

**Midea Group Co., Ltd.**  
**Interim Report for the First Quarter 2016**



**April 2016**

## **Section I Important Reminders**

1.1 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.

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

1.3 The financial statements contained in this Report have not been audited by a certified public auditors (CPAs) firm.

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

1.5 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 Financial Highlights & Changes in Shareholders

### I Major Accounting Data and Financial Indicators

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

Yes  No

	Jan.-Mar. 2016	Jan.-Mar. 2015	YoY Change (%)
Sales revenues (RMB'000)	38,341,624	42,426,714	-9.63%
Net profit attributable to shareholders of the Company (RMB'000)	3,907,252	3,342,135	16.91%
Net profit attributable to shareholders of the Company after non-recurring gains and losses (RMB'000)	3,745,392	3,019,956	24.02%
Net cash flows from operating activities (RMB'000)	6,595,024	2,498,717	163.94%
Basic EPS (RMB / share)	0.92	0.79	16.46%
Diluted EPS (RMB / share)	0.91	0.79	15.19%
Weighted average ROE (%)	7.58%	8.11%	-0.53%
	31 Mar. 2016	31 Dec. 2015	YoY Change (%)
Total assets (RMB'000)	147,922,589	128,841,935	14.81%
Net assets attributable to shareholders of the Company (RMB'000)	53,857,579	49,201,852	9.46%

Total number of shares of the Company on the last trading session before disclosure:

Total number of shares of the Company on the last trading session before disclosure (share)	4,267,391,228
EPS calculated by using the latest number of shares (RMB / share)	0.92

Items and amounts of non-recurring gains and losses

Applicable  N/A

Unit: RMB'000

Item	Jan.-Mar. 2016	Note
Gains/losses from the disposal of non-current assets (including the offset part of asset impairment provisions)	-11,114	
Government grants recognized in the current period, other	209,245	

than those closely related to business of the Company and granted at a fixed amount or quantity in accordance with certain national standards		
Gains/losses arising from changes in fair value of financial assets and liabilities held for trading, (other than effective hedging instruments related to the Company's normal operations), as well as investment gains from disposal of financial assets and liabilities held for trading and financial assets available for sale	-174,678	
Other non-operating income and expenses except the above items	75,333	
Less: Income tax	21,115	
Minority interests (after tax)	-84,189	
Total	161,860	

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 in the Report Period.

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

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

Unit: share

Total number of common shareholders at the period-end		83,706				
Shareholdings of the top ten common 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	35.06	1,496,250,000	1,496,250,000	Pledged	425,970,000
Rongrui Equity Investment	Domestic	7.14	304,500,000	0		

(Zhuhai) Partnership (limited partnership)	non-state-owned corporation					
China Securities Finance Co., Ltd.	State-owned corporation	2.95	125,794,924	0		
Fang Hongbo	Domestic individual	2.14	91,326,995	90,000,000		
Tianjin CDH Jiatai Equity Investment Partnership (limited partnership)	Domestic non-state-owned corporation	1.83	78,000,000	0		
Huang Jian	Domestic individual	1.76	75,000,000	75,000,000		
Ningbo Maysun Equity Investment Partnership (limited partnership)	Domestic non-state-owned corporation	1.76	75,000,000	75,000,000		
Yuan Liqun	Domestic individual	1.42	60,500,000	60,000,000		
CDH M-Tech (HK) Co., Ltd.	Overseas corporation	1.41	60,000,000	0		
CDH Spark (HK) Co., Ltd.	Overseas corporation	1.35	57,500,000	0		
Shareholdings of the top ten non-restricted common shareholders						
Name of shareholder	Number of non-restricted common shares held at the period-end	Type of shares				
		Type	Number			
Rongrui Equity Investment (Zhuhai) Partnership (limited partnership)	304,500,000	RMB ordinary shares	304,500,000			
China Securities Finance Co., Ltd.	125,794,924	RMB ordinary shares	125,794,924			
Tianjin CDH Jiatai Equity Investment Partnership (limited partnership)	78,000,000	RMB ordinary shares	78,000,000			
CDH M-Tech (HK) Co., Ltd.	60,000,000	RMB ordinary shares	60,000,000			
CDH Spark (HK) Co., Ltd.	57,500,000	RMB ordinary shares	57,500,000			
Central Huijin Asset Management Ltd.	52,316,600	RMB ordinary shares	52,316,600			
Fidelity Investments Management (HK) Ltd. – Clients' Funds	32,724,509	RMB ordinary shares	32,724,509			
Merrill Lynch International	31,982,064	RMB ordinary shares	31,982,064			
Hillhouse Capital Management Limited – HCM China Fund	30,115,775	RMB ordinary shares	30,115,775			

UBS AG	28,877,444	RMB ordinary shares	28,877,444
Explanation of connected relationship or/and acting-in-concert parties among the above-mentioned shareholders	<p>Mr. Fang Hongbo and Ms. Yuan Liqun, individual shareholders, both serve as board members and senior executives in Midea Group. CDH Jiatai, CDH M-Tech and CDH Spark are related parties to each other, with a combined stake of 4.59% in Midea Group.</p> <p>The Company has no information on whether there is any connected relationship among other holders of tradable shares or whether other holders of tradable shares belong to acting-in-concert parties specified in the Administrative Measures for Information Disclosure Regarding Changes of Shareholdings in Listed Companies.</p>		
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 carry out any agreed buy-back in the Report Period?

Yes  No

No such cases in the Report Period.

