



# 2022 Annual Report

Midea Group Co., Ltd.

Stock code: 000333

April 2023

## Letter to Shareholders

The year 2022 was an unforgettable year, one in which we continued to look toward and envision the future but also had to persevere through many uncertainties and hardships in reality. Although it might seem that we have remained in place, each of us has in fact completed a long journey of growth in our mindsets. In the end, what we now have is the courage to be tenacious and maintain everlasting hope. We would like to express our full and sincerest gratitude to all Mideans. Your perseverance in forging ahead has made you dedicated contributors to the future of Midea. We would also like to thank our shareholders for accompanying Midea on our growth journey. Despite market fluctuations and everything else we have gone through, your understanding and trust have been and will continue to be critical to boosting our confidence as we continue our value growth journey. In 2022, Midea mainly adhered to the business principles of “Generate Income & Drive Profit”. In keeping with its strategy of “refocusing” on and “returning” to the basics, Midea worked hard to improve its profitability, achieve robust operations, and make new strides in terms of its strategic layout. Midea rose to No. 245 on the *2022 Fortune Global 500* list and No. 36 on the *2022 Brand Finance Tech 100* list. The Company was also selected as one of the ESG case companies with practical reference significance according to the “ESG Inspiring Cases” results released by Forbes China. By early 2023, five of Midea’s factories had been included in the “Global Lighthouse Network” initiated by the World Economic Forum, demonstrating Midea’s leading position in intelligent manufacturing and digital development among manufacturers worldwide.

In this bustling age of uncertainty, industries have undergone tremendous changes. Given this context, no business can maintain rapid growth forever, because the nature of the world is that industries, the economy, technologies, and even globalization itself are cyclical. Nevertheless, a few companies can still achieve sustained growth and earnings and create value. How to build Midea into one of those “few companies”? This is one of the core issues that must be resolved. To this end, we must bid farewell to the past and

push ahead with transformation and innovation going forward in order to build the Company's strengths for whatever the next round of competition may bring. In order to make this happen, this is the only option we can choose now.

We need to first experience life's ups and downs before we can understand the simple truth. As the writer Albert Camus once said, "Whenever it seemed to me that I felt a deep sense of the world, it was its simplicity that always moved me." Successful businesses understand the basic principles of corporate organization, while decaying businesses all have distinct causes that are responsible for this decay. The most basic principle, law, and truth are what keeps driving the world. Therefore, when running a business, we must return to the basics and continue to uphold these basic principles. More specifically, we must maintain our cash flows and product capabilities and continue to accumulate technology; this is the law and orientation to which we must adhere. Additionally, the secret to the success of any company lies in such basic principles as "corporate culture and values", "corporate governance structure", "entrepreneurship", "a value-creating business model", "being capable of persistent learning and introspection", and "being capable of creating a second growth curve". To evolve into a great enterprise that stands out from our peers, we must not only possess these basic principles, but also hold fast to them.

When facing this era of tremendous changes, long-term development is no longer an option, but an intrinsic competence that must be built up on an ongoing basis. Strategies tell us what we should do to ensure that we have a tomorrow; they do not necessarily tell us what we will actually end up doing in the future. Therefore, Midea must be cautiously open-minded, always be prepared for the worst-case scenario, and stay alert to potential challenges. A coordinated emphasis will be placed on breakthroughs in our ToC and ToB businesses. We will strive to boost the strength of our products and core technologies in our ToC business while stabilizing and improving our profitability to provide strategic support for the transformation of our ToB business. Additionally, the transformation of Midea from a Chinese business into an international one will be advanced by expediting the layout and growth of the Company's overseas business, developing the capabilities of

global industrial chains, and continually enhancing the impact of our brands. We will also extend Midea's advantages in efficiency to products, technologies, and innovation, and continue to consolidate and develop Midea's capabilities over the long term in terms of sustainable development.

Midea's business principle for 2023 is "Stabilize Profit & Drive Growth". "Drive Profit" means going outside our comfort zone and rising to meet the challenge of unknowns and uncertainties. This requires Midea to keep pace with the times and dare to take risks that arise from the exploration of new markets, product categories, mechanisms, and growth opportunities, and seek out new paths, new growth drivers, and new methodologies. "Drive Profit" does not necessarily refer to organic or natural growth. It is both an option and a commitment, one that urges Midea to seek out a new intrinsic motivation: Entrepreneurship. To this end, Midea must curb any tendency towards institutionalization, fully delegate power, and find and inspire talent with the elements of entrepreneurship. By doing so, the density of Midea's entrepreneurship will take shape and become stronger. Concurrently, internal entrepreneurial groups can be formed, and that will help Midea achieve even more breakthroughs. During the three decades starting from the establishment of Midea through all the hardships it endured and overcame to achieve its listing, Midea has evolved into a great company that engages in more than just one product, one market, or one industry. Behind this significant progress lies the power of perseverance and conviction. Midea's most invaluable assets include sharing the fruits and gains of its efforts, sharing a sense of achievement and impact, and sharing dreams and visions, as well as its advanced governance mechanism, its future-proof values, and its entrepreneurial spirit.

As time goes by, some businesses decay while others prosper. No matter what, there are always businesses that remain unshakable and become stronger, even as many of their peers fall. Likewise, even as some existing industries decay, new ones will emerge. Despite the many hardships and challenges, the current era is still the best-ever in terms of the number of opportunities. "Ever Onwards, Look to the Stars." We cannot speak of the

ocean to a frog that lives in a well, as it is a creature of a narrower sphere. We also cannot speak of ice to a summer insect, as it is a creature of a single season. What we can do, however, is stay calm and composed, even when confronted with all the changes and challenges of this era. We can also push ahead with Midea's growth, upward and onward, by stabilizing our principal business, creating a second growth curve, and fearlessly going global to achieve our "Global Impact".

Ever Onwards, I hope I possess the courage that you do! As always, we look forward to sharing and witnessing Midea's transformation and its every breakthrough with all of you.

Board of Directors, Midea Group

April 2023

## **Section I Important Statements, Contents and Definitions**

The Board of Directors, the Supervisory Committee, directors, supervisors and senior management of Midea Group Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee that the information presented in this report is free of any misrepresentations, misleading statements or material omissions, and shall together be wholly liable for the truthfulness, accuracy and completeness of its contents.

Mr. Fang Hongbo, Chairman of the Board and CEO of the Company, Ms. Zhong Zheng, Vice President, CFO and Director of Finance of the Company, and Ms. Chen Lihong, head of the accounting department (equivalent to accounting manager) of the Company, have represented and warranted that the financial statements in this report are true, accurate and complete.

All directors of the Company attended the Board meeting to review this report.

The future plans and other forward-looking statements mentioned in this report shall not be considered as promises of the Company to investors. Therefore, investors are kindly reminded to pay attention to possible investment risks.

The Board has considered and approved the following dividend payout plan: based on the 6,875,060,728 shares at the disclosure date of this report (the total share capital of 7,021,698,756 shares minus the repurchased 146,638,028 shares in the repurchased share account at that date), it is proposed that the Company should distribute a cash dividend of RMB25 (tax inclusive) per 10 shares to all the shareholders and should not carry out any bonus issue or convert capital surplus into share capital. When implementing the profit distribution plan, if there is a change in the total share capital that enjoys the right to share in the profit distribution, the total share capital that enjoys the right to share in the profit distribution on the equity registration date of the implementation of the distribution plan shall be used as the base, and the total amount of dividends shall be adjusted according to the principle that the dividend per share remains unchanged.

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

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## **Documents Available for Reference**

- 1. The original of The 2022 Annual Report of Midea Group Co., Ltd. signed by the legal representative;**
- 2. The financial statements signed and stamped by the legal representative, the CFO & Director of Finance and the head of the accounting department;**
- 3. The original of the auditor's report with the seal of the accounting firm, and signed and stamped by CPAs;**
- 4. The originals of all company documents and announcements that are disclosed to the public via newspaper designated for information disclosure during the Reporting Period; and**
- 5. The electronic version of The 2022 Annual Report that is released on <http://www.cninfo.com.cn>.**

## Definitions

Term	Definition
The “Company”, “Midea”, “Midea Group” or the “Group”	Midea Group Co., Ltd.
Midea Holding	Midea Holding Co., Ltd.
KUKA	KUKA Aktiengesellschaft
TLSC	Toshiba Lifestyle Products & Services Corporation
Hiconics	Hiconics Eco-energy Technology Co., Ltd.
WDM	Beijing Wandong Medical Technology Co., Ltd.
Swisslog	Swisslog Holding AG
Servotronix	Servotronix Motion Control Ltd.
WINONE	WINONE Elevator Company Limited
Reporting Period	1 January 2022 to 31 December 2022

## Section II Company Profile and Key Financial Results

### 1. Corporate Information

Stock name	Midea Group	Stock code	000333
Stock exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	美的集团股份有限公司		
Abbr. of the Company name in Chinese	美的集团		
Name of the Company in English (if any)	Midea Group Co., Ltd.		
Abbr. of the Company name in English (if any)	Midea Group		
Legal representative	Fang Hongbo		
Registered address	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China		
Postal code	528311		
Past changes of registered address	N/A		
Business address	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China		
Postal code	528311		
Company website	<a href="http://www.midea.com">http://www.midea.com</a>		
E-mail	IR@midea.com		

### 2. Contact Us

	Board Secretary	Representative for Securities Affairs
Name	Jiang Peng	You Mingyang
Address	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China
Tel.	0757-22607708	0757-23274957
Fax	0757-26605456	0757-26605456
E-mail	IR@midea.com	IR@midea.com

