

**Midea Group Co., Ltd.**  
**Interim Report for the Third Quarter 2019**



**October 2019**

## **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 CEO of the Company and Ms. Zhong Zheng, Director of Finance of the Company, have represented and warranted that the financial statements in this Report are true, accurate and complete.**

## 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 2019	31 December 2018	Change (%)	
Total assets (RMB'000)	285,289,199	263,701,148	8.19%	
Net assets attributable to shareholders of the Company (RMB'000)	98,241,158	83,072,116	18.26%	
	July-September 2019	YoY Change (%)	January-September 2019	YoY Change (%)
Operating revenue (RMB'000)	67,147,862	6.36%	220,918,162	7.37%
Net profit attributable to shareholders of the Company (RMB'000)	6,128,898	23.48%	21,315,967	19.08%
Net profit attributable to shareholders of the Company before non-recurring gains and losses (RMB'000)	6,042,274	27.16%	20,597,948	19.39%
Net cash flows from operating activities (RMB'000)	--	--	29,790,279	52.07%
Basic earnings per share (RMB/share)	0.89	17.11%	3.20	17.65%
Diluted earnings per share (RMB/share)	0.89	18.67%	3.18	18.22%
Weighted average ROE (%)	6.35%	0.24%	23.46%	0.81%

Non-recurring gains and losses

Applicable  N/A

Unit: RMB'000

Item	January-September 2019	Note
Gains and losses on disposal of non-current asset	-34,416	
Except for effectively hedging business related to normal business operations of the Company, gains and losses	-66,602	

arising from the change in the fair value of held-for-trading financial assets and liabilities, as well as investment gains and losses produced from the disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets		
Other	1,102,169	
Less: Corporate income tax	268,517	
Minority interests (after tax)	14,615	
Total	718,019	--

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 the top ten shareholders at the period-end

### 2.1 Total number of ordinary shareholders and shareholdings of the top ten ordinary shareholders at the period-end

Unit: share

Total number of ordinary shareholders at the period-end	200,887	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	Shareholding percentage (%)	Number of 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	31.77%	2,212,046,613	0	Pledged	215,000,000
Hong Kong Securities Clearing Company Limited	Foreign corporation	14.72%	1,024,708,546	0	-	-
China Securities Finance Co., Ltd.	State-owned corporation	2.85%	198,145,134	0	-	-
Fang Hongbo	Domestic	1.97%	136,990,492	102,742,869	-	-

	individual					
Canada Pension Plan Investment Board — own funds (stock exchange)	Foreign corporation	1.73%	120,379,067	0	-	-
Central Huijin Asset Management Ltd.	State-owned corporation	1.30%	90,169,354	0	-	-
Huang Jian	Domestic individual	1.26%	88,032,200	0	-	-
Merrill Lynch International	Foreign corporation	0.84%	58,506,848	0	-	-
Li Jianwei	Foreign individual	0.74%	51,791,941	0	-	-
Huang Xiaoxiang	Domestic individual	0.72%	50,189,788	0	Pledged	14,648,500
Top ten non-restricted ordinary shareholders						
Name of shareholder	Number of non-restricted ordinary shares held at the period-end	Type of shares				
		Type	Number			
Midea Holding Co., Ltd.	2,212,046,613	RMB-denominated ordinary share	2,212,046,613			
Hong Kong Securities Clearing Company Limited	1,024,708,546	RMB-denominated ordinary share	1,024,708,546			
China Securities Finance Co., Ltd.	198,145,134	RMB-denominated ordinary share	198,145,134			
Canada Pension Plan Investment Board — own funds (stock exchange)	120,379,067	RMB-denominated ordinary share	120,379,067			
Central Huijin Asset Management Ltd.	90,169,354	RMB-denominated ordinary share	90,169,354			
Huang Jian	88,032,200	RMB-denominated ordinary share	88,032,200			
Merrill Lynch International	58,506,848	RMB-denominated ordinary share	58,506,848			
Li Jianwei	51,791,941	RMB-denominated ordinary share	51,791,941			
Huang Xiaoxiang	50,189,788	RMB-denominated ordinary share	50,189,788			
GIC Private Limited	49,053,247	RMB-denominated ordinary share	49,053,247			
Explanation of related relationship or/and acting-	N/A					

in- concert parties among the above-mentioned shareholders	
Top ten non-restricted ordinary shareholders taking part in securities margin trading (if any)	<p>1. The Company's shareholder Huang Jian holds 88,022,200 shares in the Company through his ordinary securities accounts and 10,000 shares in the Company through his accounts of collateral securities for margin trading, representing a total holding of 88,032,200 shares in the Company.</p> <p>2. The Company's shareholder Huang Xiaoxiang holds 39,841,788 shares in the Company through his ordinary securities accounts and 10,348,000 shares in the Company through his accounts of collateral securities for margin trading, representing a total holding of 50,189,788 shares in the Company.</p>

