up to that day, the number was 6,605,324,151 shares.

Non-recurring profits and losses

√ Applicable □ N/A

Unit: RMB'000

Item	January-September 2018	Note
Profit or loss from disposal of non-current assets	287,028	
Except for effectively hedging business related to normal business operations of the Company, profit or loss arising from the change in the fair value of held-for-trading financial assets and liabilities, as well as investment profit or loss produced from the disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets	-770,673	
Other	1,700,109	
Less: Corporate income tax	406,220	
Minority interests (after tax)	162,055	
Total	648,189	--

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

□ Applicable √ N/A

No such cases for the Reporting Period.

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

2.1 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	229,782		Total number of preference shareholders with resumed voting rights at the period-end (if any)	0		
Top ten shareholders						
Name of shareholder	Nature of shareholder	Share holding percentage	Number of shares held	Number of restricted shares held	Pledged or frozen shares	
					Status of share	Number of shares

		(%)			s	
Midea Holding Co., Ltd.	Domestic non-state-owned corporation	33.29	2,212,046,613	0	Pledged	666,065,000
Hong Kong Exchanges and Clearing Limited	Foreign corporation	13.10	870,683,761	0	-	-
China Securities Finance Co., Ltd.	State-owned corporation	2.98	198,145,134	0	-	-
Fang Hongbo	Domestic individual	2.06	136,990,492	102,742,869	-	-
Hillhouse Capital Management Limited – HCM China Fund	Foreign corporation	1.62	107,658,338	0	-	-
Huang Jian	Domestic individual	1.32	88,005,400	0	Pledged	22,999,900
Xiaomi Technology Co., Ltd.	Domestic non-state-owned corporation	1.24	82,500,000	0	-	-
Central Huijin Asset Management Ltd.	State-owned corporation	1.18	78,474,900	0	-	-
Canada Pension Plan Investment Board	Foreign corporation	1.09	72,309,875	0	-	-
Li Jianwei	Domestic individual	0.78	51,791,941	0	-	-

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
Midea Holding Co., Ltd.	2,212,046,613	RMB common stock	2,212,046,613
Hong Kong Securities Clearing Company Limited	870,683,761	RMB common stock	870,683,761
China Securities Finance Co., Ltd.	198,145,134	RMB common stock	198,145,134
Hillhouse Capital Management Limited – HCM China Fund	107,658,338	RMB common stock	107,658,338
Huang Jian	88,005,400	RMB common stock	88,005,400
Xiaomi Technology Co., Ltd.	82,500,000	RMB common stock	82,500,000
Central Huijin Asset Management Ltd.	78,474,900	RMB common stock	78,474,900
Canada Pension Plan Investment Board – self-owned capital (stock exchange)	72,309,875	RMB common stock	72,309,875
Li Jianwei	51,791,941	RMB common stock	51,791,941

Yuan Liquan	48,018,400	RMB common stock	48,018,400
Explanation of related relationship or/and acting-in-concert parties among the above-mentioned shareholders	N/A		
Top ten non-restricted common shareholders taking part in securities margin trading (if any)	N/A		

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

☐ Yes ☒ No

No such cases in the Reporting Period.

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

☐ Applicable ☒ N/A

Section III Significant Events

1. Major changes of main items in financial statements and financial indicators within the Report Period, as well as the reasons for the changes

√ Applicable □ N/A

Unit: RMB'000

Financial statement items (consolidated)	30 September 2018/January- September 2018	31 December 2017/January- September 2017	Change (%)	Reasons for the changes
Advances to suppliers	2,383,097	1,672,248	42.51%	Mainly due to the increased advances to suppliers of raw materials
Long-term receivables	42,652	362,248	-88.23%	Mainly due to the changes in KUKA's business
Construction in progress	1,926,225	879,576	118.99%	Mainly due to the increased investments in construction
Short-term borrowings	894,952	2,584,102	-65.37%	Mainly due to the repayment of borrowings
Derivative financial liabilities	987,850	90,432	992.37%	Mainly due to the changes in the fair value of derivative financial assets
Current portion of non-current liabilities	7,002,614	136,605	5,026.18%	Mainly due to the reclassification of long-term borrowings and debentures payable into this item
Debentures payable	0	4,553,054	-100.00%	Mainly due to the reclassification of debentures payable into the current portion of non-current liabilities
Other comprehensive income	-651,947	-244,692	-166.44%	Mainly due to the changes in the gains/losses on cash flow hedges
Interest income	1,647,457	815,565	102.00%	Mainly due to the changes in the operation of Midea Group Finance
Financial expenses	-1,727,756	852,759	-302.61%	Mainly due to the changes in foreign exchange profit/loss
Gains on changes in fair value	-882,313	-44,156	- 1,898.17%	Mainly due to the changes in the fair value of derivative financial assets
Gains on disposal of assets	-2,000	743,834	-100.27%	Mainly due to the decreased gains on disposal of non-current assets