### 3. Information Disclosure and Place Where this Report Is Kept

Stock exchange website where this Report is disclosed	The website of the Shenzhen Stock Exchange ( <a href="http://www.szse.cn">http://www.szse.cn</a> )
Media and website where this Report is disclosed	China Securities Journal, Securities Times and Shanghai Securities News, as well as <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Place where this Report is kept	Company Investor Relations Department

#### 4. Company Registration and Alteration

Unified social credit code	91440606722473344C
Changes in main business activities since the Company was listed (if any)	None
Changes of controlling shareholder of the Company (if any)	None

#### 5. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	PricewaterhouseCoopers Zhong Tian LLP
Business address of the accounting firm	11/F., PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
Name of accountants writing signatures	Yao Wenping and Wu Fangfang

Sponsor engaged by the Company to continuously perform its supervisory function during the Reporting Period

Applicable  N/A

Financial advisor engaged by the Company to continuously perform its supervisory function during the Reporting Period

Applicable  N/A

#### 6. Key Accounting Data and Financial Indicators

Whether the Company performed a retroactive adjustment to or restatement of accounting data

Yes  No

	2022	2021	2022-over-2021 change (%)	2020
Operating revenue (RMB'000)	343,917,531	341,233,208	0.79%	284,221,249
Net profit attributable to shareholders of the Company (RMB'000)	29,553,507	28,573,650	3.43%	27,222,969
Net profit attributable to shareholders of the Company before non-recurring gains and losses (RMB'000)	28,607,973	25,929,086	10.33%	24,614,653
Net cash flows from operating activities (RMB'000)	34,657,828	35,091,704	-1.24%	29,557,117
Basic earnings per share (RMB/share)	4.34	4.17	4.08%	3.93
Diluted earnings per share (RMB/share)	4.33	4.14	4.59%	3.90
Weighted average ROE (%)	22.21%	24.09%	-1.88%	24.95%
	31 December 2022	31 December 2021	Change of 31 December 2022 over 31 December	31 December 2020

			2021	
Total assets (RMB'000)	422,555,267	387,946,104	8.92%	360,382,603
Net assets attributable to shareholders of the Company (RMB'000)	142,935,236	124,868,124	14.47%	117,516,260

Indicate whether the lower of the net profit before and after non-recurring gains and losses was negative for the last three accounting years, and the latest auditor's report indicated that there was uncertainty about the Company's ability to continue as a going concern.

Yes  No

Indicate whether the lower of the net profit before and after non-recurring gains and losses was negative.

Yes  No

## 7. Differences in Accounting Data under Domestic and Overseas Accounting Standards

### 7.1 Differences in the net profit and net assets disclosed in the financial reports prepared under China Accounting Standards (CAS) and International Financial Reporting Standards (IFRS)

Applicable  N/A

No such differences for the Reporting Period.

### 7.2 Differences in the net profit and net assets disclosed in the financial reports prepared under CAS and foreign accounting standards

Applicable  N/A

No such differences for the Reporting Period.

## 8. Key Financial Results by Quarter

RMB'000

	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Operating revenue	90,381,167	92,279,842	87,705,744	73,550,778
Net profit attributable to shareholders of the Company	7,177,925	8,817,571	8,474,425	5,083,586
Net profit attributable to shareholders of the Company before non-recurring gains and losses	6,993,023	8,698,489	8,374,107	4,542,354

Net cash flows from operating activities	7,978,986	13,415,724	8,077,642	5,185,476
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Whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in the Company's quarterly or semi-annual reports

Yes No

## 9. Non-recurring Gains and Losses

Applicable N/A

RMB'000

Item	2022	2021	2020	Note
Gain or loss from disposal of non-current assets	-59,854	77,527	-52,424	
Except for effectively hedging business related to normal business operations of the Company, gain or loss arising from the change in the fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and other non-current financial assets, as well as investment income or loss produced from the disposal of the aforesaid financial assets and liabilities	-604,446	995,824	2,204,165	
Other non-operating income and expenses except above-mentioned items	1,777,103	2,352,849	1,378,105	
Less: Corporate income tax	103,624	668,578	765,871	
Minority interests (after tax)	63,645	113,058	155,659	
Total	945,534	2,644,564	2,608,316	--

Particulars about other items that meet the definition of non-recurring gain/loss:

Applicable N/A

Explain the reasons if the Company classifies an item as a recurring gain/loss item, which is enumerated as a non-recurring gain/loss in the <Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-Recurring Gains and Losses>.

Applicable N/A

## Section III Management Discussion and Analysis

### 1. Industry Overview for the Reporting Period

#### 1.1 Summary of the business scope

Midea is a global technology group comprising the Smart Home, Industrial Technology, Building Technologies, Robotics & Automation, and Other Innovation businesses. With a business portfolio that is focused on the coordinated development of the ToC and ToB businesses, Midea offers diversified products and services. Specifically, the Smart Home Business Group, as the main operating entity of smart appliances, smart home and related peripheral industries and ecological chains, undertakes the construction of intelligent scenarios for end users, user operations and data value discovery, and is committed to providing the best experience of entire-house smart home appliances and service. The Industrial Technology Business Group, with technology as the core driver, commands key technologies in intelligent transportation, industrial automation, green energy and consumer appliances. It operates many brands including GMCC, Welling, HICONICS, SUNYE, SERVOTRONIX, DORNA, MR, MSCT, TOSHIBA, etc., with its products covering high-precision core components such as compressors, motors, chips, auto parts, electronic expansion valves, variable frequency drive, servo and motion control systems, speed reducers and cooling modules. It provides green, efficient and intelligent products and technology solutions for industrial customers across the world. The Building Technologies Division is responsible for providing products and services in relation to buildings, as well as the relevant operations. With iBUILDING, Midea's digital building service platform, as the core, its business covers HVAC, elevators, energy, building control, etc. Its primary products include VRF units, large chillers, unitary units, machine room air conditioners, escalators, passenger elevators, freight elevators, etc., as well as building automation software and building weak electricity integrated solutions. Supported by "Building Equipment and Facilities + Digital Technology + Industrial Ecosystem", it facilitates logistics, information, feeling and energy flows of buildings to empower buildings with digital and low-carbon technologies and build sustainable smart space. The Robotics & Automation Division primarily focuses on providing solutions of industrial robotics, automatic logistics systems, and transmission systems for future factory-related fields, as

well as solutions for health care, entertainment, new consumption, etc. The Other Innovation Business includes new business arising from the business model transformation of Midea Group such as intelligent supply chains and Industrial Internet, which can provide software services, unmanned retail solutions, and production services, among others, for the digital transformation of enterprises. The Digital Innovation Business also comprises Beijing Wandong Medical Technology Co., Ltd. (WDM) that is engaged in medical imaging devices and related services.

With “Bring Great Innovations to Life” as its corporate vision, “Integrate with the World, to Inspire Your Future” as its mission, “Embrace what’s next - Aspiration、Customer First、Innovation、Collaboration、Dedication” as its values, “High-quality Development and High-performance Operations” as its management and operation standard, Midea integrates global resources and promotes technological innovation to create a better life for over 400 million users, major customers and strategic partners in different areas worldwide every year with satisfying products and services. In face of higher requirements for products and services in the digital Internet era, Midea continues to promote its strategic focus of “Technology Leadership, Direct to Users, Digitization & Intelligence Driven, and Global Impact”, so as to rebuild Midea in the new era. To be specific, it strives to achieve Technology Leadership by building scale advantages in R&D and strengthening the efforts and investment in core and cutting-edge technologies; be Direct to Users through direct contact and interaction with users and reinventing product service and business models; be Digitization & Intelligence Driven through “Comprehensive Digitalization and Comprehensive Intellectualization”, as well as improving efficiency internally and focusing on users externally; and achieve Global Impact by seeking breakthroughs in key regions in terms of market, channel and business model dimensions and serving global users.

Midea, a global operating company, has now established a global platform with around 200 subsidiaries, 35 R&D centers, 35 major manufacturing bases, and more than 160,000 employees. Its business covers more than 200 countries and regions. Overseas, Midea has 20 R&D centers and 18 major manufacturing bases in more than ten countries, with around 30,000 employees. 22 currencies are used by Midea in settlement. In addition, Midea took, in 2022, full ownership of KUKA, a Germany-based world-leading provider of robotics and automation solutions.

## **1.2 Position in the home appliance industry**

Midea ranks No. 245 on the *Fortune Global 500* list unveiled in August 2022, moving up 43 places from the year before and marking its seventh year on the list. In July 2022, the *Fortune China 500* list was released and Midea ranks No. 35, moving up four places compared with the previous year. In August 2022, Forbes China and the China Electronics Chamber of Commerce jointly released the list of "*China Digital 100*", and Midea was in sixth place for its comprehensive strength in the area of digital economy. In the "2022 Forbes China Sustainable Development Industrial Enterprises Top 50 Selection" held in February 2023, Midea was selected as an Industry Benchmark for Sustainable Development Industrial Enterprises by virtue of its solid performance in green manufacturing, carbon neutrality, sustainable development and ESG practices. In March 2023, the Company was also selected as one of the ESG case companies with practical reference significance according to the "2023 ESG Inspiring Cases" results released by Forbes China. In March 2023, Midea won the China Industrial Grand Prize at the Seventh China Industrial Grand Prize Ceremony jointly organized by the China Federation of Industrial Economics and 13 national industry associations for its excellent performance in technology innovation, quality management and branding, among others. In August 2022, Midea Group topped the list of "*Top 200 Enterprises of China's Light Industry in 2021*" at CLIE Summit 2022 organized by the China National Light Industry Council. By early 2023, five of Midea's factories had been included in the "Global Lighthouse Network" initiated by the World Economic Forum, covering air conditioners, refrigerators, laundry appliances, microwave ovens, dishwashers, etc., which demonstrates Midea's leading position in intelligent manufacturing and digital development among manufacturers worldwide. Meanwhile, Midea takes the lead among domestic home appliance makers by ranking No. 36 on the *2022 Brand Finance Tech 100* list released by Brand Finance, a British brand assessment institution. Also, Midea ranks No. 35 on the *2022 Kantar BrandZ Top 100 Most Valuable Chinese Brands* list. Midea has been given excellent credit ratings by the three major international credit rating agencies, Standard & Poor's, Fitch Ratings and Moody's. The ratings are in a leading position among home appliance manufacturers worldwide as well as among Chinese non-state-owned enterprises. Particularly, Standard & Poor's has raised the credit rating on Midea to "A", making it the highest-rated private manufacturer in China.