Did any of the top 10 ordinary shareholders or the top 10 non-restricted ordinary 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 2019/January- September 2019	31 December 2018/January- September 2018	Change (%)	Reasons for the changes
Cash at bank and on hand	52,428,387	27,888,280	87.99%	Mainly due to the increased net cash flows from operating activities
Derivative financial asset	37,068	220,197	-83.17%	Mainly due to changes of the fair value of derivative financial instrument
Construction in progress	1,400,406	2,077,621	-32.60%	Mainly due to the transfer-out of the completed construction in progress
Other non-current asset	4,845,628	550,352	780.46%	Mainly due to the increased structural deposit exceeding one year
Borrowings from the Central Bank	0	99,754	-100.00%	Mainly due to the repayment of borrowings from the Central Bank
Customer deposits and deposits from banks and other financial institutions	78,118	44,386	76.00%	Mainly due to the changes in the business operations of Midea Group Finance
Derivative financial liability	80,813	756,299	-89.31%	Mainly due to the changes in the fair value of derivative financial instrument
Current portion of non- current liability	192,717	7,122,712	-97.29%	Mainly due to the repayment of current portion of debentures payable and long-term borrowing
Long-term borrowing	42,314,469	32,091,439	31.86%	Mainly due to the increased borrowings
Long-term payable	28,117	88,890	-68.37%	Mainly due to the repayment of long-term payable
Other comprehensive income	-852,782	-1,332,153	35.98%	Mainly due to the transfer of gains and losses on changes in fair value of available-for-sale financial asset into undistributed profit
Minority interest	6,120,778	9,382,401	-34.76%	Mainly due to the purchase of minority

				interest in Little Swan
Interest income	854,941	1,647,457	-48.11%	Mainly due to the changes in the business operations of Midea Group Finance
Interest cost	115,595	180,410	-35.93%	Mainly due to the changes in the business operations of Midea Group Finance
Investment income	183,139	1,276,499	-85.65%	Mainly due to the changes in the gains and losses on the delivery of derivative financial instrument
Gains on changes in fair value	299,107	-882,313	133.90%	Mainly due to the changes in the fair value of derivative financial instrument
Asset impairment loss	-59,162	-237,086	75.05%	Mainly due to the transfer of bad debt provision loss and loan provision loss into losses on credit impairment
Non-operating income	343,075	226,964	51.16%	Mainly due to the increase of other income
Net cash flows from operating activities	29,790,279	19,589,580	52.07%	Mainly due to the increased cash received from sales of good or rendering of service
Net cash flows from financing activities	-7,546,097	-10,826,057	30.30%	Mainly due to the increased borrowing
Net increase in cash and cash equivalents	6,840,248	-11,608,197	158.93%	Mainly due to the increased net cash flows from operating activities

## 2. Progress, influence and solutions of significant events

Applicable  N/A

Progress of any share repurchase

Applicable  N/A

The Proposal on the Plan for the Repurchase of Some Public Shares was approved at the 7th Meeting of the 3rd Board of Directors on 22 February 2019. As such, the Company was agreed to repurchase, with its own funds, no less than 60,000,000 shares and no more than 120,000,000 shares through bidding at the stock exchange at a price not exceeding RMB55/share. The Report on the Repurchase of Some Public Shares was disclosed on 28 February 2019.

As per the Measures on the Administration of Listed Companies' Buying back Shares Held by the Public (Trial), the Supplementary Provisions on the Share Repurchase by Listed Companies by Means of



Centralized Bidding, the Specific Implementation Rules of the Shenzhen Stock Exchange for the Share Repurchase by Listed Companies, and other applicable rules; therefore, the Company hereby discloses its share repurchase progress up to the end of September 2019 as follows:

As of 30 September 2019, the Company has cumulatively repurchased 60,252,129 shares (0.8654% of Company's total share capital as of that date) by way of centralized bidding in its securities account for repurchase. With the highest trading price being RMB 55.00/share and the lowest being RMB 45.62/share, the total payment amounted to RMB 3,099,683,600.75 (exclusive of trading fees). The repurchase was in line with the requirements of applicable laws and regulations, as well as the repurchase plan of the Company.

Progress of any repurchased share reduction through centralized price bidding

Applicable  N/A

### 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. Securities investments

Applicable  N/A

Unit: RMB'000

Type of securities	Code of securities	Abbreviation of securities	Initial investment cost	Measurement method	Opening carrying amount	Profit or loss from changes in fair value during the period	Cumulative fair value changes charged to equity	Purchased in the period	Sold in the period	Profit or loss in the period	Closing carrying amount	Accounting title	Funding source
Overseas listed stock	1810	XIAOMI-W	1,272,584	Fair value method	1,122,609	-357,106	22,701	-	-	-	788,204	Financial assets held for trading	Own Funds

Domestic ally listed stock	688018	Espressif Systems	14,625	Fair value method	-	79,092	-	56,340	-	-	135,432	Financ ial assets held for trading	Own Funds
Total			1,287,209	--	1,122,609	-278,014	22,701	56,340	-	-	923,636	--	--

## 5. Wealth management entrustment

Applicable  N/A

No such cases in the Reporting Period.