**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

### I 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

Balance sheet items	31 March 2016	31 March 2015	YoY Change (%)	Main reasons for the changes
Deposits in other banks	1,784,166	4,062,807	-56.09%	Mainly due to changes in business operations of finance subsidiary
Derivative financial assets	8,525	158,822	-94.63%	Mainly due to changes in the fair value of derivative financial assets
Notes receivable	16,899,707	12,889,151	31.12%	Mainly due to increase of sales revenue in 2016Q1 compared to 2015Q4.
Accounts paid in advance	1,463,917	988,625	48.08%	Mainly due to advance payment of materials
Available-for-sale financial assets	5,046,663	3,289,954	53.40%	Mainly due to increase of equity investment
Short-term borrowings	9,180,001	3,920,933	134.13%	Mainly due to increase of external short-term borrowings
Customer bank deposits and Mainly due to banks and other financial institutions	32,748	52,000	-37.02%	Mainly due to changes in business operations of finance subsidiary
Derivative financial liabilities	126,952	33,377	280.36%	Mainly due to changes in the fair value of derivative financial liabilities
Financial assets sold and repurchased	1,132,410	651,784	73.74%	Mainly due to changes in business operations of finance subsidiary
Payroll payable	1,327,734	2,229,332	-40.44%	Mainly due to the inclusion of bonus in the payable at 2015 year end
Tax payable	3,409,062	1,607,181	112.11%	Mainly due to increase of profit which results in increase of CIT and VAT
Interest payable	12,359	9,343	32.28%	Mainly due to increase of short-term borrowings

Dividend payable	12,308	118,851	-89.64%	Mainly due to increase of payment of dividend of subsidiaries
Other accounts payable	1,489,249	1,139,306	30.72%	Mainly due to increase of advance received
Deferred income tax liabilities	23,937	40,464	-40.84%	Mainly due to temporary decrease of tax payable
Other comprehensive income	-441,113	-1,071,151	-58.82%	Mainly due to changes in profit /loss of available-for-sale financial assets
<b>Income statement items</b>	<b>Jan.-March 2016</b>	<b>Jan.-March 2015</b>	<b>YoY Change (%)</b>	<b>Main reasons for the changes</b>
Interest income	255,072	146,676	73.90%	Mainly due to business expansion of the finance subsidiary
Interest expenses	132,167	98,854	33.70%	Mainly due to business expansion of the finance subsidiary
Financial expenses	-282,083	195,783	-244.08%	Mainly due to increase of interest income
Gains on fair value changes	-239,146	153,581	-255.71%	Mainly due to changes in the fair value of derivative financial instruments
Investment gains	253,713	527,790	-51.93%	Mainly due to decrease in the gains from wealth management products
Non-operating income	292,676	94,169	210.80%	Mainly due to increase in government subsidies
Non-operating expenses	21,506	43,518	-50.58%	Mainly due to decrease in losses on disposal of non-current assets
<b>Cash flow statement items</b>	<b>Jan.-March 2016</b>	<b>Jan.-March 2015</b>	<b>YoY Change (%)</b>	<b>Main reasons for the changes</b>
Net cash flows from operating activities	6,595,024	2,498,717	163.94%	Mainly due to increase in payment of receivables
Net cash flows from investing activities	-9,560,260	-1,175,369	713.38%	Mainly due to increase of wealth management and structured deposit
Net cash flows from financing activities	4,802,468	1,325,027	262.44%	Mainly due to increase of borrowings

## II Progress, influence and solutions of significant events

√ Applicable □ N/A



1. The *Proposal Regarding Registering and Issuing Super Short-term Commercial Paper* was reviewed and approved at the 5<sup>th</sup> Meeting of the Second Board of Directors on 15 January 2016 and later at the First Extraordinary General Meeting of Shareholders for 2016 on 1 February 2016. With the purpose of diversifying financing channels, optimizing capital structure and improving its liquidity management capability, the Company plans to apply for registering and issuing super short-term commercial papers with an amount not more than RMB 20bn and expiration period not over 270 days, in accordance with the *Administrative Measures of the People's Bank of China for Debt Financing Instruments of Non-Financial Enterprises in the Inter-bank Bond Market*. On 29 March 2016, National Association of Financial Market Institutional Investors issued the Registration Acceptance Notice, in which it agreed to accept the registration from the Company of an amount of RMB 20bn of super short-term commercial papers (validity of two years starting from the date of the Acceptance Notice).
2. The Company has signed a Memorandum of Understanding with Toshiba Corporation (“Toshiba”) for Strategic Cooperation, in which both companies agree to strengthen their strategic partnership and to jointly explore new growth opportunities. As a result, the two companies signed a Definitive Agreement under which Midea will acquire an 80.1% stake in Toshiba Lifestyle Products & Services Corporation (“TLSC”), the home appliances arm of Toshiba (the “Business” or “Toshiba Home Appliances”), while Toshiba will retain a 19.9% shareholding. The transaction price for the 80.1% stake is approximately JPY53.7 billion (US\$473 million). Meanwhile Midea will be licensed to use the Toshiba brand worldwide in relation to the Business for 40 years, and will receive more than 5,000 home appliance related intellectual property assets.

The closing of the transaction is subject to customary regulatory filings in China and customary anti-trust clearances in relevant jurisdictions.