In 2022, Midea has successfully retained the "Number One Engine" of ToC business on the domestic market. According to data provider AVC, Midea ranks first in the industry with respect to both the

online and offline domestic market share for six home appliance categories, namely, residential air conditioners, countertop pan-microwave ovens, countertop ovens, electric radiators, induction cookers, and electric kettles.

The table below shows the offline market shares and rankings of the Company's primary home appliance products (by retail sales) in 2022:

Product category	Market share	Ranking
Residential air conditioners	33.7%	1
Laundry appliances	25.1%	2
Clothes dryers	23.1%	2
Refrigerators	13.5%	2
Rice cookers	40.2%	1
Countertop pan-microwave ovens	55.2%	1
Electric radiators	50.8%	1
Induction cookers	46.6%	1
Water dispensers	40.0%	1
Electric fans	39.8%	1
Countertop electric ovens	37.1%	1
Electric kettles	37.0%	1
Electric baking pans	36.7%	1
Air fryers	34.7%	1
Electric pressure cookers	39.0%	2
Blenders	29.9%	2
Water purifiers	18.1%	2
Freezers	12.3%	2
Electric water heaters	17.3%	3

The table below shows the online market shares and rankings of the Company's primary home appliance products (by retail sales) in 2022:

Product category	Market share	Ranking
Residential air conditioners	33.6%	1
Laundry appliances	34.6%	2
Clothes dryers	35.6%	1
Refrigerators	17.9%	2
Induction cookers	49.7%	1
Countertop pan-microwave ovens	46.5%	1
Electric kettles	25.3%	1
Countertop electric ovens	23.0%	1
Electric radiators	22.2%	1
Water purifiers	18.7%	1
Electric pressure cookers	37.2%	2
Electric water heaters	31.4%	2
Rice cookers	25.8%	2
Electric baking pans	21.4%	2
Electric fans	20.4%	2
Freezers	12.6%	2
Air fryers	13.6%	3
Water dispensers	13.0%	3
Blenders	11.3%	3

### 1.3 Industry Overview

#### A. Home Appliance Industry

In 2022, the domestic economy bumped along under multiple pressures, and the domestic GDP growth slowed down to 3%. The decline in home appliance consumption was closely related to macroeconomic development. On the one hand, personal income was directly hit. On the other, consumer confidence significantly dropped, especially in offline consumption. These factors inhibited people's willingness to consume, leading to a setback in the consumption of consumer durables. Concurrently, the support of the real estate sector for the home appliance industry was draining.

Nevertheless, as policies at the end of 2022 were optimised, consumption, business activities, and social mobility recovered better than expected after a brief absence of consumption scenes. According to the 2022 Annual Report on China's Household Electrical Appliance Industry prepared by the National Household Appliance Industry Information Center under the guidance of the China Household Electric Appliance Research Institute (CHEARI), the exports and domestic sales of the home appliance industry showed a decline in 2022. Specifically, the exports and domestic sales reached RMB568.16 billion and RMB730.72 billion, reducing by 10.9% and 9.5% year on year, respectively. Although the overall growth of the sales of home appliances plummeted, the consumption upgrading in 2022 did not slow down. The market competition got increasingly fierce, driving the improvement of the market structure. As a result, high quality and performance became the common pursuit of enterprises and consumers. Meanwhile, in the medium and long run, upgrading of the industrial structure, relatively stable increase of household income, diversified consumption, the national policy support for the green and smart industries, as well as continuous upgrading of the standards for home appliances will create new opportunities for growth. In July 2022, the Ministry of Commerce and 12 other authorities issued the Notice on Several Measures to Promote Consumption of Green and Smart Household Appliances, proposing nine policy measures to promote consumption of green and smart home appliances, which mainly cover four aspects: First, to carry out nationwide household appliance trade-in; second, to promote the use of green and smart home appliances in rural areas; third, to strengthen the whole chain of service and guarantee; and fourth, to consolidate infrastructure support.

According to the data from the National Household Appliance Industry Information Center, the domestic retail sales of air conditioners were RMB141.1 billion in 2022, down by 8.7% year on year. In terms of the product structure, the market share of high-end products kept rising, with the online market share by retail sales of Energy Efficiency Grade 1 products exceeding 65% and the total market share by retail sales of 3-HP floor-standing and 1.5-HP wall-mounted air conditioner units surpassing 70% in 2022. In terms of product functions, the concept of air conditioners kept expanding from the functions of cooling and heating to fresh air, self-cleaning, dehumidification, odour removal, air purification, etc. As the comfort of product experience has been focused on, the fresh air function products have developed rapidly, with their market shares (by retail sales) reaching 8.8% and 13.4%,

respectively, in 2022.

According to the data from the National Household Appliance Industry Information Center, the domestic retail sales of laundry appliances were RMB62.4 billion in 2022, down 12.6% year on year, with the retail sales of clothes dryers reaching RMB8.3 billion, up 12.3% year on year. In the upgrade of the laundry appliance market, in terms of the product types, the market share of front-loading products keeps growing stably, with the clothes dryer market absolutely dominated by the heat pump dryers, of which the offline market share by retail sales was increased to 99.6%. In terms of product capacity, large-capacity products were obviously replacing small-capacity ones. The online market share by retail sales of front-loading washers with a capacity of more than 10 kg reached 36.6%, and that of clothes dryers with a capacity of more than 10 kg was nearly 60%. In terms of product functions, the intelligent wash and care function of high-end washers represented by COLMO was placed under the spotlight of the market.

According to the data from the National Household Appliance Industry Information Center, the domestic retail sales of refrigerators were RMB91.7 billion in 2022, down by 8.2% year on year. The product structure of refrigerators was significantly optimised. In terms of capacity, the offline market share by retail sales of large refrigerators with a capacity of more than 500 L reached nearly 50%. In terms of product structure, the offline market shares by retail sales of side-by-side refrigerators and multi-door refrigerators with more than four doors totaled nearly 70%. Consumer's intensified willingness to pursue quality life has prompted the refrigerator market to pivot towards high-end multi-dimensional design, which is mainly manifested as "anti-bacterial and fresh", "ultra-thin and built-in", and "intelligent".

According to the data from the National Household Appliance Industry Information Center, the domestic retail sales of kitchen appliances were RMB183.1 billion in 2022, down 9.5% year on year. As dishwashers became more popular on the domestic market, the retail sales reached RMB10.2 billion, up 7.6%% year on year. And product upgrading continued. In terms of functions, functions such as the integration of functions of washing, sterilisation, drying and storage, layered and separate washing, and automatic recognition and program matching have become mainstream. With respect to models and specifications, the offline market share by retail sales of built-in products approximated

85%, and the online market share by retail sales of dishwashers with 13 place settings capacity soared to 37.7%. Integrated stove sales reached RMB25.2 billion in the domestic market, an increase of 2.8% year on year. Due to the surge in demand for high-end kitchen appliances, in particular steamers and ovens, integrated stove products trended towards style diversification and function upgrading. In terms of specifications, the all-in-one models with a kitchen hood, stove, steamer and oven have developed rapidly, with an online market share by retail sales rising to 53.6%. In terms of the exhaust air volume, the online market share by retail sales of integrated stove products with an exhaust air volume of at least 18m<sup>3</sup>/min reached nearly 70%. In terms of the heat load, the online market share by retail sales of integrated stove products with a heat load of more than 4.5 kw surpassed 90%. These statistics indicate that there is still great development potential for integrated kitchen appliances in the future.

According to the data from the National Household Appliance Industry Information Center, the domestic sales of small domestic appliances were RMB131.1 billion in 2022, down 6.4% year on year. With respect to the market performance of all categories, traditional products such as rice cookers, blenders and electric fans saw a decline in domestic sales while the sales of health-friendly cleaning appliances were relatively strong over the past three years. By categories, the robot cleaner industry registered a slowdown in growth as a result of slow innovation of production functions. In 2022, the retail sales of robot cleaners were RMB12.1 billion, up 1.2% year on year. Meanwhile, functions and experience of floor scrubbers have been improved as a result of the advancement of technology, represented by the application of new technologies such as roller brush and mop self-drying, sterilisation through electrolysed water, push-and-pull. Floor scrubbers recorded retail sales of RMB10 billion in 2022, up 75.3% year on year. In the meantime, competition is increasingly fierce. In 2022, more than 160 floor-scrubber brands competed in the online market, and the average online retail price of floor scrubbers also fell by 9.3% year on year. Additionally, as air fryers meet consumers' demand for healthy diets, they developed rapidly over the past three years, thanks to vigorous promotion on social media platforms. In 2022, the retail sales of air fryers were RMB5.6 billion, up 58.1% year on year.