## 6. Derivatives investment

Applicable  N/A

Unit: RMB'000

Opera ting party	Rela tio nshi p with the Co mpa ny	Rela ted tran sac tion	Type of deriva tive	Initial investme nt amount	Starting date	Ending date	Opening investme nt amount	Purch ased in Repor ting Perio d	Sold in Repor ting Perio d	Amou nt provid ed for impair ment (if any)	Closing investme nt amount	Closing investme nt amount as a percenta ge of the Company 's closing net asset	Actual gain/loss in Reporting Period
Futur es comp any	No	No	Futur es contra cts	276	01/01/20 19	31/12/20 19	276	-	-	-	2,184	0.0022%	7,050
Bank	No	No	Forwa rd forex contra cts	-644,052	01/01/20 19	31/12/20 19	-644,052	-	-	-	-524,088	-0.5335%	-1,005,062
Total				-643,776	--	--	-643,776	-	-	-	-521,904	-0.5312%	-998,012
Source of derivatives				All from the Company's own funds									

investment funds	
Litigation involved (if applicable)	N/A
Disclosure date of the announcement about the board's consent for the derivative investment (if any)	20/04/2019
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)	14/05/2019
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, legal risk, etc.)	<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</p>

	<p>be conducted by adhering to prudent operation principles. For futures business, the futures transaction volume and application have been determined strictly according to the requirements of production &amp; operations, and the stop-loss mechanism has been implemented. Besides, to determine the prepared margin amount which may be required to be supplemented, the futures risk measuring system has been established to measure and calculate the margin amount occupied, floating gains and losses, margin amount available and margin amount required for intended positions. As for forex funds business, a hierarchical management mechanism has been implemented, whereby the operating unit which has submitted application for funds business should conduct risk analysis on the conditions and environment affecting operating profit and loss, evaluate the possible greatest revenue and loss, and report the greatest acceptable margin ratio or total margin amount, so that the Company can update operating status of the funds business on a timely basis to ensure proper funds arrangement before the expiry dates.</p>
<p>Changes in market prices or fair value of derivative products during the Reporting Period, specific methods used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives</p>	<ol style="list-style-type: none"> <li>1. Profit from futures contracts during the Reporting Period was RMB 7,050,000.</li> <li>2. Loss from forward forex contracts during the Reporting Period was RMB -1,005,062,000.</li> <li>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.</li> </ol>
<p>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</p>	<p>N/A</p>
<p>Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control</p>	<p>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.</p>

## 7. Visits received during the Reporting Period

Applicable  N/A

Date	Type of visit	Type of visitor	Discussions
4-5 July 2019	Field research	Institution	Please refer to <i>Investor Relations Activities from 4 July 2019 to 5 July 2019</i> on the website of <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
22-26 July 2019	Field research	Institution	Please refer to <i>Investor Relations Activities from 22 July 2019 to 26 July 2019</i> on the website of <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
17-18 September 2019	Field research	Institution	Please refer to <i>Investor Relations Activities from 17 September 2019 to 18 September 2019</i> on the website of <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
24 September 2019	Field research	Institution	Please refer to <i>Investor Relations Activities on 24 September 2019</i> on the website of <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

## 8. Irregular provision of guarantees

Applicable  N/A

No such cases in the Reporting Period.

## 9. 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

#### Consolidated and Company Balance Sheets

Prepared by Midea Group Co., Ltd.

30 September 2019

Unit: RMB'000

Assets	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	Consolidated	Consolidated	Company	Company
<b>Current assets:</b>				
Cash at bank and on hand	52,428,387	27,888,280	42,648,970	15,361,626
Financial assets held for trading	923,636		-	
Derivative financial assets	37,068	220,197	-	-
Notes receivable	13,675,697	12,556,294	-	-
Accounts receivable	20,260,192	19,390,174	-	-
Receivables financing	2,701,739		-	
Advances to suppliers	2,227,801	2,215,888	34,727	55,069
Loans and advances	13,367,842	11,328,392	-	-
Other receivables	2,288,711	2,971,368	13,646,037	11,593,020
Inventories	24,004,608	29,645,018	-	-
Other current assets	68,171,450	76,473,827	56,771,485	55,052,256
<b>Total current assets</b>	<b>200,087,131</b>	<b>182,689,438</b>	<b>113,101,219</b>	<b>82,061,971</b>
<b>Non-current assets:</b>				
Available-for-sale financial assets		1,906,878		56,579
Long-term receivables	1,286,584	34,815	-	-
Long-term equity investments	2,755,931	2,713,316	45,756,076	28,236,295
Other non-current financial assets	1,401,558		476,552	
Investment properties	372,988	391,765	529,345	560,954
Fixed assets	21,456,506	22,437,212	928,983	1,056,790
Construction in progress	1,400,406	2,077,621	118,199	51,872
Intangible assets	15,783,449	16,186,675	704,795	712,454
Goodwill	28,996,310	29,100,390	-	-
Long-term prepaid expenses	1,206,972	1,191,373	130,043	174,684
Deferred tax assets	5,695,736	4,421,313	40,651	202,703
Other non-current assets	4,845,628	550,352	4,206,897	4,576
<b>Total non-current assets</b>	<b>85,202,068</b>	<b>81,011,710</b>	<b>52,891,541</b>	<b>31,056,907</b>
<b>Total Assets</b>	<b>285,289,199</b>	<b>263,701,148</b>	<b>165,992,760</b>	<b>113,118,878</b>