Overview of the significant event	Date of disclosure	Website for disclosure
Announcement on the Proposed Registering and Issuing Super Short-term Commercial Paper	16 January 2016	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Announcement Regarding Acquiring The Home Appliance Business of Toshiba Corporation	17 March 2016	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Announcement on Strengthening Strategic Cooperation with Toshiba Corporation	31 March 2016	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

### III Undertakings made by the Company and its shareholders interested in 5% or more of the shares of the Company made in the Report Period or subsisting to the Report Period

√ Applicable □ N/A

Undertaking	Undertaking giver	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertakings given in offering documents or shareholding alternation documents	Controlling shareholder, actual controller	<p><b>1. Undertaking of Midea Holding Ltd. (hereinafter referred to as "Midea Holding"), and He Xiangjian, respectively the controlling shareholder and actual controller of Midea Group Co., Ltd., towards the lock-up period of shares.</b></p> <p>He Xiangjian and Midea Holding have undertaken as follows: Within 36 months from the listing date of Midea Group's stocks, they will neither transfer or entrust others to manage their directly and indirectly held shares of Midea Group issued prior to this issuance, nor sell them to Midea Group. If they break the above undertaking, they will assume all liabilities arising therefrom.</p> <p><b>2. Undertaking of Midea Holding and the actual controller He Xiangjian towards the maintenance of the independence of Midea Group.</b></p> <p>He Xiangjian and Midea Holding have undertaken as follows: He Xiangjian, Midea Holding and their controlled enterprises will remain independent from Midea Group in respect of personnel, finance, assets, business and</p>	2013-3-28	<p>Apart from the first item of undertakings, its duration validity spans 36 months from the day of Midea Group's listing which is 18 September 2013 to 18 September 2016, all other items are</p>	<p><b>1. There has been no violation of this undertaking.</b></p> <p><b>2. There is no violation of this undertaking.</b></p>