According to the data from the National Household Electrical Appliance Industry Information Center,

the online retail sales accounted for 57.8% of the total retail sales of home appliances in China during 2022, up 6% from last year, while the share of the offline retail sales fell to 42.2%. From the perspective of the development trend of the domestic household appliance industry: First, the phenomena of brand concentration and new brand rise coexist, where the concentration of large household appliance brands increase, and brands in the field of kitchen appliances and small household appliances still have opportunities and develop rapidly. Second, the product upgrade is still continuing, mainly focusing on the four development trends of high-end, innovation, integration, and product suites. In particular, the proportion of "high-value" products such as air conditioners with the First-class Energy Efficiency, refrigerators with a capacity of over 500L and clothes dryers with a capacity of over 10 kg increased significantly in online channels. Third, a variety of channels and scenes jointly promote the progress of the industry. On the one hand, in addition to the traditional offline and online channels and platforms, emerging channels such as Pinduoduo, Douyin, and Kuaishou are rapidly rising and changing the channel landscape. During the "618" period in 2022, the total transaction amount of livestreaming marketing reached RMB144.5 billion, accounting for around 20% of the online transaction amount. On the other hand, new applications and scenes tapped based on insight into new user needs are increasing, expanding from diet, personal care, cleaning, and sleep to health care, pets, fitness, mother and infant products, security, and more scenes.

## **B. Robotics and Industrial Automation Industry**

World Robotics 2022 Industrial Robotics released by the International Federation of Robotics (hereinafter referred to as "IFR") showed that there would be five trends in the robot industry in 2023, which refer to that the performance of robots will get promoted, it will be easier to operate robots, robots will support more AI and digital automation technologies, the manufacturing comeback and localised production will be more significant, and the repair and reuse of robots will be emphasised more. Global industrial robot installations rebounded strongly in 2021, with IFR indicating a substantial increase of 31% in global robot installations, amounting to 517,000 units. By regions, Americas achieved an increase of 30.8% year on year, Europe achieved an increase of 23.5% year on year, and Asia achieved an increase of 37.5% year on year, which China's industrial robot installations numbering 268,195 units, up 51% year on year, 50% higher than the total installations of

the world in the same period. IFR also predicted that the annual new installations of industrial robots worldwide would exceed 690,000 units in 2025.

In 2022, uncertainties in domestic and external environments were mounting, and the instability of the global supply chains was worsened by external factors such as geopolitical conflicts overseas. Nevertheless, with the constantly optimised policies in H2 and the introduction of economic stimulus policies introduced one after another, the industrial robot industry "recorded growth despite its unsatisfactory beginning". According to the data released by the National Bureau of Statistics, the domestic production volume of industrial robotics stood at 443,100 units in 2022, up more than 20% year on year. According to the statistical analysis of MIR, in 2022, the shipments and market share of six-axis robots above 20 kg grew by nearly 30% and to 34%, respectively, due to the increasing number of robots applied in new energy vehicles, related parts and components, and power batteries. The shipments of collaborative robots increased by 26.5% year on year, as a result of the excellent performance of automotive parts and components, automotive electronic, medical, metal, and semiconductor products in the industrial market. Additionally, driven by the demand in such emerging industries as lithium batteries, PV power, and medical services, the shipments of SCARA robots rose by 3.9% year on year. Concurrently, the prices of the raw materials of commodities climbed, and the exports shrank, resulting in a decline in the demand for machine processing and welding. Given this reason, coupled with the sluggish consumption of electronics, the shipments of six-axis robots below 20 kg dropped by 3.9% year on year. Furthermore, the sluggish consumption caused the shipments of delta robotics in the food & beverage and household necessities industries to fall by 2.8% year on year. Meanwhile, non-manufacturing industries, such as new retail, health, food & beverage, and education were also influenced by the macro-environment, thus having a lower demand for robots. Nevertheless, robots were in demand in the power, inspection, and medical service industries. Moreover, MIR predicts that the demand in the downstream industries of the industrial robot market in China will be further differentiated in 2023, with new energy vehicles and emerging industries maintaining high demand for robots. Therefore, the year-on-year growth of sales is predicted to be more than 12%.

According to the latest statistics of IFR, in terms of industrial robotic density (the average number of

industrial robotics per 10,000 workers), South Korea ranks No.1 in the world with 1,000 robotics, while the robotic density of China has increased from 49 robotics in 2015 to 322, surpassing the US for the first time and making the country a global top five in this respect. Since 2016, China has been the fastest growing and largest industrial robotics market in the world. Supported by diverse factors such as flexible demands of the manufacturing sector, declining demographic dividend, emerging markets and the development of innovative technologies, industrial robotics will be applied to more and more areas, with great potential and prospects.

### **C. Smart Building Industry**

In the smart building industry, Midea focuses on products, services and related businesses with respect to buildings. It aims to provide users with comprehensive, intelligent and sustainable building solutions based on the digital building platform and by facilitating the logistics, information, feeling and energy flows. The smart building ecosystem mainly includes HVAC, elevator, intelligent building (building automation) and integrated energy management. From the perspective of the industry competition pattern, domestic HVAC, elevator and building control have the same pattern and two major characteristics. The first is the high proportion of foreign and joint venture brands; the second is the low market concentration. According to the data from HVAC, Industry Online and Changjiang Securities Research Institute, the proportion of foreign brands of commercial air conditioner in 2022 was about 45%, and the long tail effect was obvious as only four manufacturers have a share of more than 10%. For elevator, the data from the Business Yearbook of Elevator Industry in China and Changjiang Securities Research Institute indicates that the proportion of foreign and joint venture brands in the elevator market is as high as 70%, while the revenue scale and market share of the top domestic brands are still low. In 2022, the four major brands of Kone, Mitsubishi, Hitachi and OTIS's revenues exceeded RMB20 billion in China. The building control market is also dominated by Honeywell, Siemens, Johnson Controls, Schneider and other foreign brands. From the perspective of the market size and development prospects, according to the data from Industry Online, HVAC and Changjiang Securities Research Institute, the sales revenue (excluding tax) of domestic commercial air conditioner in 2022 was RMB128.6 billion, up 4% year on year, of which domestic sales accounted for about 90%; the compound growth rate of the industry in the past three years was 9%. The

application field of commercial air conditioner is mainly divided into residential, commercial, industrial and public building. By business type, the sales of ToB business accounted for more than 70%, and the revenue scale was nearly RMB100 billion. In industrial development, the periodicity of the non-residential part of commercial air conditioner was smaller than that of residential part, which was more related to infrastructure investment. For example, government public construction, transportation, data center, culture, education and entertainment, medicine and other downstream segmentation still maintained a good growth trend, and a long-term high growth rate. According to the data of National Bureau of Statistics and Changjiang Securities Research Institute, in 2022, the production of domestic elevators, escalators and lifts was 1.45 million sets, down 7% year on year, which was mainly for domestic sales. The sector has maintained a solid expansion trend over the past three years, despite the short-term impacts of policy adjustments and the property market. Judging from the operating data of major manufacturers, the output value of a single elevator was about RMB200,000, considering the average factory price of a single elevator equipment and the maintenance business; the annual market size of domestic elevator equipment was RMB250-300 billion, and the scale of the elevator industry was even larger. The data from EqualOcean Intelligence and Changjiang Securities Research Institute shows that the current market size of intelligent building, which was about RMB7.1 billion in 2021, is relatively small. The equipment-based businesses such as commercial air conditioner and elevator are "organs" in building construction, whereas building control is the "nervous system" which controls various equipments for the high-efficiency and low-carbon operation of buildings, and determines the overall quality of building solutions. Overall, the domestic revenue of the smart building industry alone is nearly RMB400 billion, and the compound annual growth rate of the industry is between 5% and 10% (revenue caliber). Meanwhile, with the improvement of the macro environment and policy optimization, the real estate industry is picking up, which may bring stronger demand.

New opportunities are ushered into the smart building industry, which are "carbon emission peak and carbon neutrality", "digital and intelligent transformation" and "domestic replacement". With the establishment of the dual-carbon strategy, the intelligent and low-carbon process of building construction is expected to accelerate. According to the "2022 China Urban and Rural Construction Carbon Emissions Research Report" published by the China Association of Building Energy Efficiency,

the carbon emissions of building operation accounted for about 22% of the total domestic carbon emissions in 2020, and the proportion will further increase for the growing newly started buildings and the decreasing inventory buildings. Therefore, as one of the major sources of carbon emissions in the whole society, the low-carbon or even zero-carbon process in the construction field will undoubtedly be propelled. In 2021, a series of "carbon emissions peaking and carbon neutrality" policies were successively issued, such as the Opinions on Implementing the New Development Concept to Achieve Peak Carbon Emissions and Carbon Neutrality in a Complete, Accurate and Comprehensive Manner, the Opinions on Advancing the Green Development of Urban and Rural Development, the Action Plan for Peak Carbon Emissions by 2030, and the 14th Five-Year Plan for Comprehensive Work on Energy Conservation and Emission Reduction. China's local governments have issued their action plans for peaking carbon emissions while the ministries and committees of the central government rolled out documents for the same purpose, such as the Opinion on Fiscal Support for Peaking Carbon Emissions and Achieving Carbon Neutrality issued by the Ministry of Finance, and the 14th Five-Year Plan for Building Energy Efficiency and Green Buildings issued by the Ministry of Housing and Urban-Rural Development. All these policies mention buildings and constructions, with a view to improving the building energy consumption management system, enhancing the building energy consumption monitoring capacity, building energy saving management capacity, and building energy efficiency level, and promoting the large-scale development of ultra-low energy consumption, near-zero energy consumption, and low-carbon buildings. With stronger policy incentives and constraints, the building energy-saving upgrading, intelligent operation, and cooperative energy management are bound to become the main measures for the targets in addition to the construction of low-carbon building standards and administrative supervision. As to the market side, the electricity price reform, "power rationing" and other measures have raised the cost and the input-output ratio in building energy saving renovation, energy management, and digital operation, and thus more and more market entities begin to positively carry out the "dual carbon" strategy and energy saving renovation. Taken as a whole, under the background of "dual carbon", the building construction, as one of the main sources of energy consumption and carbon emissions in the whole society, accelerates the process of energy conservation and carbon reduction, and catalyzes the outbreak of demand for efficient low-carbon building solutions. The demand for digital intelligent building will also increase significantly, as the development level of buildings is a key link in "smart city" and still