Legal representative: Fang Hongbo

Director of Finance: Zhong Zheng

Prepared by: Chen Lihong

## Consolidated and Company Balance Sheets (Continued)

Prepared by Midea Group Co., Ltd.		30 September 2019		Unit: RMB'000	
Liabilities and Owners' Equity	30 September 2019	31 December 2018	30 September 2019	31 December 2018	
	Consolidated	Consolidated	Company	Company	
<b>Current liabilities:</b>					
Short-term borrowings	1,033,098	870,390	385,750	575,000	
Borrowings from the Central Bank	-	99,754	-	-	
Customer deposits and deposits from banks and other financial institutions	78,118	44,386	-	-	
Derivative financial liabilities	80,813	756,299	-	-	
Notes payable	24,658,451	23,325,115	-	-	
Accounts payable	36,717,265	36,901,626	-	-	
Advances from customers	12,139,003	16,781,666	-	-	
Employee benefits payable	5,271,613	5,788,004	559,237	573,632	
Taxes payable	3,930,320	3,875,298	555,479	280,499	
Other payables	3,443,595	3,346,129	103,947,539	74,714,012	
Current portion of non-current liabilities	192,717	7,122,712	-	-	
Other current liabilities	41,860,506	31,319,709	8,915	44,414	
<b>Total current liabilities</b>	<b>129,405,499</b>	<b>130,231,088</b>	<b>105,456,920</b>	<b>76,187,557</b>	
<b>Non-current liabilities:</b>					
Long-term borrowings	42,314,469	32,091,439	4,000,000	-	
Long-term payables	28,117	88,890	-	-	
Provisions	300,033	268,887	-	-	
Deferred income	559,771	647,583	-	-	
Long-term employee benefits payable	2,552,655	2,480,318	-	-	
Deferred tax liabilities	4,677,501	4,422,074	56,033	-	
Other non-current liabilities	1,089,218	1,016,352	-	-	
<b>Total non-current liabilities</b>	<b>51,521,764</b>	<b>41,015,543</b>	<b>4,056,033</b>	<b>-</b>	
<b>Total liabilities</b>	<b>180,927,263</b>	<b>171,246,631</b>	<b>109,512,953</b>	<b>76,187,557</b>	
<b>Shareholders' equity:</b>					
Share capital	6,962,228	6,663,031	6,962,228	6,663,031	
Capital surplus	19,258,463	18,451,307	25,599,317	10,615,389	
Less: Treasury stock	(3,759,732)	(4,918,427)	(3,759,732)	(4,918,427)	
Other comprehensive income	(852,782)	(1,332,153)	10,922	6,020	
General risk reserve	366,947	366,947	-	-	
Surplus reserve	5,079,096	5,079,096	5,079,096	5,079,096	
Undistributed profits	71,186,938	58,762,315	22,587,976	19,486,212	
Total equity attributable to shareholders of the Company	98,241,158	83,072,116	56,479,807	36,931,321	
Minority interests	6,120,778	9,382,401	-	-	
<b>Total shareholders' equity</b>	<b>104,361,936</b>	<b>92,454,517</b>	<b>56,479,807</b>	<b>36,931,321</b>	
<b>Total Liabilities and Owners' Equity</b>	<b>285,289,199</b>	<b>263,701,148</b>	<b>165,992,760</b>	<b>113,118,878</b>	

Legal representative: Fang Hongbo

Director of Finance: Zhong Zheng

Prepared by: Chen Lihong

## Consolidated and Company Income Statements

Prepared by Midea Group Co., Ltd.