	<p>institutions, etc. in accordance with relevant laws and regulations and regulatory documents. They will faithfully fulfill the above undertaking, and assume the corresponding legal liability. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they will bear the corresponding legal liabilities according to relevant laws, rules, regulations and regulatory documents.</p> <p><b>3. Undertaking of Midea Holding and the actual controller He Xiangjian towards avoiding competition within the industry.</b></p> <p>In order to avoid possible competition within the industry between Midea Group and Midea Holding and its controlled enterprises as well as He Xiangjian, his immediate family and his controlled companies, He Xiangjian and Midea Holding have undertaken as follows:</p> <p>(1) None of the entities or individuals mentioned above is or will be engaged in the same or similar business as the existing main business of Midea Group and its controlled companies. They are not or will not engage or participate in such business that is competitive to the existing main business of Midea Group and its controlled companies by controlling other economic entities, institutions or economic organizations;</p> <p>(2) If Midea Group and its controlled companies expand their business on the basis of the existing ones to those where the above mentioned related entities</p>	indefinite.	<p><b>3. There has been no violation of this undertaking.</b></p>
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	<p>or individuals are already performing production and operation, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they will agree on solving the problem of competition within the industry arising therefrom, within a reasonable period;</p> <p>(3) If Midea Group and its controlled companies expand their business scope on the basis of the existing ones to those where the above mentioned related subjects have not gone into production or operation, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they would undertake as not to engage in any business competing with the new ones of Midea Group and its controlled companies;</p> <p>(4) In accordance with effective laws, regulations or other regulatory documents of People's Republic of China, as long as He Xiangjian is identified as the actual controller of Midea Group, and Midea Holding the controlling shareholder, they will not change or terminate this undertaking.</p> <p>(5) He Xiangjian and Midea Holding shall faithfully fulfill the above undertaking, and assume the corresponding legal responsibilities. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they would bear the corresponding legal responsibilities according to relevant laws, rules, regulations and regulatory documents.</p> <p><b>4. Undertaking of Midea Holding and the actual controller He Xiangjian</b></p>			<p><b>4. There has been no violation of this</b></p>
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	<p><b>towards the regulation of related transactions.</b></p> <p>In order to regulate matters of related transactions that may occur in the future between Midea Group and Midea Holding and its controlled companies as well as He Xiangjian, his immediate family and his controlled companies, He Xiangjian and Midea Holding have undertaken as follows:</p> <p>(1) They will regulate any related transactions with Midea Group and its controlled companies using their utmost efforts to reduce them. For unavoidable related transactions with Midea Group and its controlled companies, including but not limited to commodity trading, providing services to each other or as agent, they will sign legal normative agreements with Midea Group, and go through approval procedures in accordance with related laws, regulations, rules, other regulatory documents, and relevant provisions of the Articles of Association of Midea Group. They guarantee to offer fair prices for related transactions, and fulfill the information disclosure obligations in respect of the related transactions according to related laws, regulations, rules, other regulatory documents, and relevant provisions of the Articles of Association of Midea Group. They also guarantee not to illegally transfer funds or profits from Midea Group, or damage the interests of its shareholders at their advantages during the related transactions.</p> <p>(2) They shall fulfill the obligation of withdrawing from voting that involves the</p>			<p><b>undertaking.</b></p>
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	<p>above mentioned related transactions at the general meeting of Midea Group;</p> <p>(3) The related subject mentioned above shall not require Midea Group to offer more favorable conditions than those to any independent third party in any fair market transactions.</p> <p>(4) In accordance with effective laws, regulations or other regulatory documents of People's Republic of China, as long as He Xiangjian is identified as the actual controller of Midea Group, and Midea Holding the controlling shareholder, they shall not change or terminate this undertaking.</p> <p>(5) He Xiangjian and Midea Holding will faithfully fulfill the above undertaking and assume the corresponding legal liabilities. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they will bear the corresponding legal responsibilities according to relevant laws, rules, regulations and regulatory documents.</p> <p><b>5. Related undertaking by He Xiangjian, the actual controller of Midea Group, on Midea Trade Union Committee transferring its limited equity of Midea Group.</b></p> <p>On 4 January , 2001, the Midea Trade Union Committee signed the "Equity Transfer Contract" with five people, i.e. He Xiangjian, Chen Dajiang, Feng Jingmei, Chen Kangning and Liang Jieyin, where it transfered all limited equity of Midea Group (22. 85%) respectively to those five people. According to the</p>			<p><b>5. So far, this shareholding transfer has not brought about any loss caused by any dispute or potential disputes. There has been no violation of this undertaking.</b></p>
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	<p>confirmation letter issued by members of the Midea Trade Union Committee at that time, the equity transfer price was determined after mutual discussion on the basis of their true opinions, therefore there was no dispute or potential dispute.</p> <p>On 28 June, 2013, Foshan Shunde Beijiao General Union, superior department of Midea Trade Union Committee, issued a confirmation letter to the fact that Midea Trade Union Committee funded the establishment of Midea Group Co., Ltd. In addition, the letter also confirmed that the council of Midea Trade Union Committee is entitled to dispose any property of the committee, and such property disposal does not need agreement from all staff committee members.</p> <p>Midea Holding and He Xiangjian, respectively the controlling shareholder and actual controller of Midea Group Co., Ltd. have undertaken as follows: For any loss of Midea Group caused by any dispute or potential dispute arising from the matters of equity transfer mentioned above, they are willing to assume full liability for such loss.</p> <p><b>6. Undertakings on Issues about Payment of the Staff Social Insurance and the Housing Provident Fund involved in Midea Group's Overall Listing</b></p> <p>Midea Holding and He Xiangjian: Midea Holding have undertaken to be liable</p>			<p><b>6. So far, the payment of the staff social insurance and the housing provident fund has not brought about any controversy or potential disputes. There has been no violation of this</b></p>
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	<p>for (1) paying such expenses and related expenses on time based on the requirements of relevant state departments, if Midea Group is required to be liable for the payment of staff social insurance and the housing provident fund and the payment required by relevant state authorities prior to this merger, (2) paying corresponding compensation for all direct and indirect losses incurred by Midea Group and its subsidiaries due to this merger, (3) indemnifying and holding harmless Midea Group and its subsidiaries in time from such expenses where Midea Group and its subsidiaries are required to pay them in advance.</p> <p><b>7. Undertakings on issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries</b></p> <p>Midea Holding and He Xiangjian have undertaken as follows:</p> <p>(1) Midea Holding will do its utmost to assist and urge Midea Group (including its subsidiaries) to complete renaming procedures of related assets, such as land, houses, trademarks, patents and stock rights, declared in the related files of this merger. Midea Holding will be liable for all compensations of losses caused by issues about renaming procedures of related assets mentioned above to Midea Group.</p> <p>(2) Midea Holding shall do its utmost to assist Midea Group (including its subsidiaries) to apply for ownership certificates of land and property declared</p>		<p><b>undertaking.</b></p> <p><b>7.1 The Process of Property Ownership Certificate:</b></p> <p>The Report discloses that the Company is trying to get the Property Ownership Certificate for 177 of its properties, which cover an area of 2,148,485.65 square meters. So far, 51 applications have been approved, the total area covers 1,638,892.27 square meters, which accounts for 76.28% of total area; 11 applications are under process, covering an area of 447,465.15 square meters, accounting</p>
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	<p>in related files of this merger.</p> <p>(3) For those houses without ownership certificates due to incomplete formalities in the past, Midea Holding shall assist Midea Group (including its controlled subsidiaries) in going through relevant construction-related formalities again and obtaining the corresponding house ownership certificates. If the competent authorities require Midea Group to dismantle buildings that can not acquire the real estate registration procedures re-application, Midea Holding shall do its utmost to provide assistance and be liable for any related expenses used in dismantling such buildings by Midea Group (including its subsidiaries).</p> <p>(4) Under any circumstances that Midea Group suffers from losses incurred through no longer using those properties or failing to obtain or collect in time, the ownership certificates of those properties currently being used or any losses caused by other reasons, Midea Holding shall compensate any loss for these reasons in time and in full. Midea Holding shall compensate the actual loss Midea Group suffers, from any circumstances above resulting from penalties subjected to by competent authorities or through claims by any third party.</p> <p>(5) Based on issues of defective house leasing declared in related files of this merger, Midea Holding shall provide sufficient compensations for all economic</p>		<p>for 20.83% of the total area. These 11 properties are in possession of ownership certificates have not brought about any controversy or dispute. Another property with an area of 1,966.69 square meters (0.09% of the total area) has been disposed. The remaining 114 properties, spanning an area of 60,161.54 square meters account for 2.8% of the total area. These properties are all small unit size auxiliary facilities such as security booth, transformer room, power room, pump room, gas station and so on, for which property ownership certificates cannot be granted or applied for. So far these 114 properties have not been required to be dismantled by competent departments so that these buildings are still in regular use, which has not brought about any controversy or any company loss caused by disputes. There is no violation of undertakings.</p> <p><b>7.2 The Use of Rental Houses of This Company</b></p> <p>The Report discloses that as of 31 December</p>
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		<p>losses incurred by Midea Group (including its subsidiaries) where the leasehold relations above become invalid or other disputes occur, which are caused by rights claims from a third party or by means of an administrative authority exercising a right and therefore results in any economic losses due to eviction from rental houses, or any penalties subjected to by competent government departments or any recourse from related parties.</p> <p>(6) Based on the issues of defective land leasing declared in related files of this merger, when leasehold relations become invalid caused by defects of land leasing or when other disputes occur, resulting in any economic losses to Midea Group (including its subsidiaries) or through any penalties administered by competent government departments. Likewise if the lessor can't compensate for losses caused by such defective leasing, Midea Holding shall compensate Midea Group for losses caused by such defective land leasing</p> <p>Midea Holding will compensate any losses of Midea Group where a violation of guarantees and undertakings referred to previously occurs or such guarantees and undertakings are not consistent with the reality.</p>			<p>2012, our company used 113 leasing houses in total, of which our company can't get the property certificate of 100 leasing houses from the leasing party. So far the contracts of 92 out of the 113 rental houses haven't been signed to extend the leasehold. The property certificates of 1 of the remaining 21 houses have been obtained while the other 20 certificates haven't been obtained. These 20 rental houses haven't rendered our company any economic loss or penalty caused by defective property rights, which result in removing to other rental houses.</p> <p><b>7.3 Land Use Rights of Leasing Use</b></p> <p>The "Report" discloses that as of 31 December, 2012, our company has had one case of using rental houses, covering a total area of 57,506.95 square meters for which the lessor of the rental land mentioned above did not provide any legal ownership files showing or detailing ownership of this land. So far this rental land has not rendered</p>
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				<p>our company any controversy or any loss caused by disputes. There has been no violation of undertakings.</p> <p><b>7.4 The Procedures of Renaming Land Owner Under Process Caused by the Alteration of the Company's Name</b></p> <p>The Report discloses that there are still 10 cases in the process of registering a new land owner caused by changing the company's name of our company and its subsidiaries. So far, five cases have been approved and the other five cases are still under review, which have not rendered any loss to the company. There has been no violation of undertakings.</p> <p><b>7.5 Processing the Renaming Procedures of Some Trademarks</b></p> <p>So far, 8 of the 62 trademarks cases involved in the Report have applied for cancellation of the subjects through their owners and these trademarks shall no longer be in use. The company will not apply for</p>
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					the renaming procedures for those trademarks. The renaming procedures of the remaining 54 cases have been processed and this undertaking has been fulfilled. There has been no violation of this undertaking.
	Other shareholders	Shareholders of Midea Group, Ningbo Maysun, Fang Hongbo, Huang Jian, Cai Qiwu, Yuan Liqun, Huang Xiaoming, Li Jianwei, Zheng Weikang, promise that since Midea Group is listed on the Shenzhen Stock Exchange Center, the transferal or delegation of others to manage these issued shares who have direct or indirect ownership of Midea Group, has been forbidden for a period of 36 months. Midea Group is not allowed to buy back those shares either.	2013-3-28	36 months from 18 September 2013, the date of Midea Group's listing, to 18 September 2016	<b>There has been no violation of this undertaking.</b>
Undertakings given in time of IPO or refinancing	The Company	<ol style="list-style-type: none"> <li>1. In strict accordance with the rules of the CSRC, the Shenzhen Stock Exchange and the Company regarding the use of raised funds, the Company shall have a special account for its raised funds and use the funds only for the previously set purposes.</li> <li>2. The funds raised in this private issue (after the issue expenses) shall all be used as working capital.</li> <li>3. The Company shall not use the funds raised in this private issue to make</li> </ol>	2015-6-15	The undertakings shall expire when the raised funds have been used up.	<b>This undertaking has expired.</b>