lagging behind under the trend of digital economy. At the same time, with continuous progress of communication, computing power and algorithms, the system-level control such as HVAC and elevators will move to the building-level control - the first is the space expansion brought by changes from "control" to "service"; the second is the narrowing gap to foreign enterprises with first mover advantage. Additionally, the more positive and clear signal comes from the transformation and upgrading of the elevator industry driven by digital intelligence. In 2018, the General Office of the State Council issued the Opinions on Strengthening the Quality and Safety of Elevators for the purpose of promoting the elevator installation on existing residences and the maintenance of old elevators. Specifically, the maintenance should press for quality, and resources should be allocated on the basis of fully grasping the operation of elevators, hence the application of information technology such as big data and IoT is getting more important. In 2020, the State Administration for Market Regulation divided the maintenance methods of different elevators according to the standard of "whether there is a remote monitoring system based on IoT". The domestic replacement of commercial air conditioner has undergone three processes: single unit, multi-split unit, and large chiller. The share of homegrown brands has risen to 55% in 2022, and that of the homegrown brands of large chillers, where the barriers are relatively high, is also increasing. The commercial air conditioner industry has entered the stage of domestic replacement in all aspects, and thus there is a large space for future growth. Compared with air conditioner, the domestic replacement process of elevator is relatively slow, but the relevant market pattern will be optimized with the gradually weakened real estate dividend, the changes in maintenance mode, and the application of IoT. In the medium and long term, there will be more competition opportunities in the smart building industry with the market structure of "high proportion of foreign investment & low market concentration". On the one hand, the policy of "double carbon" is fostering the energy-saving upgrading and smart operation under the context of high proportion of carbon emissions and energy consumption by buildings. On the other hand, with the improvement of digital intelligence, the input-output effect of smart buildings is changing qualitatively, and the optimization of competition pattern is underway.

## **2. Business Scope in the Reporting Period**

The business environment remained harsh in 2022. Affected by macro factors and overseas

geopolitical conflicts, the political and economic environment became more complicated both at home and abroad. Meanwhile, due to supply chain disruptions, the prices of bulk raw materials such as copper and aluminum remained at high levels. In face of these hardships and challenges, Midea adhered to the profit-oriented annual operational principle of “Generate Income & Drive Profit”. At the very beginning of 2022, it made swift plan adjustments to concentrate on the core businesses and products and return to the basics of business. Upon relentless efforts, remarkable results were achieved. Midea delivered expected operating results, with substantial improvement in key indicators such as profitability and cash flow. Meanwhile, the strategic plans have been further implemented and new steps have been taken in the strategic layout, reflecting the good corporate genes of Midea. **For 2022, Midea achieved, on a consolidated basis, total revenue of RMB345.7 billion, up 0.68% YoY; and a net profit attributable to shareholders of the Company of RMB29.6 billion, up 3.43% YoY.**

**A. Focused on users and scene-based product planning, and continuously refined the whole value chain leveraging Midea’s multi-category advantages and digital technologies, so as to upgrade business scenes, products and services**

In order to carry on with the “customer-oriented” strategic reform, the Company creates more user value in business scenes, products and services which are in direct contact with users. Based on users' yearning and pursuit for a better life, Midea pursues higher goals such as originality, sustainable selling points and technology explicitness, and continues to empower itself with the tool of big data, so as to achieve the vision of "Bring Great Innovations to Life". In addition, based on user needs and consumption trends with respect to living rooms, balconies, kitchens, bathrooms, among others, Midea offers its own products and ecosystem products. Household service is comprehensively deepened by using IoT technology, so as to provide intelligent comprehensive solutions for the whole house, making home life more efficient, convenient, healthy and comfortable, and improving experience and happiness for consumers. By doing so, it aims to lead the way in the innovation of smart household appliances. In terms of industrial design, Midea leads the way in user experience and interaction upgrading with ongoing innovations. In 2022, Midea won a total of 132 industrial design awards, including 35 Red Dot Design Awards, 58 iF Design Awards, 28 IDEA Awards, and 11

G-mark Awards.

**For smart living room scenes:**

Midea Air Conditioner has been pursuing low-carbon development. To this end, it has been working on the development of next-generation cooling technology and staying focused on the arrangements for next-generation cooling technology in the low-GWP environmentally friendly refrigerant field, including R290, R454B, CO<sub>2</sub>, and H<sub>2</sub>O. In 2022, the world's first R290 new Energy Efficiency Grade 1 air conditioner was produced by Midea. The product's annual performance factor ("APF") reached 5.29, 5.8% higher than Energy Efficiency Grade 1 of the new national standards, earning the product the first health and hygiene certificate for R290 products. With a rotatory global air duct design, the product enables the air duct to rotate 180 degrees, removing the limitations on the airflow angle of traditional air conditioners. Additionally, Midea took the lead in developing and producing a new efficient product using R454B, a new environmental refrigerant. The product was the world's first product to be certified by the Air-Conditioning, Heating, and Refrigeration Institute ("AHRI") and the first Chinese R454B refrigerant product to pass the international safety certification of Underwriters Laboratories Inc. ("UL"). Midea developed and released the first CO<sub>2</sub>-based and H<sub>2</sub>O-based residential air conditioner prototypes in the residential air conditioner industry. It replaced traditional refrigerants with CO<sub>2</sub> and H<sub>2</sub>O to achieve fluorine-free refrigeration, thereby seeking out an ultimate solution using environmentally friendly refrigerants. COLMO AVANT Air Conditioner took the lead in using the Cyclone technology applicable to the carrier propulsion system, enabling soft, comfortable air exhaust and sufficient cool air output. With this product, users can enjoy a comfortable breeze "anytime and anywhere". Additionally, the innovative AI-powered full-stack air algorithm was used for this product series, combining the top structure hardware and advanced AI-powered intelligent control technology, delivering a comfortable feeling to users far beyond the industry standard. Concurrently, the voice recognition technology with a strong sense of technology used in the series could set distinct mode and operational parameters for different family members, thereby enabling users to "activate their exclusive mode with their voice". Additionally, Midea was the first air conditioner business to define AI as the core of its products. COLMO AI-powered Villa Commercial Air Conditioner and entire-house high-end smart standards have been unveiled, in which the innovative

AI-powered smart system that integrated 135 air, body, and equipment sensors was applied, enabling users to understand the air and equipment statuses instantly. With the intelligent central control interactive centre and the built-in algorithm for automatically regulating the global air, entire-house high-end smart solutions are provided for customers. Moreover, the 3 + 1 temperature and humidity precise control system integrated the dual-coil three-pipe control and central humidification system, achieving the  $\pm 0.3^{\circ}\text{C}$  temperature control and 1% humidity regulation, thereby providing whole-space and whole-scene comfortable air. The Ideal Home III Multi-split Commercial Air Conditioner was rolled out. Its four leading performance indicators enable the product to work at an ambient temperature of  $-20^{\circ}\text{C}$ . Additionally, compared with the traditional enhanced vapour injection technology, the continuous enthalpy injection technology enables the product to have a better heating performance. Moreover, the product can quickly cool the air at an ambient temperature of  $58^{\circ}\text{C}$ . Concurrently, refrigerant heat dissipation technology is employed to ensure that the product can run properly even on hot days. Additionally, a new indoor side air duct has been developed to achieve double noise reduction and lower the sound of the product when working to no higher than 20 dB. What's more, the energy efficiency that is far better than Energy Efficiency Grade 1 can maximise the operational efficiency of core components, and the product's APF value is 15% higher than the national Energy Efficiency Grade 1. These features have made the product a "benchmark with strong cooling and heating performance". In 2022, Toshiba-branded flagship air conditioner "Daqingkuai" was launched in Japan. Focusing on the core needs for "comfort", "cleaning", and "energy conservation", Toshiba developed such pioneer technological features in Japan as "automatic wind blow and people avoidance" and "separate breezeless". Moreover, core technologies, such as the innovative fin-shaped high-density irregular pipe diameter integrated heat exchanger, efficient inverter electric control and ultra-efficient rotary compressor, enable the product to possess world-leading energy-saving performance.

To create a more comfortable living environment, Midea continued to research and apply various fan technologies. Midea achieved self-adaptive comfortable wind adjustment through research on the comfort wind control technology of wind changing with temperature. Midea realized entire-house 3D surround stereo wind of thermostatic warm air through research on dual-engine PTC control technology of staggered temperature difference. Midea also achieved multi-angle positioning blowing

and intelligent obstacle avoidance through research on contactless detection control positioning technology of oscillating stepping motors. Midea Micro-electrolysis Water Washing Air Cooling Tower Fan uses innovative micro-electrolysis sterilization to electrolyze tap water into sterilized water with a sterilization efficiency of 99.9%. The tower fan uses a water curtain waterfall to flush and clean the air in depth and is equipped with an air-conditioner-level cross flow turbine to offer healthy, fresh and clean wind. The detachable and washable tower fan applies the industry's original patented technology to achieve a full-machine washable design and one-click detachment. The air duct system, if not powered on, can be flushed out with water, providing users with clean wind.