July-September 2019

Unit: RMB'000

Item	July-September 2019	July-September 2018	July-September 2019	July-September 2018
	Consolidated	Consolidated	Company	Company
<b>1. Total revenue</b>	<b>67,441,421</b>	<b>63,668,797</b>	<b>430,828</b>	<b>436,307</b>
Including: Revenue	67,147,862	63,132,816	430,828	436,307
Interest income	293,244	535,443	-	-
Fee and commission income	315	538	-	-
<b>2. Total cost of sales</b>	<b>(60,633,135)</b>	<b>(57,678,454)</b>	<b>398,909</b>	<b>443,878</b>
Including: Cost of sales	(48,211,456)	(45,783,292)	(11,247)	(10,607)
Interest costs	(10,052)	(12,175)	-	-
Fee and commission expenses	(1,672)	(730)	-	-
Taxes and surcharges	(363,402)	(376,334)	(7,733)	(5,305)
Selling and distribution expenses	(8,148,056)	(7,504,769)	-	-
General and administrative expenses	(2,117,322)	(2,294,597)	(188,845)	(113,359)
Research and development expenses	(2,459,620)	(2,450,200)	-	-
Financial expenses	678,445	743,643	606,734	573,149
Including: Interest expenses	(139,821)	(206,984)	(420,920)	(222,533)
Interest income	1,240,082	505,000	1,017,880	560,492
Add: Other income	311,572	310,676	107,985	150
Investment income	170,499	363,875	2,421,409	2,170,005
Including: Share of profit of associates and joint ventures	130,349	89,122	59,881	58,329
Including: Profits or losses arising from derecognition of financial assets measured at amortized costs	-	-	-	-
Gains on changes in fair value	(48,755)	(268,385)	-	-
Asset impairment losses	85,494	63,001	-	(35)
Losses on credit impairment	2,400		1,044	
Gains on disposals of assets	(20,711)	16,759	12	45,364
<b>3. Operating profit</b>	<b>7,308,785</b>	<b>6,476,269</b>	<b>3,360,187</b>	<b>3,095,669</b>
Add: Non-operating income	192,712	76,164	2,371	907
Less: Non-operating expenses	(37,053)	(22,589)	(451)	-
<b>4. Total profit</b>	<b>7,464,444</b>	<b>6,529,844</b>	<b>3,362,107</b>	<b>3,096,576</b>
Less: Income tax expenses	(1,164,143)	(1,219,284)	(41,229)	(261,715)
<b>5. Net profit</b>	<b>6,300,301</b>	<b>5,310,560</b>	<b>3,320,878</b>	<b>2,834,861</b>
(1) Classified by continuity of operations				
Net profit from continuing operations	6,300,301	5,310,560	3,320,878	2,834,861
Net profit from discontinued operations	-	-	-	-
(2) Classified by ownership of the equity				
Attributable to equity owners of the Company	6,128,898	4,963,393	3,320,878	2,834,861
Minority interests	171,403	347,167	-	-



<b>6. Other comprehensive income, net of tax</b>	<b>(36,582)</b>	<b>(4,416)</b>	<b>(1,853)</b>	<b>35,511</b>
Other comprehensive income attributable to equity owners of the Company, net of tax	6,956	(7,368)	(1,853)	35,511
(1) Other comprehensive income items which will not be reclassified to profit or loss	(45,952)	27,169	-	-
1. Changes arising from remeasurement on defined benefit plans	(45,952)	27,169	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss	52,908	(34,537)	(1,853)	35,511
1. Other comprehensive income that could be reclassified to profit and loss under equity method	(1,332)	23,639	(1,853)	12,939
2. Changes in fair value of available-for-sale financial assets	-	(117,028)	-	16,327
3. Cash flow hedging reserve	(90,476)	(366,451)	-	6,245
4. Differences arising from translation of foreign currency financial statements	144,716	425,303	-	-
Other comprehensive income attributable to minority shareholders, net of tax	(43,538)	2,952	-	-
<b>7. Total comprehensive income</b>	<b>6,263,719</b>	<b>5,306,144</b>	<b>3,319,025</b>	<b>2,870,372</b>
Attributable to equity owners of the Company	6,135,854	4,956,025	3,319,025	2,870,372
Attributable to minority interests	127,865	350,119	-	-
<b>8. Earnings per share:</b>				
(1) Basic earnings per share	0.89	0.76	N/A	N/A
(2) Diluted earnings per share	0.89	0.75	N/A	N/A

Legal representative: Fang Hongbo

Director of Finance: Zhong Zheng

Prepared by: Chen Lihong

## Consolidated and Company Income Statements

Prepared by Midea Group Co., Ltd.