		any financial investment such as purchasing held-for-trading financial assets and available-for-sale financial assets, lending the funds to others and entrusted investments or to directly or indirectly invest in marketable securities.			
	Xiaomi Technology	Xiaomi Technology has given an undertaking that it shall not transfer the shares that it had subscribed for in this private offering of Midea Group within 36 months from the completion date of this offering (26 June 2015, the listing date for this offering).	2015-6-26	36 months from the listing date of this private offering, i.e. to 26 June 2018	<b>There has been no violation of this undertaking.</b>
Whether the undertaking is fulfilled in time	Yes				
Specific reasons for failing to fulfill any undertaking and plan for the next step (if any)	N/A				

#### IV Operating result forecast for the year of 2016

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

#### V Securities investment

Applicable  N/A

No such cases in the Report Period.

No such cases in the Report Period.

#### VI Investments in financial derivatives

Applicable  N/A

Unit: RMB'0,000

Operator	Relationship	Related-party transaction or not	Type of derivative	Initial investment amount	Start date	End date	Opening investment amount	Impairment provision	Closing investment amount	Proportion of the closing investment amount in the Company's closing net assets	Actual gain/loss in Report Period
Futures company	No	No	Futures contracts	748.2	2016-01-01	2016-12-31	748.2	-	555.4	0.01%	635.5
Bank	No	No	Forward exchange contracts	-8,414.4	2016-01-01	2016-12-31	-8,414.4	-	-11,961.3	-0.22%	-11,142.9
Total				-7,666.2			-7,666.2	-	-11,405.9	-0.21%	-10,507.4
Capital source for derivative investment				All the Company's own funds							
Disclosure date of the board announcement approving the derivative investment (if any)				2016-03-26							
Disclosure date of the general meeting announcement approving the derivative investment (if any)				2016-04-27							

<p>Analysis of risks and control measures of derivative products held in the Report Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)</p>	<p>In order to reduce the price risk of the Company's bulk purchases of raw materials as a result of significant fluctuations in raw material prices, the Company not only carried out futures business for some of the materials, but also made use of bank financial instruments and promoted forex funds business, with the purpose of reducing the risks associated with exchange and interest rate fluctuations, realizing the preservation and appreciation of forex assets, reducing forex liabilities, and achieving locked-in costs. The Company has undertaken extensive evaluation and risk control with regard to derivative investment positions, details of which are as follows:</p> <p>1. Legal risk: The Company's futures business and forex funds businesses are conducted in compliance with laws and regulations, with clearly defined responsibilities and obligations between the Company and agencies.</p> <p>Control measures: The Company has designated relevant departments with the responsibility for enhancing expertise in laws, regulations and market rules, conducting strict examination and verification of contracts, defining responsibility and obligations, and strengthening compliance checks, so as to ensure that the Company's derivatives investment and position operations meet the requirements of the laws and regulations and internal management system of the Company.</p> <p>2. Operational risk: Risks caused by imperfect internal processes, staff, systems and external issues may cause the Company to incur losses during the course of its futures business and forex funds business.</p> <p>Control measures: The Company has not only developed relevant management systems that clearly define the assignment of responsibility and approval process for the futures business and forex funds businesses, but has also established a well-developed monitoring mechanism, aimed at effectively reducing operational risk by strengthening its risk control over the business, decision-making and trading processes.</p> <p>3. Market risk: Uncertainties caused by changes in the prices of bulk commodities and exchange rate fluctuations in foreign exchange markets could lead to greater market risk in the futures business and forex funds business. Meanwhile, the inability to raise sufficient funds in a timely manner in order to establish and maintain hedging positions in futures operations, or forex funds required for performance in forex funds operations that are unable to be credited into account could also result in loss and default risks.</p> <p>Control measures: The futures business and forex funds business of the Company are always conducted by adhering to prudent operation principles. For futures business, futures transaction volumes and applications have been strictly determined according to the requirements for production and operations, and a stop-loss mechanism has been implemented. Furthermore, to determine the prepared margin amount which may be required to be supplemented, a futures risk measuring system has been established to measure and calculate the margin amount already in use, floating gains and losses, margin amount available and margin amount required for intended positions. As for forex funds business, a hierarchical management mechanism has been implemented, whereby the operating unit which has submitted applications for funds business should conduct a risk analysis on the conditions and environment that could affect the operating profit and loss, evaluate the possible greatest revenue and loss, and report the greatest acceptable margin ratio or total margin amount, so that the Company can update the operating status of the funds business on a timely basis thus ensuring the arrangement of proper funds before expiry dates.</p>
<p>Changes in market prices or fair values of</p>	<p>1. Profit/loss from futures hedging contracts incurred during the Report Period was RMB 6.36mn;</p>