Non-operating expenses	79,098	399,689	-80.21%	Mainly due to the decreased other non-operating expenses
Income tax expenses	3,834,166	2,737,940	40.04%	Mainly due to the increased profits
Net cash flows from financing activities	-10,826,057	21,987,048	-149.24%	Mainly due to the decreased borrowings

2. Progress, influence and solutions of significant events

√ Applicable □ N/A

Summary of the significant event	Date of disclosure	Website for the disclosed information
Announcement on the Board's Review of the Asset Restructuring and the Trading Suspension of the Company's Stock	10 September 2018	http://www.cninfo.com.cn/
Announcement on the Progress on the Trading Suspension of the Company's Stock	17 September 2018	http://www.cninfo.com.cn/
Announcement on the Progress on the Trading Suspension of the Company's Stock	25 September 2018	http://www.cninfo.com.cn/
Announcement on the Board's Postponed Review of the Asset Restructuring and the Continued Trading Suspension of the Company's Stock	8 October 2018	http://www.cninfo.com.cn/
Announcement on the Resolutions of the Second Meeting of the Third Board	24 October 2018	http://www.cninfo.com.cn/
Plan of Midea Group Co., Ltd. on the Merge with Wuxi Little Swan Company Limited via A-share Issuance for a Share Swap and the Related-Party Transaction	24 October 2018	http://www.cninfo.com.cn/

3. Overdue commitments of the Company's actual controller, shareholders, related parties and acquirer, as well as the Company and other commitment makers in the Report Period or ongoing at the period-end

□ Applicable √ N/A

No such cases in the Reporting Period.

4. Operating result forecast for the Year 2018

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

☐ Applicable ☒ N/A

5. Securities investment

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

6. Wealth management entrustment

☒ Applicable ☐ N/A

Unit: RMB'0,000

Type of wealth management	Funding source	Principal	Outstanding amount before maturity	Overdue amount
Wealth management products purchased from banks	Self-owed capital	1,917,978	724,000	0
Trust wealth management	Self-owed capital	288,374	0	0
Entrusted debt investment	Self-owed capital	3,120	0	0
Total		2,209,472	724,000	0

7. Derivatives investment

☒ Applicable ☐ N/A

Unit: RMB'0,000

Operating party	Relationship with the Co	Related party transaction	Type of derivative	Initial investment amount	Start date	End date	Opening investment amount	Purchased in the Reporting Period	Sold in the Reporting Period	Amount provided for impairment (if	Closing investment amount	Closing investment amount as a percentage of	Actual gain/loss in the Reporting Period
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	mpa ny	ion or not								any)		the Compa ny's closing net assets	
Futur es comp any	N/A	No	Futur es contra cts	6,588.2	1 January 2018	31 Decembe r 2018	6,588.2	-	-	-	-492.1	-0.01%	-23,247.6
Bank	N/A	No	Forwa rd excha nge contra cts	55,599.5	1 January 2018	31 Decembe r 2018	55,599.5	-	-	-	- 139,135. 7	-1.68%	-178,459.9
Total				62,187.7	--	--	62,187.7	-	-	-	- 139,627. 8	-1.69%	-201,707.5
Source of derivatives investment funds				All from the Company's own money									
Lawsuits involved (if applicable)				N/A									
Disclosure date of the announcement about the board's consent for the derivative investment (if any)				31 March 2018									
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)				24 April 2018									
Risk analysis of positions held in derivatives during the Reporting Period and explanation of control measures (Including but not limited to market risk, liquidity risk, credit risk, operational risk,				<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</p>									