January-September 2019

Unit: RMB'000

Item	January-September 2019	January-September 2018	January-September 2019	January-September 2018
	Consolidated	Consolidated	Company	Company
<b>1. Total revenue</b>	<b>221,774,064</b>	<b>207,404,713</b>	<b>1,307,278</b>	<b>1,302,617</b>
Including: Revenue	220,918,162	205,756,653	1,307,278	1,302,617
Interest income	854,941	1,647,457	-	-
Fee and commission income	961	603	-	-
<b>2. Total cost of sales</b>	<b>(196,851,290)</b>	<b>(185,720,216)</b>	<b>1,107,772</b>	<b>486,951</b>
Including: Cost of sales	(156,652,745)	(149,664,730)	(35,306)	(32,561)
Interest costs	(115,595)	(180,410)	-	-
Fee and commission expenses	(5,343)	(2,259)	-	-
Taxes and surcharges	(1,291,992)	(1,223,984)	(18,736)	(23,006)
Selling and distribution expenses	(27,677,878)	(24,397,272)	-	-
General and administrative expenses	(6,227,447)	(5,629,888)	(400,985)	(281,257)
Research and development expenses	(6,994,380)	(6,349,429)	-	-
Financial expenses	2,114,090	1,727,756	1,562,799	823,775
Including: Interest expenses	(540,950)	(511,687)	(1,064,704)	(499,991)
Interest income	3,328,798	1,262,815	2,612,130	1,091,446
Add: Other income	973,521	936,954	251,288	184,227
Investment income	183,139	1,276,499	9,168,806	8,753,457
Including: Share of profit of associates and joint ventures	362,945	276,367	204,334	185,410
Including: Profits or losses arising from derecognition of financial assets measured at amortized costs	(709)		-	
Gains on changes in fair value	299,107	(882,313)	-	-
Asset impairment losses	(59,162)	(237,086)	-	251
Losses on credit impairment	(176,647)		(11)	
Gains on disposals of assets	(34,416)	(2,000)	12	45,627
<b>3. Operating profit</b>	<b>26,108,316</b>	<b>22,776,551</b>	<b>11,835,145</b>	<b>10,773,130</b>
Add: Non-operating income	343,075	226,964	32,559	5,325
Less: Non-operating expenses	(97,432)	(79,098)	(740)	(4,038)
<b>4. Total profit</b>	<b>26,353,959</b>	<b>22,924,417</b>	<b>11,866,964</b>	<b>10,774,417</b>
Less: Income tax expenses	(3,993,735)	(3,834,166)	(211,303)	(269,645)
<b>5. Net profit</b>	<b>22,360,224</b>	<b>19,090,251</b>	<b>11,655,661</b>	<b>10,504,772</b>
(1) Classified by continuity of operations				
Net profit from continuing operations	22,360,224	19,090,251	11,655,661	10,504,772
Net profit from discontinued operations	-	-	-	-
(2) Classified by ownership of the equity				
Attributable to equity owners of the Company	21,315,967	17,900,239	11,655,661	10,504,772
Minority interests	1,044,257	1,190,012	-	-
<b>6. Other comprehensive income, net of tax</b>	<b>135,571</b>	<b>(590,795)</b>	<b>4,902</b>	<b>132,425</b>

Other comprehensive income attributable to equity owners of the Company, net of tax	141,924	(407,255)	4,902	132,425
(1) Other comprehensive income items which will not be reclassified to profit or loss	(124,704)	45,455	-	-
1. Changes arising from remeasurement on defined benefit plans	(124,704)	45,455	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss	266,628	(452,710)	4,902	132,425
1. Other comprehensive income that could be reclassified to profit and loss under equity method	(1,583)	69,613	4,902	47,245
2. Changes in fair value of available-for-sale financial assets	-	(102,449)	-	78,935
3. Cash flow hedging reserve	(56,352)	(1,000,918)	-	6,245
4. Differences arising from translation of foreign currency financial statements	324,563	581,044	-	-
Other comprehensive income attributable to minority shareholders, net of tax	(6,353)	(183,540)	-	-
<b>7. Total comprehensive income</b>	<b>22,495,795</b>	<b>18,499,456</b>	<b>11,660,563</b>	<b>10,637,197</b>
Attributable to equity owners of the Company	21,457,891	17,492,984	11,660,563	10,637,197
Attributable to minority interests	1,037,904	1,006,472	-	-
<b>8. Earnings per share:</b>				
(1) Basic earnings per share	3.20	2.72	N/A	N/A
(2) Diluted earnings per share	3.18	2.69	N/A	N/A

Legal representative: Fang Hongbo

Director of Finance: Zhong Zheng

Prepared by: Chen Lihong

## Consolidated and Company Cash Flow Statements

Prepared by Midea Group Co., Ltd.

January-September 2019

Unit: RMB'000

Items	January-September 2019	January-September 2018	January-September 2019	January-September 2018
	Consolidated	Consolidated	Company	Company
<b>1. Cash flows from operating activities</b>				
Cash received from sales of goods or rendering of services	187,113,896	160,376,963	-	-
Net increase in customer deposits and deposits from banks and other financial institutions	33,732	18,824	-	-
Net decrease in loans and advances	-	1,267,226	-	-
Net decrease in deposits with the Central Bank	648,514	-	-	-
Net increase in borrowings from the Central Bank	-	17,458	-	-
Cash received for interest, fee and commission	902,622	975,800	-	-
Refund of taxes and surcharges	5,917,442	4,903,836	-	-
Cash received relating to other operating activities	3,744,879	5,073,697	30,468,856	23,765,185
<b>Sub-total of cash inflows</b>	<b>198,361,085</b>	<b>172,633,804</b>	<b>30,468,856</b>	<b>23,765,185</b>
Cash paid for goods and services	(105,994,827)	(98,306,306)	-	-
Net increase in loans and advances	(2,092,334)	-	-	-
Net increase in deposits with the Central Bank	-	(1,121,072)	-	-
Net decrease in borrowings from the Central Bank	(99,754)	-	-	-
Cash paid for interest, fee and commission	(128,590)	(183,202)	-	-
Cash paid to and on behalf of employees	(20,676,547)	(19,638,796)	(47,774)	(326,747)
Payments of taxes and surcharges	(12,283,945)	(11,157,941)	(105,868)	(23,009)
Cash paid relating to other operating activities	(27,294,809)	(22,636,907)	(2,242,060)	(2,269,335)
<b>Sub-total of cash outflows</b>	<b>(168,570,806)</b>	<b>(153,044,224)</b>	<b>(2,395,702)</b>	<b>(2,619,091)</b>
<b>Net cash flows from operating activities</b>	<b>29,790,279</b>	<b>19,589,580</b>	<b>28,073,154</b>	<b>21,146,094</b>
<b>2. Cash flows from investing activities</b>				
Cash received from disposal of investments	40,816,042	47,800,654	22,834,164	23,444,983
Cash received from returns on investments	1,863,837	1,522,671	10,545,206	9,761,421
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	99,908	69,144	-	-
Net cash received from disposal of subsidiaries and other business units	-	24,311	-	-