the invested derivatives during the Report Period. Analysis of the derivative's fair value should include the specific methods of use and the relevant assumptions and parameters.	2. Profit/loss from forward forex contracts incurred during the Report Period was RMB -111.43mn; 3. Public quotations in futures market or forward forex quotations announced by Bank of China are used in the analysis of the derivatives fair value.
Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the Report Period compared to the previous Report Period	No change
Specific opinion from independent directors on the Company's derivatives investment and risk control	The Company's independent directors are of the view that: the futures hedging business is an effective instrument for the Company to eliminate price volatility and implement risk prevention measures through enhanced internal controls, thereby improving the operation and management of the Company; the Company's foreign exchange risk management capability can be further improved through the forex funds business, so as to maintain and increase the value of foreign exchange assets; the abovementioned investment in derivatives can help the Company to fully realize its competitive advantages. Therefore, it is practical for the Company to carry out derivatives investment business when the risks are controllable.

### VIII Visits received during the Report Period

√ Applicable □ N/A

Date	Type of visit	Type of visitor	Discussions
2016-1-6	A-Share Conference	Institution	Please refer to <i>Investor Relations Activities from 5 January 2016 to 29 January 2016</i> on the website of <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
2016-1-12	A-Share Conference	Institution	
2016-1-13	A-Share Conference	Institution	
2016-1-15	Field research	Institution	
2016-1-15	Teleconference	Institution	
2016-1-20	Teleconference	Institution	
2016-1-21	Teleconference	Institution	
2016-1-21	Field research	Institution	
2016-1-26	Field research	Institution	
2016-1-27	Field research	Institution	
2016-1-29	Teleconference	Institution	



2016-3-28	Teleconference	Institution	
2016-1-29	Teleconference	Institution	

**IX Irregular provision of guarantees**

Applicable  N/A

No such cases in the Report Period.

**X 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 Report Period.

## Section IV Financial Statements

### I Financial statements

### Balance Sheet

Prepared by: Midea Group Co., Ltd.

Unit:RMB'000

Assets	31-Mar-16		31-Dec-15	
	Consolidated	The Company	Consolidated	The Company
<b>Current assets</b>				
Cash at bank and on hand	14,147,558	14,394,168	11,861,977	14,213,747
Deposits with central bank	833,379	-	1,048,045	-
Deposits with banks and other financial institutions	1,784,166	-	4,062,807	-
Derivative financial assets	8,525	-	158,822	-
Notes receivable	16,899,707	2,060,037	12,889,151	727,218
Accounts receivable	12,033,730	-	10,371,718	-
Advances to suppliers	1,463,917	7,626	988,625	8,915
Loans and advances	8,328,088	-	6,608,705	-
Dividends receivable	17,759	-	-	290,245
Other receivables	905,834	11,040,251	1,101,339	7,461,039
Inventories	9,931,003	-	10,448,937	-
Other current assets	43,870,173	26,594,706	33,827,580	21,059,789
<b>Total current assets</b>	<b>110,223,839</b>	<b>54,096,788</b>	<b>93,367,706</b>	<b>43,760,953</b>
<b>Non-current assets</b>				
Available-for-sale financial assets	5,046,663	9,000	3,289,954	9,000
Long-term equity investments	2,910,362	23,284,963	2,888,274	23,126,546

Investment properties	138,894	283,395	150,803	286,272
Fixed assets	18,578,653	1,090,726	18,729,881	1,107,082
Construction in progress	918,436	679,649	954,761	543,588
Intangible assets	3,371,694	245,223	3,392,402	248,482
Goodwill	2,393,066	-	2,393,066	-
Long-term prepaid expenses	722,748	50,846	781,359	57,393
Deferred income tax assets	2,780,472	1,860	2,223,999	7,961
Other non-current assets	837,762	-	669,730	-
<b>Total non-current assets</b>	<b>37,698,750</b>	<b>25,645,662</b>	<b>35,474,229</b>	<b>25,386,324</b>
<b>TOTAL ASSETS</b>	<b>147,922,589</b>	<b>79,742,450</b>	<b>128,841,935</b>	<b>69,147,277</b>

Legal representative: Fang Hongbo

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

Chief of the accounting division: Chen Lihong

## Balance Sheet (Continued)

Prepared by: Midea Group Co., Ltd.