legal risk, etc.)	<p>in compliance with laws and regulations, with clearly covenanted responsibility and obligation relationship between the Company and the agencies.</p> <p>Control measures: The Company has designated relevant responsible departments to enhance learning of laws and regulations and market rules, conducted strict examination and verification of contracts, defined responsibility and obligation well, and strengthened compliance check, so as to ensure that the Company's derivatives investment and position operations meet the requirements of the laws and regulations and internal management system of the Company.</p> <p>2. Operational risk: Imperfect internal process, staff, systems and external issues may cause the Company to suffer from loss during the course of its futures business and forex funds business.</p> <p>Control measures: The Company has not only developed relevant management systems that clearly defined the assignment of responsibility and approval process for the futures business and forex funds business, but also established a comparatively well-developed monitoring mechanism, aiming to effectively reduce operational risk by strengthening risk control over the business, decision-making and trading processes.</p> <p>3. Market risk: Uncertainties caused by changes in the prices of bulk commodity and exchange rate fluctuations in foreign exchange market could lead to greater market risk in the futures business and forex funds business. Meanwhile, inability to timely raise sufficient funds to establish and maintain hedging positions in futures operations, or the forex funds required for performance in forex funds operations being unable to be credited into account could also result in loss and default risks.</p> <p>Control measures: The futures business and forex funds business of the Company shall always be conducted by adhering to prudent operation principles. For futures business, the futures transaction volume and application have been determined strictly according to the requirements of production & operations, and the stop-loss mechanism has been implemented. Besides, to determine the prepared margin amount which may be required to be supplemented, the futures risk measuring system has been established to measure and calculate the margin amount occupied, floating gains and losses, margin amount available and margin amount required for intended positions. As for forex funds business, a hierarchical management mechanism has been implemented, whereby the operating unit which has submitted application for funds business should conduct risk analysis on the conditions and environment affecting operating profit and loss, evaluate the possible greatest revenue and loss, and report the greatest acceptable margin ratio or total margin amount, so that the Company can update operating status of the funds business on a timely basis to ensure proper funds arrangement before the expiry dates.</p>
Changes in market prices or fair value of derivative products during the Reporting Period, specific methods used and relevant assumption and parameter settings	<p>1. Loss from futures contracts during the Reporting Period was RMB-232,476,000.</p> <p>2. Loss from forward forex contracts during the Reporting Period was RMB-1,784,599,000, and exchange gains on financial expenses were RMB1,056,386,000.</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>

shall be disclosed for analysis of fair value of derivatives	
Explanation of significant changes in accounting policies and specific financial accounting principles in respect of the Company's derivatives for the Reporting Period as compared to the previous Reporting Period	N/A
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.

8. Visits received during the Reporting Period

√ Applicable ☐ N/A

Date	Type of visit	Type of visitor	Discussions
11-12 July 2018	Field research	Institution	Please refer to <i>Investor Relations Activities from 11 July 2018 to 12 July 2018</i> on the website of www.cninfo.com.cn
16-23 July 2018	Field research	Institution	Please refer to <i>Investor Relations Activities from 16 July 2018 to 23 July 2018</i> on the website of www.cninfo.com.cn
2-5 September 2018	Field research	Institution	Please refer to <i>Investor Relations Activities from 2 September 2018 to 5 September 2018</i> on the website of www.cninfo.com.cn
20-21 September 2018	Field research	Institution	Please refer to <i>Investor Relations Activities from 20 September 2018 to 21 September 2018</i> on the website of www.cninfo.com.cn

9. Irregular provision of guarantees

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

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

☐ Applicable ☒ N/A

No such cases in the Reporting Period.