<b>Sub-total of cash inflows</b>	42,779,787	49,416,780	33,379,370	33,206,404
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(2,882,478)	(3,659,281)	(114,621)	(210,157)
Cash paid to acquire investments	(55,452,534)	(66,565,111)	(49,346,463)	(47,235,579)
Net cash paid to acquire subsidiaries and other business units	(195,094)	(171,245)	-	-
<b>Sub-total of cash outflows</b>	<b>(58,530,106)</b>	<b>(70,395,637)</b>	<b>(49,461,084)</b>	<b>(47,445,736)</b>
<b>Net cash flows from investing activities</b>	<b>(15,750,319)</b>	<b>(20,978,857)</b>	<b>(16,081,714)</b>	<b>(14,239,332)</b>
<b>3. Cash flows from financing activities</b>				
Cash received from capital contributions	2,438,759	2,526,025	2,323,132	1,910,933
Including: Cash received from capital contributions by minority shareholders of subsidiaries	115,627	615,092	-	-
Cash received from borrowings	11,568,424	2,344,612	6,509,500	1,140,000
<b>Sub-total of cash inflows</b>	<b>14,007,183</b>	<b>4,870,637</b>	<b>8,832,632</b>	<b>3,050,933</b>
Cash repayments of borrowings	(7,758,275)	(3,084,621)	(2,698,750)	-
Cash payments for distribution of dividends, profits or interest expenses	(10,475,327)	(8,953,224)	(9,660,929)	(8,209,025)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	(1,320,885)	(498,030)	-	-
Cash paid relating to other financing activities	(3,319,678)	(3,658,849)	(3,092,751)	(1,828,808)
<b>Sub-total of cash outflows</b>	<b>(21,553,280)</b>	<b>(15,696,694)</b>	<b>(15,452,430)</b>	<b>(10,037,833)</b>
<b>Net cash flows from financing activities</b>	<b>(7,546,097)</b>	<b>(10,826,057)</b>	<b>(6,619,798)</b>	<b>(6,986,900)</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>346,385</b>	<b>607,137</b>	<b>-</b>	<b>-</b>
<b>5. Net increase in cash and cash equivalents</b>	<b>6,840,248</b>	<b>(11,608,197)</b>	<b>5,371,642</b>	<b>(80,138)</b>
Add: Cash and cash equivalents at the beginning of the period	17,952,282	21,831,653	10,181,934	25,978,543
<b>6. Cash and cash equivalents at the end of the period</b>	<b>24,792,530</b>	<b>10,223,456</b>	<b>15,553,576</b>	<b>25,898,405</b>

Legal representative: Fang Hongbo

Director of Finance: Zhong Zheng

Prepared by: Chen Lihong

## 2. Adjustments to Financial Statements

### 1. Adjustments to financial statement items at the beginning of the year of the implementation of the new accounting standards governing financial instruments, revenue or leases which have been implemented since 2019

√ Applicable □ N/A

#### Consolidated and Company Balance Sheets

Prepared by Midea Group Co., Ltd.