Unit:RMB'000

Liabilities and Shareholders' Equity	31-Mar-16		31-Dec-15	
	Consolidated	Company	Consolidated	Company
<b>Current liabilities</b>				
Short-term borrowings	9,180,001	500,000	3,920,933	1,290,000
Borrowings from the Central Bank	-	-	-	-
Customer deposits and deposits from banks and other financial institutions	32,748	-	52,000	-
Derivative financial liabilities	126,952	-	33,377	22,671
Financial assets sold under repurchase agreements	1,132,410	-	651,784	-
Notes payable	21,632,455	-	17,078,520	-
Accounts payable	19,484,179	7,400	17,448,684	9,403
Advances from customers	4,501,243	-	5,616,361	-
Employee benefits payable	1,327,734	12,654	2,229,332	13,411
Taxes payable	3,409,062	101,895	1,607,181	52,656
Interest payable	12,359	294,127	9,343	200,090
Dividends payable	12,308	-	118,851	-
Other payables	1,489,249	56,067,554	1,139,306	45,166,453
Current portion of non-current liabilities	-	-	-	-
Other current liabilities	23,816,443	3,350	22,098,177	5,106
<b>Total current liabilities</b>	<b>86,157,143</b>	<b>56,986,980</b>	<b>72,003,849</b>	<b>46,759,790</b>
<b>Non-current liabilities</b>				
Long-term borrowings	86,862	-	90,061	-
Debentures payable	-	-	-	-
Payables for specific projects	500	-	500	-
Provisions	38,347	3,800	38,893	3,800
Deferred revenue	476,181	-	479,352	-
Deferred income tax liabilities	23,937	-	40,464	-

Other non-current liabilities	157,194	-	157,194	-
<b>Total non-current liabilities</b>	<b>783,021</b>	<b>3,800</b>	<b>806,464</b>	<b>3,800</b>
<b>Total liabilities</b>	<b>86,940,164</b>	<b>56,990,780</b>	<b>72,810,313</b>	<b>46,763,590</b>
<b>Shareholders' equity</b>				
Share capital	4,267,391	4,267,391	4,266,839	4,266,839
Capital surplus	14,629,075	6,484,921	14,511,190	6,370,934
Less: treasury stock	-	-	-	-
Other comprehensive income	- 441,113	20,906	- 1,071,151	21,006
Surplus reserve	1,846,523	1,846,523	1,846,523	1,846,523
General reserve	118,624	-	118,624	-
Undistributed profits	33,437,079	10,131,929	29,529,827	9,878,385
Total equity attributable to shareholders of the parent company	53,857,579	22,751,670	49,201,852	22,383,687
Minority interests	7,124,846	-	6,829,770	-
<b>Total shareholders' equity</b>	<b>60,982,425</b>	<b>22,751,670</b>	<b>56,031,622</b>	<b>22,383,687</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>147,922,589</b>	<b>79,742,450</b>	<b>128,841,935</b>	<b>69,147,277</b>

Legal representative: Fang Hongbo

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

Chief of the accounting division: Chen Lihong

## Income Statement

Prepared by: Midea Group Co., Ltd.

Unit: RMB'000

	January-March 2016		January-March 2015	
	Consolidated	Company	Consolidated	Company
<b>1. Total revenue</b>	<b>38,599,501</b>	<b>295,466</b>	<b>42,574,426</b>	<b>126,938</b>
Including: Operating revenue	38,341,624	295,466	42,426,714	126,938
Interest income	255,072	-	146,676	-
Fee and commission income	2,805	-	1,036	-
<b>2. Total Cost</b>	<b>(33,884,840)</b>	<b>(131,125)</b>	<b>(38,878,821)</b>	<b>(321,308)</b>
Less: Cost of sales	(26,906,188)	(4,792)	(31,041,581)	(5,132)
Interest expenses	(132,167)	-	(98,854)	-
Fee and commission expenses	(666)	-	(389)	-
Taxes and surcharges	(276,519)	(956)	(329,870)	(441)
Selling and distribution expenses	(4,977,071)	-	(5,363,077)	-
General and administrative expenses	(1,662,776)	(87,582)	(1,607,662)	(80,776)
Financial expenses – net	282,083	(37,770)	(195,783)	(235,497)
Asset impairment (loss)/reversal	(211,536)	(25)	(241,605)	538
Add: Gains/(losses) on changes in fair value	(239,146)	22,673	153,581	(2,885)
Investment income	253,713	134,422	527,790	390,493
Including: Share of profit of associates and a joint venture	81,800	55,455	15,209	1,216
<b>3. Operating profit</b>	<b>4,729,228</b>	<b>321,436</b>	<b>4,376,976</b>	<b>193,238</b>
Add: Non-operating income	292,676	695	94,169	22,027
Including: Gains on disposal of non-current assets	1,423	-	8,650	354
Less: Non-operating expenses	(21,506)	(2,076)	(43,518)	(4,334)
Including: Losses on disposal of non-current assets	(12,537)	-	(26,312)	(3,734)
<b>4. Total profit</b>	<b>5,000,398</b>	<b>320,055</b>	<b>4,427,627</b>	<b>210,931</b>
Less: Income tax expenses	(833,631)	(66,511)	(776,837)	(29,961)
<b>5. Net profit</b>	<b>4,166,767</b>	<b>253,544</b>	<b>3,650,790</b>	<b>180,970</b>
Attributable to shareholders of the parent company	3,907,252	253,544	3,342,135	180,970