Section IV Financial Statements

1. Financial statements

Balance Sheet

Prepared by Midea Group Co., Ltd.
RMB'000

30 September 2018

Unit:

ASSETS	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	Consolidated	Consolidated	Company	Company
Current assets:				
Cash at bank and on hand	42,488,845	48,274,200	32,153,760	29,349,926
Derivative financial assets	376,900	353,327	-	-
Notes and accounts receivable	32,647,254	28,382,943	-	-
Including: Notes receivable	13,545,455	10,854,226	-	-
Accounts receivable	19,101,799	17,528,717	-	-
Advances to suppliers	2,383,097	1,672,248	115,944	23,877
Loans and advances	10,930,216	12,178,953	-	-
Other receivables	2,700,042	2,809,998	11,034,838	9,318,704
Inventories	24,424,935	29,444,166	-	-
Including: completed but unsettled	5,024,376	4,023,467	-	-
Other current assets	59,563,341	46,694,841	46,281,751	27,293,364
Total current assets	175,514,630	169,810,676	89,586,293	65,985,871
Non-current assets:				
Available-for-sale financial assets	2,175,051	1,831,051	61,586	56,868
Long-term receivables	42,652	362,248	-	-
Long-term equity investments	2,859,348	2,633,698	27,513,843	24,540,601
Investment properties	398,476	420,802	561,474	597,200
Fixed assets	22,292,839	22,600,724	1,110,104	1,245,998
Construction in progress	1,926,225	879,576	61,749	36,313

Intangible assets	15,589,465	15,167,036	226,083	231,154
Goodwill	29,622,253	28,903,785	-	-
Long-term prepaid expenses	981,447	859,106	177,411	121,452
Deferred tax assets	4,638,795	4,023,334	75,834	152,069
Other non-current assets	609,958	614,822	12,109	9,700
Total non-current assets	81,136,509	78,296,182	29,800,193	26,991,355
TOTAL ASSETS	256,651,139	248,106,858	119,386,486	92,977,226

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Fang Hongbo

Xiao Mingguang

Chen Lihong

Balance Sheet (Continued)

Prepared by Midea Group Co., Ltd.

30 September 2018

Unit:
RMB'000

LIABILITIES AND SHAREHOLDERS' EQUITY	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	Consolidated	Consolidated	Company	Company
Current liabilities:				
Short-term borrowings	894,952	2,584,102	1,140,000	-
Borrowings from the central bank	17,458	-	-	-
Customer deposits and deposits from banks and other financial institutions	127,750	108,926	-	-
Derivative financial liabilities	987,850	90,432	-	-
Notes and accounts payable	55,822,651	60,352,562	-	-
Advances from customers	13,210,019	17,409,063	-	-
Including: Settled but not completed	2,138,979	1,670,855	-	-
Employee benefits payable	4,542,534	5,247,500	125,460	427,806
Taxes payable	4,227,368	3,544,154	292,966	45,179
Other payables	4,032,813	3,360,523	80,503,359	58,014,048
Current portion of non-current liabilities	7,002,614	136,605	-	-
Other current liabilities	32,454,539	26,257,990	27,338	40,830
Total current liabilities	123,320,548	119,091,857	82,089,123	58,527,863
Non-current liabilities:				
Long-term borrowings	32,692,841	32,986,325	-	-
Debentures payable	-	4,553,054	-	-
Long-term payables	296,725	250,536	-	-
Provisions	266,721	330,736	-	-
Deferred revenue	568,855	536,443	-	-

Long-term employee benefits payable	2,397,344	2,465,854	-	-
Deferred tax liabilities	4,087,228	3,972,823	-	-
Other non-current liabilities	1,037,605	994,059	-	-
Total non-current liabilities	41,347,319	46,089,830	-	-
Total liabilities	164,667,867	165,181,687	82,089,123	58,527,863
Shareholders' equity:				
Share capital	6,644,657	6,561,053	6,644,657	6,561,053
Capital surplus	17,712,099	15,911,504	10,103,547	7,726,237
Less: Treasury stock	(2,718,168)	(366,842)	(2,718,168)	(366,842)
Other comprehensive income	(651,947)	(244,692)	165,884	33,459
Surplus reserve	3,882,232	3,882,232	3,882,232	3,882,232
General reserve	366,947	366,947	-	-
Undistributed profits	57,628,689	47,627,235	19,219,211	16,613,224
Total equity attributable to shareholders of the Company	82,864,509	73,737,437	37,297,363	34,449,363
Minority interests	9,118,763	9,187,734	-	-
Total shareholders' equity	91,983,272	82,925,171	37,297,363	34,449,363
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	256,651,139	248,106,858	119,386,486	92,977,226

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Fang Hongbo

Xiao Mingguang

Chen Lihong

Income Statement

Prepared by Midea Group Co., Ltd.