Unit: RMB'000

Assets	Consolidated			Company		
	2018-12-31	2019-01-01	Adjustment	2018-12-31	2019-01-01	Adjustment
<b>Current assets:</b>						
Cash at bank and on hand	27,888,280	27,888,280	-	15,361,626	15,361,626	-
Financial assets held for trading	N/A	2,654,045	2,654,045	N/A	1,521,007	1,521,007
Derivative financial assets	220,197	220,197	-	-	-	-
Notes receivable	12,556,294	11,049,539	(1,506,755)	-	-	-
Accounts receivable	19,390,174	18,641,979	(748,195)	-	-	-
Receivables financing	N/A	2,254,950	2,254,950	N/A	-	-
Advances to suppliers	2,215,888	2,215,888	-	55,069	55,069	-
Loans and advances	11,328,392	11,328,392	-	-	-	-
Other receivables	2,971,368	2,960,939	(10,429)	11,593,020	11,593,020	-
Inventories	29,645,018	29,645,018	-	-	-	-
Other current assets	76,473,827	74,952,820	(1,521,007)	55,052,256	53,531,249	(1,521,007)
<b>Total current assets</b>	<b>182,689,438</b>	<b>183,812,047</b>	<b>1,122,609</b>	<b>82,061,971</b>	<b>82,061,971</b>	-
<b>Non-current assets:</b>						
Available-for-sale financial assets	1,906,878	N/A	(1,906,878)	56,579	N/A	(56,579)
Long-term receivables	34,815	34,815	-	-	-	-
Long-term equity investments	2,713,316	2,713,316	-	28,236,295	28,236,295	-
Other non-current financial assets	N/A	784,269	784,269	N/A	56,579	56,579
Investment properties	391,765	391,765	-	560,954	560,954	-
Fixed assets	22,437,212	22,437,212	-	1,056,790	1,056,790	-
Construction in progress	2,077,621	2,077,621	-	51,872	51,872	-
Intangible assets	16,186,675	16,186,675	-	712,454	712,454	-
Goodwill	29,100,390	29,100,390	-	-	-	-
Long-term prepaid expenses	1,191,373	1,191,373	-	174,684	174,684	-
Deferred tax assets	4,421,313	4,421,313	-	202,703	202,703	-
Other non-current assets	550,352	550,352	-	4,576	4,576	-
<b>Total non-current assets</b>	<b>81,011,710</b>	<b>79,889,101</b>	<b>(1,122,609)</b>	<b>31,056,907</b>	<b>31,056,907</b>	-
<b>Total Assets</b>	<b>263,701,148</b>	<b>263,701,148</b>	-	<b>113,118,878</b>	<b>113,118,878</b>	-

## Balance Sheets (Continued)

Prepared by Midea Group Co., Ltd.

Unit: RMB'000

Liabilities and Owners' Equity	Consolidated			Company		
	2018-12-31	2019-01-01	Adjustment	2018-12-31	2019-01-01	Adjustment
<b>Current liabilities:</b>						
Short-term borrowings	870,390	870,390	-	575,000	575,000	-
Borrowings from the Central Bank	99,754	99,754	-	-	-	-
Customer deposits and deposits from banks and other financial institutions	44,386	44,386	-	-	-	-
Derivative financial liabilities	756,299	756,299	-	-	-	-
Notes payable	23,325,115	23,325,115	-	-	-	-
Accounts payable	36,901,626	36,901,626	-	-	-	-
Advances from customers	16,781,666	16,781,666	-	-	-	-
Employee benefits payable	5,788,004	5,788,004	-	573,632	573,632	-
Taxes payable	3,875,298	3,875,298	-	280,499	280,499	-
Other payables	3,346,129	3,346,129	-	74,714,012	74,714,012	-
Current portion of non-current liabilities	7,122,712	7,122,712	-	-	-	-
Other current liabilities	31,319,709	31,319,709	-	44,414	44,414	-
<b>Total current liabilities</b>	<b>130,231,088</b>	<b>130,231,088</b>	<b>-</b>	<b>76,187,557</b>	<b>76,187,557</b>	<b>-</b>
<b>Non-current liabilities:</b>						
Long-term borrowings	32,091,439	32,091,439	-	-	-	-
Long-term payables	88,890	88,890	-	-	-	-
Provisions	268,887	268,887	-	-	-	-
Deferred income	647,583	647,583	-	-	-	-
Long-term employee benefits payable	2,480,318	2,480,318	-	-	-	-
Deferred tax liabilities	4,422,074	4,422,074	-	-	-	-
Other non-current liabilities	1,016,352	1,016,352	-	-	-	-
<b>Total non-current liabilities</b>	<b>41,015,543</b>	<b>41,015,543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>171,246,631</b>	<b>171,246,631</b>	<b>-</b>	<b>76,187,557</b>	<b>76,187,557</b>	<b>-</b>
<b>Shareholders' equity:</b>						
Share capital	6,663,031	6,663,031	-	6,663,031	6,663,031	-
Capital surplus	18,451,307	18,451,307	-	10,615,389	10,615,389	-
Less: Treasury stock	(4,918,427)	(4,918,427)	-	(4,918,427)	(4,918,427)	-
Other comprehensive income	(1,332,153)	(994,706)	337,447	6,020	6,020	-
General risk reserve	366,947	366,947	-	-	-	-
Surplus reserve	5,079,096	5,079,096	-	5,079,096	5,079,096	-
Undistributed profits	58,762,315	58,424,868	(337,447)	19,486,212	19,486,212	-

Total equity attributable to shareholders of the Company	83,072,116	83,072,116	-	36,931,321	36,931,321	-
Minority interests	9,382,401	9,382,401	-	-	-	-
<b>Total shareholders' equity</b>	<b>92,454,517</b>	<b>92,454,517</b>	-	<b>36,931,321</b>	<b>36,931,321</b>	-
<b>Total Liabilities and Owners' Equity</b>	<b>263,701,148</b>	<b>263,701,148</b>	-	<b>113,118,878</b>	<b>113,118,878</b>	-

## 2. Retrospective adjustments to comparative data of the previous period due to the implementation of the new accounting standards governing financial instruments or leases since 2019

Applicable  N/A

## 3. 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 2019