Minority interests	259,515	-	308,655	-
<b>6. Other comprehensive income net of tax</b>	<b>648,965</b>	<b>(100)</b>	<b>(2,510)</b>	<b>-</b>
Attributable to shareholders of the parent company	630,038	(100)	93,074	-
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss	-	-	-	-
1)Changes in net liabilities or assets with a defined benefit plan upon re-measurement	-	-	-	-
2)Shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method	-	-	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss	630,038	(100)	93,074	-
1)Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	(52,591)	(100)	(5,514)	-
2)Changes in fair value of available-for-sale financial assets	549,616	-	(820)	-
3)Effective portion of cash flow hedging gains or losses	-	-	-	-
4)Translation of foreign currency financial statements	147,624	-	231,232	-
5)Foreign-currency financial statement translation difference	(14,611)	-	(131,824)	-
Attributable to minority shareholders	18,927	-	(95,584)	-
<b>7. Total comprehensive income</b>	<b>4,815,732</b>	<b>253,444</b>	<b>3,648,280</b>	<b>180,970</b>
Attributable to shareholders of the parent company	4,537,290	253,444	3,435,209	180,970
Attributable to minority shareholders	278,442	-	213,071	-
<b>8. Earnings per share</b>				
Basic earnings per share (RMB Yuan)	0.92	N/A	0.79	N/A
Diluted earnings per share (RMB Yuan)	0.91	N/A	0.79	N/A

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

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

## Cash Flow Statement

Prepared by: Midea Group Co., Ltd.

Unit: RMB'000

	January-September 2015		January-September 2014	
	Consolidated	Company	Consolidated	Company
<b>1. Cash flows from operating activities</b>				
Cash received from sales of goods or rendering of services	32,056,847	-	25,578,063	-
Net increase in customer deposits and deposits from banks and other financial institutions	-	-	(7,280)	-
Net increase in deposits with central bank	270,547	-	-	-
Net increase in borrowing from central bank	-	-	-	-
Cash received from interest, fee and commission	257,877	-	147,711	-
Refund of taxes and surcharges	1,588,785	-	1,121,282	-
Cash received relating to other operating activities	1,564,570	9,967,594	1,207,298	6,000,634
<b>Sub-total of cash inflows</b>	<b>35,738,626</b>	<b>9,967,594</b>	<b>28,047,074</b>	<b>6,000,634</b>
Cash paid for goods and services	(17,512,729)	-	(16,100,503)	-
Net decrease in loans and advances	(19,252)	-	-	-
Decrease in borrowings from central bank	(1,779,265)	-	(1,115,648)	-
Net decrease in deposits with central bank	-	-	(151,065)	-
Cash paid for interest, fee and commission	(132,833)	-	(99,243)	-
Cash paid to and on behalf of employees	(3,254,369)	(17,997)	(3,472,711)	(28,227)
Payments of taxes and surcharges	(2,003,485)	(26,836)	(2,000,946)	(12,422)
Cash paid relating to other operating activities	(4,441,669)	(3,830,862)	(2,608,241)	(432,826)
<b>Sub-total of cash outflows</b>	<b>(29,143,602)</b>	<b>(3,875,695)</b>	<b>(25,548,357)</b>	<b>(473,475)</b>
<b>Net cash flows from operating activities</b>	<b>6,595,024</b>	<b>6,091,899</b>	<b>2,498,717</b>	<b>5,527,159</b>
<b>2. Cash flows from investing activities</b>				
Cash received from disposal of investments	16,846,496	9,282,040	2,380	13,860
Cash received from returns on investments	406,105	556,038	492,989	596,898



Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,987	-	8,810	354
	-	-	-	-
Cash received relating to other investing activities	-	-	-	-
<b>Sub-total of cash inflows</b>	<b>17,255,588</b>	<b>9,838,078</b>	<b>504,179</b>	<b>611,112</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(484,331)	(148,301)	(523,829)	(183,971)
Cash paid to acquire investments	(26,331,517)	(14,046,586)	(1,155,719)	(475,953)
Net cash paid to acquire subsidiaries and other business units	-	-	-	-
Cash paid to other investment activities	-	-	-	-
<b>Sub-total of cash outflows</b>	<b>(26,815,848)</b>	<b>(14,194,887)</b>	<b>(1,679,548)</b>	<b>(659,924)</b>
<b>Net cash flows from investing activities</b>	<b>(9,560,260)</b>	<b>(4,356,809)</b>	<b>(1,175,369)</b>	<b>(48,812)</b>
<b>3. Cash flows from financing activities</b>				
Cash received from capital contributions	19,234	19,234	-	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries	-	-	-	-
Cash received from borrowings	7,773,335	500,000	5,883,038	-
Cash received relating to other financing activities	-	-	-	-
<b>Sub-total of cash inflows</b>	<b>7,792,569</b>	<b>519,234</b>	<b>5,883,038</b>	<b>-</b>
Cash repayments of borrowings	(2,847,658)	(1,290,000)	(4,433,877)	(500,000)
Cash payments for interest expenses and distribution of dividends or profits	(142,443)	(261,178)	(124,134)	(405,234)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	(106,543)	-	(119,432)	-
Cash payments to other financing activities	-	-	-	-
<b>Sub-total of cash outflows</b>	<b>(2,990,101)</b>	<b>(1,551,178)</b>	<b>(4,558,011)</b>	<b>(905,234)</b>
<b>Net cash flows from financing activities</b>	<b>4,802,468</b>	<b>(1,031,944)</b>	<b>1,325,027</b>	<b>(905,234)</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>(2,347)</b>	<b>-</b>	<b>(80,699)</b>	<b>-</b>
<b>5. Net decrease in cash and cash equivalents</b>	<b>1,834,885</b>	<b>703,146</b>	<b>2,567,676</b>	<b>4,573,113</b>
Add: Cash and cash equivalents at beginning of	5,187,317	6,245,008	5,272,238	6,879,717

year				
<b>6. Cash and cash equivalents at end of year</b>	<b>7,022,202</b>	<b>6,948,154</b>	<b>7,839,914</b>	<b>11,452,830</b>

Legal representative: Fang Hongbo

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

Chief of the accounting division: Chen Lihong

## II 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  
30 April 2016