January-September 2018

Unit:
RMB'000

Item	January- September 2018	January- September 2017	January- September 2018	January- September 2017
	Consolidated	Consolidated	Company	Company
1. Total revenue	207,404,713	187,764,435	1,302,617	1,116,610
Including: Operating revenue	205,756,653	186,948,866	1,302,617	1,116,610
Interest income	1,647,457	815,565	-	-
Fee and commission income	603	4	-	-
2. Total Cost	(185,957,302)	(172,344,718)	487,202	(545,033)
Including: Cost of sales	(149,664,730)	(139,559,489)	(32,561)	(29,054)
Interest expenses	(180,410)	(215,904)	-	-
Fee and commission expenses	(2,259)	(2,140)	-	-
Taxes and surcharges	(1,223,984)	(1,076,026)	(23,006)	(11,267)
Selling and distribution expenses	(24,397,272)	(19,954,150)	-	-
General and administrative expenses	(5,629,888)	(4,819,384)	(281,257)	(206,857)
R&D expenses	(6,349,429)	(5,610,773)	-	-
Financial expenses	1,727,756	(852,759)	823,775	(298,404)
Including: Interest expenses	(511,687)	(678,235)	(499,991)	(565,181)
Interest income	1,262,815	725,515	1,091,446	250,472
Asset impairment losses	(237,086)	(254,093)	251	549
Add: Other income	936,954	1,075,500	184,227	-
Investment income	1,276,499	1,792,009	8,753,457	9,543,492
Including: Share of profit of associates and joint ventures	276,367	390,089	185,410	288,285
Gains on changes in fair value	(882,313)	(44,156)	-	-
Gains on disposal of assets	(2,000)	743,834	45,627	(95)
3. Operating profit	22,776,551	18,986,904	10,773,130	10,114,974
Add: Non-operating income	226,964	252,125	5,325	1,481
Less: Non-operating expenses	(79,098)	(399,689)	(4,038)	(1,349)
4. Total profit	22,924,417	18,839,340	10,774,417	10,115,106

Less: Income tax expenses	(3,834,166)	(2,737,940)	(269,645)	90,336
5. Net profit	19,090,251	16,101,400	10,504,772	10,205,442
(1) Classified by continuity of operations				
Net profit from continuing operations	19,090,251	16,101,400	10,504,772	10,205,442
Net profit from discontinued operations	-	-	-	-
(2) Classified by ownership of the equity				
Attributable to shareholders of the Company	17,900,239	14,998,175	10,504,772	10,205,442
Minority interests	1,190,012	1,103,225	-	-
6. Other comprehensive income, net of tax	(590,795)	13,190	132,425	(7,859)
Attributable to shareholders of the Company	(407,255)	6,624	132,425	(7,859)
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss	45,455	37,472	-	-
1) Changes arising from remeasurement of net liability or net asset of defined benefit plan	45,455	37,472	-	-
2) Share of other comprehensive income of the investee accounted for using equity method that will not be subsequently reclassified to profit or loss	-	-	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss	(452,710)	(30,848)	132,425	(7,859)
1) Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	69,613	(9,831)	47,245	(7,859)
2) Change in fair value of available-for-sale financial assets	(102,449)	(288,537)	78,935	-
3) Losses or profits arising from the reclassification of held-to-maturity investments into available-for-sale financial assets	-	-	-	-
4) Effective portion of cash flow hedging gains or losses	(1,000,918)	140,809	6,245	-
5) Translation of foreign currency financial statements	581,044	126,711	-	-
Minority interests	(183,540)	6,566	-	-
7. Total comprehensive income	18,499,456	16,114,590	10,637,197	10,197,583
Attributable to shareholders of the Company	17,492,984	15,004,799	10,637,197	10,197,583
Minority interests	1,006,472	1,109,791	-	-

8. Earnings per share				
(1) Basic earnings per share	2.72	2.31	N/A	N/A
(2) Diluted earnings per share	2.69	2.30	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 2018