In 2022, Midea swiftly adjusted the product structure of floor scrubbers, and gradually established a complete product portfolio of floor scrubbers under the two brands of Eureka and Midea. Its new high-end flagship floor scrubber meet consumers' demand for floor cleaning with its functional integration of suction, dragging, and washing, further optimizing the product performance and user experience. The handle sensor offers two-way forward and backward boost to reduce the burden of cleaning. The forward and reverse rotation control technology for the integrated self-cleaning roller brush improves the self-cleaning effect and fully cleans hidden corners with no residue of stains from the water jet. The integrated roller brush drying technology prevents long-time moisture which breeds bacteria. The "flat lying" design with a tilt angle of up to 170° allows cleaning deep to the bottom of furniture, preventing sewage backflow. The integrated electrolytic water sterilization technology, with a sterilization efficiency of 99.9%. The close-to-edge dead-angle-free design and unique detachable roller brush design constitute the pioneer truly close-to-edge and dead-angle-free design in the industry, cleaning any dead angle with a single push. The application of intelligent technology allows human-computer interaction, so water volume, suction power, and other parameters can be adjusted as needed. In 2022, Midea released the first intelligent robot W11, Midea Small White Box, M9, P8, A8, A8+, and other products successively, adhering to the innovative design principle of focusing on user experience. These products integrate the innovative functions of automatic water refill and brush lift, dual duct dust collection, base station self-cleaning, automatic rag washing, rag drying, bacterial inhibition and deodorization, and other new cleaning technology to provide users with a better cleaning experience. These products are equipped with the industry's leading power management unit to achieve accurate and intelligent charge and discharge control and enhance the service life and

safety of the battery. In the overseas markets, Midea rolled out several vacuum and mop robots under self-owned brands with such innovative core technologies as automatic obstacle avoidance driven by 3D LIDAR and dual nanometre band line laser. Additionally, based on the cleaning habits and pain points of North American users, Midea launched Innova Upright Vacuum Cleaner NEU700, a high-end product designed to optimise the structure of upright vacuum cleaner products. The product is equipped with innovative functions, such as the anti-tangle floor brush, fully sealed design, electric pet grooming brush, and silent design.

**For smart balcony scenes:**

To meet the demand for "healthy washing and drying", the Light Dry Cleaning 2.0 steam care technology offers the industry's pioneer special program for ten types of odor elimination, it achieves A-class rapid odor elimination in five minutes and low temperature bacteria removal of no more than 60°C with a bacteria removal rate of 99.9%, winning the China Aerospace Science and Technology|ASES Certification. "Key Technology and Industrialization of Double-Driven, Dewatering and Double-Drum Washing Machine with Large Capacity", "Key Technology and Industrial Application of Long-Acting Plasma for Deodorization and Sterilization" and "Application and Industrialization of New Special Effect Technology of Electrode Catalytic Coating for Use in Washing Machines" included in Light Dry Cleaning Technology 2.0 have also been certified as "Internationally Advanced" by the China National Light Industry Council. The original TM technology uses the industry's smallest dual engine system of two-appliance coordination and electric auxiliary heating to meet the demand for fast drying and whole-machine lean design and achieve product suite cost optimization. The industry's pioneer hole-free inner drum washing machine technology introduces a new water inlet to rinse clothes with running water in a dynamic manner and prevent dirt from flowing back. In addition, the formation of water film effect reduces friction between the clothing and the drum wall, minimizing the rate of clothing wear and tear. Meanwhile, the independent chamber water storage not only reduces the water use between the inner and outer drums but also meets the consumers' demands for intimate underwear washing. Additionally, the cycle spray technology and fast cleaning 2.0 technology achieve the full utilisation of detergent and can shorten laundry time by up to 30%. To minimise the thickness of the case of the built-in washing machine, Midea developed the first 440-mm

ultra-slim platform in the industry, which can be completely embedded into most home cabinets. In terms of functions, although the platform is quite slim and can be fully embedded into the 600-mm-wide cabinets, it ensures that the washing machine still has a capacity of 10 kg and is capable of washing and drying clothes. Moreover, washers with a drum diameter of 535 mm have a better washing performance, and dryers with a drum diameter of 580mm can unfold and fluff up clothes. The washing machine in COLMO Interstellar Station Dry Cleaning Care Suite applies the ODC DC frequency conversion motor and is equipped with the function of cleaning and delicate, soft care of fibre and luxurious fabrics, such as wool, certified by the international green woolmark. Additionally, with the aerospace-level cold-brewed silver disinfection and water purification technology, the washing machine can fully disinfect clothes. Through sterilisation and cleaning using hot running water and steam, *Candida albicans* and the H1N1 virus can be removed, achieving a disinfection rate of 99.99%. Moreover, the "Pickup Prompt" program with a miniature snap-action switch is designed to intelligently remind users to pick up clothes after they are cleaned. Concerning COLMO Interstellar Station Clothes Dryer, it enables multiple innovative functions in the industry and has passed the international blue woolmark certification for drying. With the mainstream low-temperature soft drying technology and dual-inverter soft drying technology, the dryer can precisely recognise clothes of distinct fabrics and provide delicate care for 99 luxurious fabrics. It also enables 12-min quick drying and 5-min quick odour removal. Facilitated by the advanced technology, AI-powered Light Dry Cleaning 2.0, the nano-grade saturated steam generated through the steam generator can penetrate the fabric fibres and to the greatest extent, retain the toughness of the fibres and separate the fibres from other materials, thereby achieving effective dust removal and crease smoothing. Furthermore, the dual-inverter system enables active noise reduction at the source, and the air duct and rear cover are optimised, achieving silent night drying (55 dB). Compared with the products at the same level in the industry, COLMO Interstellar Station Dry Cleaning Care Suite applies the slimmest body design, enabling it to be fully incorporated into most home scenes and spaces. Meanwhile, the ergonomic design employed makes it easy for users to pick up clothes. Little Swan Lingyun Tiancheng Washer-Dryer, with its advanced integrated design, can be perfectly incorporated into the home scene. Its detergent drawer-free design helps users use the machine more conveniently and efficiently. Besides, users can control the machine through the unbounded intelligent display. Moreover, with five unique water flow modes, the machine can wash clothes while avoiding deformation, and thoroughly remove

stains. In terms of the drying function, the machine can dry clothes evenly in 20 minutes, and its automatic forward and reverse rotation can shake out clothes. Concurrently, the machine's microelectromechanical system enables precise clothes drying through intelligent control. Furthermore, the quick multi-dimensional bacterial removal function can remove the odours of dampness, mould, hot pot, tobacco, and alcohol. The independent built-in steam generation device can generate wet, hot steam, which can penetrate the fibres of clothes and requires. With this feature, clothes needn't be ironed. What's more, the rubbing and softening functions of the machine can prevent clothes from swelling and smooth creases, thus maintaining clothes' smoothness and style. Midea Vigor Series Washer-Dryer Suite is equipped with hole-free inner drum technology to prevent sewage laundry and reduce clothing wear and tear and achieves efficient cleaning of clothes while maintaining the original quality of clothing. This product is the industry's first to be awarded the medical-grade laundry certification. The cycle spray technology and fast cleaning 2.0 technology achieve the full utilisation of detergent and can shorten laundry time by up to 30%. Moreover, it is equipped with multi-functional Vigor Rods: The blue rod can steadily and constantly release silver ions in the high oxidation state in cold water environment without electricity or heating; the red rod scale inhibition module can adjust the concentration of calcium and magnesium ions and maintain the softness and colour of clothing. Vigor Series Clothes Dryer is the first medical-grade fungus dryer and can remove more than 99% of bacteria, fungi, and viruses. It is an expert at protecting the health of underwear. The product is also equipped with anti-bacterial drying technology, and its hybrid drying system enables the intelligent precise control of heat, time, and temperature, thus avoiding fibre damage caused by high temperature. Additionally, while drying clothes, the machine can remove mites instantly and penetrate fibre gaps for full anti-bacterial mite removal, through its built-in high-frequency short-wave ultraviolet lamp, thereby achieving healthy drying and caring. Toshiba T16 Top-loading Fully Automatic Washing Machine oriented toward the ASEAN market is equipped with the industry's first EX-dot detergent input technology and employs the innovative "small backpack" detergent loading design. It is also equipped with a manually pressing detergent input system. The EX-dot technology can load 1 L detergent and 1 L softener at most, meeting users' demand for convenient, visualised, and quantifiable input. Toshiba XP2 Series Japanese-style Washer-Dryer for the Japanese market employs heat pump drying technology. It can precisely control and regulate temperature and maintain the looseness and smoothness of clothes. The product's fast drying

function at high air volume enables 7 kg of clothes to be dried within 96 minutes. Equipped with the UFB-EX cleaning technology, the product washes clothes by making two types of fine bubbles penetrate fibres through the double microbubble generator, thereby effectively keeping clothes clean and bright. Additionally, with ultraviolet irradiation and warm air sterilisation functions, the product can sterilise clothes in all respects. Furthermore, the direct-drive motor and six-dimensional lint filtration system enable the product to work efficiently and keep the drum clean.