Unit: RMB'000

Item	July- September 2018	July- September 2017	July- September 2018	July- September 2017
	Consolidated	Consolidated	Company	Company
1. Total revenue	63,668,797	62,800,819	436,307	415,540
Including: Operating revenue	63,132,816	62,498,801	436,307	415,540
Interest income	535,443	302,016	-	-
Fee and commission income	538	2	-	-
2. Total Cost	(57,615,453)	(58,381,100)	443,843	(221,378)
Including: Cost of sales	(45,783,292)	(46,508,408)	(10,607)	(9,725)
Interest expenses	(12,175)	(50,238)	-	-
Fee and commission expenses	(730)	(479)	-	-
Taxes and surcharges	(376,334)	(321,255)	(5,305)	(7,488)
Selling and distribution expenses	(7,504,769)	(7,549,380)	-	-
General and administrative expenses	(2,294,597)	(1,813,923)	(113,359)	(101,419)
R&D expenses	(2,450,200)	(1,783,276)	-	-
Financial expenses	743,643	(506,145)	573,149	(103,441)
Including: Interest expenses	(206,984)	(210,340)	(222,533)	(168,798)
Interest income	505,000	192,298	560,492	61,785
Asset impairment losses	63,001	152,004	(35)	695
Add: Other income	310,676	229,274	150	-
Investment income	363,875	592,557	2,170,005	3,418,254
Including: Share of profit of associates and joint ventures	89,122	102,955	58,329	73,852
Gains on changes in fair value	(268,385)	(34,633)	-	-
Gains on disposal of assets	16,759	(268)	45,364	24
3. Operating profit	6,476,269	5,206,649	3,095,669	3,612,440
Add: Non-operating income	76,164	42,440	907	724
Less: Non-operating expenses	(22,589)	(16,873)	-	(427)
4. Total profit	6,529,844	5,232,216	3,096,576	3,612,737

Less: Income tax expenses	(1,219,284)	(678,887)	(261,715)	98,238
5. Net profit	5,310,560	4,553,329	2,834,861	3,710,975
(1) Classified by continuity of operations				
Net profit from continuing operations	5,310,560	4,553,329	2,834,861	3,710,975
Net profit from discontinued operations	-	-	-	-
(2) Classified by ownership of the equity				
Attributable to shareholders of the Company	4,963,393	4,186,853	2,834,861	3,710,975
Minority interests	347,167	366,476	-	-
6. Other comprehensive income, net of tax	(4,416)	(13,132)	35,511	(4,433)
Attributable to shareholders of the Company	(7,368)	(3,058)	35,511	(4,433)
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss	27,169	(2,107)	-	-
1) Changes arising from remeasurement of net liability or net asset of defined benefit plan	27,169	(2,107)	-	-
2) Share of other comprehensive income of the investee accounted for using equity method that will not be subsequently reclassified to profit or loss	-	-	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss	(34,537)	(951)	35,511	(4,433)
1) Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	23,639	(1,762)	12,939	(4,433)
2) Change in fair value of available-for-sale financial assets	(117,028)	3,938	16,327	-
3) Losses or profits arising from the reclassification of held-to-maturity investments into available-for-sale financial assets	-	-	-	-
4) Effective portion of cash flow hedging gains or losses	(366,451)	(27,907)	6,245	-
5) Translation of foreign currency financial statements	425,303	24,780	-	-
Minority interests	2,952	(10,074)	-	-
7. Total comprehensive income	5,306,144	4,540,197	2,870,372	3,706,542
Attributable to shareholders of the Company	4,956,025	4,183,795	2,870,372	3,706,542
Minority interests	350,119	356,402	-	-

8. Earnings per share				
(1) Basic earnings per share	0.76	0.64	N/A	N/A
(2) Diluted earnings per share	0.75	0.64	N/A	N/A

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 2018

Unit:
RMB'000

Item	January- September 2018	January- September 2017	January- September 2018	January- September 2017
	Consolidated	Consolidated	Company	Company
1. Cash flows from operating activities:				
Cash received from sales of goods or rendering of services	160,376,963	148,783,253	-	-
Net increase in customer deposits and deposits from banks and other financial institutions	18,824	121,433	-	-
Net decrease in loans and advances	1,267,226	-	-	-
Net increase in borrowings from the central bank	17,458	-	-	-
Cash received for interest, fee and commission	975,800	864,098	-	-
Refund of taxes and surcharges	4,903,836	4,440,425	-	-
Cash received relating to other operating activities	5,073,697	3,370,638	23,765,185	8,729,382
Sub-total of cash inflows	172,633,804	157,579,847	23,765,185	8,729,382
Cash paid for goods and services	(98,306,306)	(87,143,944)	-	-
Net increase in loans and advances	-	(658,156)	-	-
Net decrease in customer deposits and deposits from banks and other financial institutions	-	-	-	-
Net increase in deposits with the central bank	(1,121,072)	(744,270)	-	-
Cash paid for interest, fee and commission	(183,202)	(218,046)	-	-
Cash paid to and on behalf of employees	(19,638,796)	(17,042,705)	(326,747)	(114,654)
Payments of taxes and surcharges	(11,157,941)	(9,412,941)	(23,009)	(101,815)
Cash paid relating to other operating activities	(22,636,907)	(22,292,143)	(2,269,335)	(227,698)
Sub-total of cash outflows	(153,044,224)	(137,512,205)	(2,619,091)	(444,167)
Net cash flows from operating activities	19,589,580	20,067,642	21,146,094	8,285,215
2. Cash flows from investing activities:				

Cash received from disposal of investments	47,800,654	56,859,505	23,444,983	40,619,980
Cash received from returns on investments	1,522,671	1,664,387	9,761,421	9,227,047
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	69,144	865,341	-	12,049
Net cash received from disposal of subsidiaries and other business units	24,311	2,415	-	-
Cash received relating to other investing activities	-	-	-	-
Sub-total of cash inflows	49,416,780	59,391,648	33,206,404	49,859,076
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(3,659,281)	(2,071,492)	(210,157)	(81,158)
Cash paid to acquire investments	(66,565,111)	(50,014,698)	(47,235,579)	(36,731,884)
Net cash paid to acquire subsidiaries and other business units	(171,245)	(25,633,208)	-	-
Cash paid relating to other investing activities	-	-	-	-
Sub-total of cash outflows	(70,395,637)	(77,719,398)	(47,445,736)	(36,813,042)
Net cash flows from investing activities	(20,978,857)	(18,327,750)	(14,239,332)	13,046,034
3. Cash flows from financing activities:				
Cash received from capital contributions	2,526,025	1,365,855	1,910,933	1,365,855
Including: Cash received from capital contributions by minority shareholders of subsidiaries	615,092	-	-	-
Cash received from borrowings	2,344,612	32,917,986	1,140,000	1,600,000
Cash received from issuing short-term financing bonds	-	-	-	-
Cash received relating to other financing activities	-	-	-	-
Sub-total of cash inflows	4,870,637	34,283,841	3,050,933	2,965,855
Cash repayments of borrowings	(3,084,621)	(4,718,342)	-	(1,600,000)
Cash payment for issuing short-term financing bonds	-	-	-	-
Cash payments for interest expenses and distribution of dividends or profits	(8,953,224)	(7,578,451)	(8,209,025)	(6,970,870)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	(498,030)	(606,819)	-	-
Cash paid relating to other financing activities	(3,658,849)	-	(1,828,808)	-
Sub-total of cash outflows	(15,696,694)	(12,296,793)	(10,037,833)	(8,570,870)

Net cash flows from financing activities	(10,826,057)	21,987,048	(6,986,900)	(5,605,015)
4. Effect of foreign exchange rate changes on cash and cash equivalents	607,137	121,585	-	-
5. Net increase in cash and cash equivalents	(11,608,197)	23,848,525	(80,138)	15,726,234
Add: Cash and cash equivalents at beginning of period	21,831,653	12,513,730	25,978,543	8,174,915
6. Cash and cash equivalents at end of period	10,223,456	36,362,255	25,898,405	23,901,149

Legal representative:

Fang Hongbo

Person in charge of accounting function:

Xiao Mingguang

Person in charge of accounting department:

Chen Lihong

2. Auditor's report

Is this Report audited by a CPAs firm?

☐ Yes ☒ No

This Report is un-audited by a CPAs firm.

Midea Group Co., Ltd.

Legal Representative: Fang Hongbo

31 October 2018