**For smart kitchen scenes:**

The "rapid purification technology" of Midea Refrigerator has been awarded the certification of first-class purification and healthy preservation, creating a secure storage environment. Specifically, the technology of high concentration AC silent ion field generation can significantly increase the discharge area and active particle concentration while effectively reducing the short circuit risk arising from high voltage discharge in the low temperature and high humidity environment in the refrigerator. The high odor affinity nano-catalysis technology enhances the catalyst's affinity to odor molecules and its own stability. The ionomer induced high current-carrying migration catalysis technology ensures that the catalytic efficiency basically does not decay, meeting the long-cycle use demand of refrigerators. The "light quantum nutrition enhancement technology" of Midea Refrigerator is a nutrition enhancement technology for fruits and vegetables. Specifically, the 450 nm high-energy blue light can induce the high level of expression of anthocyanin genes, increasing anthocyanin content by more than 220%. The intelligent sensing moisture control technology achieves the upgrade from passive freshness storage to active freshness locking, accurately identifying the type of food ingredients and matching it with the best storage humidity, so as to ensure the first-class seven-day freshness of fruits and vegetables. The three-layer waterproof design and super scale surface area heat dissipation significantly increase the waterproof performance. Through the construction of the polymeric three-dimensional self-similar network and the innovation of the non-agglomerated nanoparticle modification technology, Midea has developed an anti-bacterial coating with nano hydrophobic and oleophobic properties featuring high mechanical stability and high adhesion. As a result, it has boosted the industrialisation of anti-bacterial and easy-to-clean products with a broader disinfection scope and a bacteria removal rate of 99% and developed hydrophobic, oleophobic, and

easy-to-clean panels, thereby safeguarding consumers' health on all fronts. With the introduction of China's carbon peak and neutrality policy and the upgraded European new energy efficiency directive, inverter refrigerators with a capacity of less than 300 L, accounting for a low percentage in the refrigerator market, has huge potential for energy-saving improvement. Therefore, Midea developed mini, micro, and nano inverter platforms based on the capacity of each type of case. As for the inverter boards of small refrigerators, highly integrated IC control chips and potting and heat dissipation technologies are employed. Additionally, the compressor is equipped with a 12-slot 8-pole permanent-magnet synchronous motor for the purpose of higher efficiency and better size. With the compression-control integrated design, the inverter control system will have a smaller size and cost less. COLMO Zero Built-in Series Refrigerator applies the bottom front-migratory heat dissipation system, so that no heat dissipation space needs to be set aside on both sides and the back of the refrigerators. Additionally, the innovative seagull wing pivot hinge enables the refrigerator doors to be opened at right angles. By minimizing the overall thickness and the size of the compressor, as well as centering the compressor, the 600-mm ultra-slim case is developed, which requires only 2mm to be set aside on both sides, fully demonstrating the spatial build-in aesthetics and enabling the refrigerator to be incorporated into the home. Concerning refrigerator doors, the industry's first quick-disassembly panel design is adopted. Concurrently, Midea also provides instant panel customisation services in order to perfectly match various spatial decoration styles and help users maintain their diversified and novel spatial styles. Furthermore, the series is equipped with a hidden focusing handle, which is designed to identify the user's intention to open the door and achieve a large plane view without any segment difference. As a butler in charge of a family's health and nutrition, the series adopts a "temperature + humidity + air + light + cleaning" five-dimensional technology combo to create an ecological environment featuring constant temperature and humidity and low oxygen, thereby keeping fruits and vegetables fresh for a longer time and increase the nutritional content. Toshiba Zhiwei Series Refrigerator, equipped with star cuisine freshness technology, precisely matches the ecological storage environment required for meat and seafood ingredients with the three modes of quick micro-freezing, quick chilling, and original flavour defrosting. It is also equipped with Toshiba's patented UNIT moisture-permeable film, achieving the effect of moisture-permeability and air-impermeability, which prevents cold air from blowing directly on fruits and vegetables, delivers delicate water vapor that directly reaches the cells of fruits and vegetables, creates a constant

moisture environment suitable for fruit and vegetable storage, and guarantees the freshness of fruits and vegetables for seven days. The industry's pioneer Toshiba patented "iTouch" technology, is used to solve the pain point of the kitchen scene where both hands are occupied and inconvenient to open the door. It has the 60-minute rapid ice making function. In addition, special clean water filters cold air to avoid taint of odor, ice making parts are treated by antibacterial treatment, and the built-in water filter ensures the cleanliness of the ice. The height design of the middle fruit and vegetable chamber fits Asian consumers' body shape, so it is comfortable to use. With a small volume and a large capacity, the inner wall of the refrigerator is made of an imported vacuum insulation material, the thickness of which is only 1/3 of ordinary insulation materials, and the dual frequency conversion technology is used to achieve ultra-low energy consumption.

Midea Smoke-free Range Hood ZA8 adopts the eagle wing-shaped wide-area negative pressure chamber design, which enables 155° ultra-wide angle fast smoke suction and can fully prevent cooking smoke, grease and odors from spreading and escaping. The innovative 40-cm low smoke suction design is employed to remove cooking smoke, grease and odors as closer to the source as possible. Additionally, the built-in FCS future chip power engine, a strong intelligent control algorithm chip equipped with an intelligent inverter cruise system, enables the 26m<sup>3</sup>/min suction and 1,100 Pa air pressure, thus effectively preventing the backflow of cooking smoke, grease and odors between high and low floors during the peak period of cooking. Moreover, the quasi-aviation payload fairing design enables direct suction and exhaust by reducing wind resistance and promoting smoke suction. With the help of smoke removal technologies, the regional PM2.5 concentration is lower than 40 ug/m<sup>3</sup>, beyond the grade-1 smoke removal standards of the authority and bringing users a novel experience of healthy kitchens. Wireless radio-frequency technology can be used to facilitate the management of cookers. With it, cookers needn't be attended in scenes that will keep users waiting for a constant length of time, such as steaming, and users will be reminded after the process is complete. Additionally, the kitchen hood will automatically issue a prompt in the event of an overly high cooking temperature, thereby protecting users from getting hurt. Furthermore, equipped with the inverter high-pressure automatic cleaning technology, the kitchen hood can be automatically cleaned by removing the oil on the impeller through the strengthened 300,000 Pa pressure and shaking off it through high-speed rotation. Inspired by the aerospace industry, Midea has used a space colour

scheme, a minimalist appearance, and a starry unbounded comprehensive colour screen for the product.

COLMO G35 Dishwasher, equipped with AI Natural Cleaning 2.0 technology, facilitates dishwashing. Specifically, the AI Dosing System has been invented to satisfy the requirements for simplicity and convenience, materials conservation, and environmental protection. In terms of the sensing process, the micro-spectral turbidity sensing system can monitor water quality and stains in real time. Additionally, the fuzzy algorithm is employed to intelligently identify how dirty the dishes are and then automatically select the corresponding washing mode. Then, the corresponding detergent volume will be determined based on the accurate measurement by AI of the stains. With the help of the dual-sensing accurate input function, the detergent is intelligently input based on the scenes. A detergent input can satisfy the need for 14 to 28 rounds of long-term use. The X-wash disrotatory bionic spray arm system enables the same effect as meticulous manual washing. More specifically, the double arms spray high-pressure water in reverse rotation in order to achieve full coverage. They enable water to fully penetrate the dishes and decompose tea and oil stains, greatly boosting the washing efficiency. The IPS+ intelligent cleaning technology, with high-voltage ionisation and precious metal catalyst technology, is employed to generate 1 million per second high-energy active ions and conduct efficient bacterial and odour removal on the cleaned dishes. It also enables ion preservation for 168 hours, thereby keeping dishes clean, dry and odourless. Equipped with the I-Brain intelligent drying system as well as dynamic hybrid air technology, zero-pressure drying system, and intelligent adaptive power matching hot air system, the product enables "active drying and storage management" and long-term anti-bacterial storage.

Always focusing on users' pain points in installation and use, COLMO Star Atlas Water Purifier X1500 adopts modular design based on the global platform development concept. The thickness is only 105 mm, easily meeting the demands of under-sink space installation in various scenes. The product is the industry's first to be equipped with an intelligent front solenoid valve, sensing water quality and temperature in real time and effectively solving the problem that in the winter the water stored in the machine easily freezes and damages the filter cartridge. The pioneer dual-membrane fine filtration system has a larger contact area with water, greatly enhancing the flow and water-saving efficiency.

Moreover, the product implements the green concept and is the first to adopt a recyclable metal body, greatly reducing environmental pollution. The product has won the "Valuable Product" award of the water purification industry in 2022, the "Industry Contribution Award" for the water purifier category in 2022, and the iF Award 2022. COLMO EVOLUTION Water Purifier-Dispenser T1500 demonstrates the exploration of a new, intelligent water-catching experience. The industry's first ultra-real interactive design enables users to catch water through gesture sensing. Additionally, the temperature regulation and precise control valve equipped with a built-in precise algorithm enable water temperature and volume to be precisely controlled. Moreover, the innovative quick water replenishment system ensures that the hot water flow speed reaches 1.5 L/min.

Midea Xunwei Pro Series G3E Microwave-Steamer-Oven-Fryer Combo has been upgraded to an efficient and energy-saving inverter microwave oven. The upgraded product is characterised by its thin-wall hot-air structure, smaller dimensions, lighter weight, more efficient third-generation magnetron, and more compact internal structure. In terms of the steaming function, Midea's unique superheated steaming function can retain more anthocyanins in food. In terms of the oven function, the combination of upper and lower baking tubes and the hot air mode enables the baking effect of professional ovens. Additionally, based on the needs of young users, Midea has developed an oil-free air frying function for the product. Equipped with the patented graphene baking tube independently developed by Midea that enables the temperature to rise to 1300°C within 0.2 seconds as well as the 3D circulation of hot air, the machine can bring out the food's flavour as much as possible. To meet users' needs for "low-fat and low-salt healthy diets" and "internal heat avoidance", Midea has developed the no-fat, low-salt, and low-calorie baking technology and the lighter internal heat curve, helping users keep their bodies in good shape and stay healthy. Midea has developed "light-oil, light-salt, light-internal heat, and light-sugar" healthy diet modes. Its no-fat and low-salt technology can remove the fat and salt in food, while its low-sugar baking mode ensures the taste of the baked food and reduces the amount of sugar used. Besides, light-fire cooking can effectively inhibit the production of heterocyclic amines in the roast. Furthermore, the built-in 44 + N auto menu includes a map of local food from 18 places and more than 200 customised cloud recipes. Midea Built-in Microwave-Steamer-Oven-Fryer Combo R6, equipped with the industry's first full-field dual colour screen function, integrates the functions of microwave, steaming, oven, and frying, substantially

shortening the cooking. With the help of the intelligent algorithm, the microwave function is incorporated into the pure steaming and oven functions. With the efficient inverter microwave system, the machine can precisely control fire at different stages. Concurrently, the microwave steaming mode can help retain the freshness and nutrition of the food. Based on users' need for healthy diets, Midea has developed calorie-burning cooking technology and a unique light internal heat low-sugar algorithm. Additionally, the three built-in no-fat, light-sugar, and light-internal heat intelligent calorie-burning cooking recipes enable "intelligent + customised" healthy diets. Moreover, the one-piece snowflake enamel inner tank characterised by its high-temperature resistance, scratch resistance, and no blind angles for cleaning is fully applied, enabling oil stains to be removed in just one wipe. In order to resolve users' pain points in the storage of frying and baking machines, Midea launched the "Ultra-thin Electric Grill", which is equipped with the industry's latest film heating technology and adopts high-efficiency HP insulation materials. The thickness of the whole machine is only 62 mm, which reduces the thickness by 40% in comparison with traditional products. The heating plate adopting film heating technology makes heating more uniform and more efficient and can achieve a whole-machine heating power of more than 2,200 W, increasing the preheating speed by 50%. Graphene composite is added to the food-safe coating of the baking tray to achieve better thermal conductivity. The upper and lower baking trays of the product are free to disassemble and wash and easy to clean and can also be put into the dishwasher for automatic cleaning. Based on an in-depth insight into user needs, Midea launched a series of innovative rice cooker products, such as Red Flame Premium Aroma, Live Rice Fresh Aroma, Wind-blown Rice Aroma, Watery Pleasant Aroma, and Rapid Aroma. When the rice leaves the rice field for the table, it experiences a long period of storage and multiple shipments and can be easily oxidised and lose the original rice aroma. Specifically, the original second-generation rice grain activation technology of the Wind-blown Rice Aroma cooker can solve the pain point of "stale rice".

COLMO Multi-split Kitchen Air Conditioner responds to the core needs of users with the anti-oily-fume design of the indoor unit. Specifically, the Premium Golden Fin of the evaporator reduces the accumulation of grease and oil, and the return air panel equipped with dual filters realizes seven-layer filtration. It also has a smart self-cleaning function through the indoor unit evaporator and a stepless speed control air supply function. In addition, the indoor unit is as slim as 200 mm, easy to install and

space-saving.

**For smart bathroom scenes:**

To meet users' urgent needs for "constant temperature" and "silence" of gas water heaters, Midea Gas Water Heater rolled out the "Coldness-free" and "Level-1 Silence" series of products. Midea Coldness-free Gas Water Heater is equipped with an anti-disturbance thermostatic system as well as three innovative core technologies (intelligent start/stop thermostatic valve, ADRC2.0 anti-disturbance thermostatic algorithm, and 3D V-shape fire row) and seven special technologies (segmented burning technology, top drive enhanced fan, quick-burning dual-spark technology, high-sensitivity water flow sensor, dual solenoid gas proportional valve, ultra-precision dual-temperature probe, and thermostatic mixing valve). It effectively resolves the issue of water temperature fluctuation in disturbance scenes, enabling water temperature not to fluctuate when the machine starts or stops working and users not to feel cold when taking a shower. With a precise water control valve core and large-small dual duct design, the intelligent star/stop thermostatic valve enables a quick switch to a single duct and water flow regulation when the water heater is stopped and resumes working during the shower, effectively reducing the cold water mixed. The ADRC2.0 anti-disturbance thermostatic algorithm dynamically detects the actual water pressure and flow changes in real time and accurately regulates the water-gas ratio in full consideration of the disturbance of the water environment. The 3D V-shape fire row enables a larger burning area and more thorough burning, achieving precise and stable fire control. Additionally, the product has passed the Graded Evaluation Norms for Whole-process Constant Temperature of Domestic Gas Water Heaters issued by the China Association for Quality Inspection and obtained the certification for grade-1 intelligent constant temperature of the CHEARI (Beijing) Certification & Testing. Midea New-generation Silent Gas Water Heater is equipped with a dual-gill respiratory silent system that enables in-depth noise reduction in six dimensions. Additionally, it minimises the noise of gas water heaters at the noise sources, on the transmission path, and from the noise barrier using such technologies as spoiler noise-reduction cover, labyrinth-type sound-deadening cabin, direct current inverter low-noise fan, tempered soundproof glass, waterway silencer, vibration-damping sound-deadening cotton, and integrated seal structure. As a result, the operating noise is lowered to 40 dB. The gas water heater has been awarded the Silence Grade 1 certificate by

the Certification Center of Light Industry Council Co., Ltd. (CCLC). Besides, innovative technologies such as AI precise temperature control, energy-saving zero cold water, and inverter booster pump have been used to bring users a comfortable shower experience. Midea Water-cooled Low-nitrogen Gas Water Heater, equipped with the world's first three-point injection and four-pipe cooling water-cooled low-nitrogen burning technology, meets the European requirement for energy conservation and environmental protection. It transcends the technological barriers created by rival European products. Additionally, it is China's first water-cooled gas water heater with independent property exported to Europe, as well as the world's first low-nitrogen gas water heater that meets the requirement for multi-gas source energy conservation and environmental protection. Moreover, the product is equipped with hundreds of patented technologies. Midea Fully Premixed Gas Water Heater is equipped with the world's first integrated stainless steel condensing heat exchange technology. Through fully premixed burning, the product enables low nitrogen and carbon emissions and is characterised by its environmental protection and high energy efficiency. The dual-channel large and small venturi premix technology developed by Midea enables a wide heat load regulation range and stable burning. Besides, it has a wide scope of application. The product is China's first fully premixed gas water heater certified by the Canadian Standards Association (CAS). It is equipped with hundreds of patented technologies and has won the gold medal at the 2022 International Exhibition of Inventions of Geneva. Toshiba Yunjian Series Gas Water Heater applies a new lean, small-volume structure platform, which reduces the volume of the product by 20%, thereby facilitating the installation. It has won the iF Design Award and the Red Dot Design Award. It has adopted an innovative harmonised interactive design, with the key area using a 150° curved concave design that can fit the curvature of the finger and 1.5-mm simulated Braille dots. Additionally, an indicator is designed for the key area to facilitate regulation in a dim environment. Concurrently, the real voice feedback function is added to the keys to achieve precise temperature regulation and remind users of the high temperature and the completion of the zero cold water preheating. The industry-leading 3D whole-area temperature control technology, coupled with the three-point temperature measurement for the entire pipeline and patented Toshiba temperature control algorithm, enables the continuous flow of water with less than  $\pm 0.5^{\circ}\text{C}$  temperature difference. If users turn off the water and then turn it on, the fastest pulse ignition will be completed in 1.5 seconds. Through four silencing technologies, including the flying saucer-shaped body, shark-gill bionic respiratory mouth, micro-hole sound-

deadening cotton, and direct current inverter fan, the noise can be lowered below 45 dB. Moreover, the temperature control chip imported from Japan and the thickened corrosion-resistant oxygen-free copper water tank to enhance reliability and durability are used for the product to enhance its reliability and durability. Midea "Huoshuixin" Electric Water Heater is an innovative combination of the traditional electric water heater and the filter cartridge technology. Additionally, Midea put forward the "Cartridge Ensures High-quality Shower Water" idea for the first time for the product. To achieve high-quality shower water in the "showering, caring, nourishment, and fostering" dimensions, Midea has selected a transparent and visualised filter cup. Besides, it has developed full-time water freshness inspection and intelligent cruise skin cleaning functions, enabling a sterilisation rate of 99.99%. Moreover, the product is equipped with a stainless-steel filter, which can effectively filter water impurities and achieve micron-level filtration and water purification-level protection. Concurrently, it is equipped with patented living water technology that enables active cleaning. The PCC ore activation technology is employed to provide natural strontium-rich shower water and prevent skin from ageing. Additionally, the third-generation chlorine removal technology, non-toxic, non-harmful, and non-allergenic, can remove chlorine within 0.2 seconds, earning the product a number of industry awards.

**B. Adhered to the strategy of "Technology Leadership", increased R&D investments, built a global R&D platform for better R&D efficiency, established a digital R&D system for agile innovation, and implemented the strategy of "Innovation Patentability, Patent Standardization, Standard Internationalization and Midea Standard Goes Out"**

Midea continued to invest in R&D. Through larger investments in this respect, it aims to achieve leadership in R&D achievements and product trends, as well as a stronger presence in the industry and a better R&D environment. The Company made innovations with respect to mechanism, and developed more leading products through both excellent user experience and differentiated technologies, reform of the whole value chain of R&D using digital technology, and deep integration of big data analysis and R&D. It kept reforming its product development model according to the strategic focus of "Leading Products". An innovative R&D model featuring a "Three-Tier Technical Committee System" and a "Four-Tier R&D System" from the organizational dimension and "Three Generations" from the technology dimension has been put in place and constantly refined to support the fulfillment

of the goal of “Being the Number One or the Only One” in respect of various product categories. Centering on customer needs and based on different organizations and technologies, the Company carries out innovative product development, research on cutting-edge platforms, research on core components, creation of differentiated selling points and improvement of the basic product performance. Through group development of products across the world, building a global product platform, as well as increasing product development efficiency by way of group planning and group development, Midea is building “Technology Leadership”. As of the end of 2022, Midea boasts ten corporate technology centers/industrial design centers/post-doctoral research centers at the state level, 19 academicians with long-term cooperation and eight academician workstations/workshops, in addition to more than 60 corporate technology centers/engineering centers/industrial design centers/key labs at the ministerial or provincial levels. By doing so, it builds competitive edges with its strength in technology. Under the guidance of the strategy of “Technology Leadership”, the innovation platform serves as the core of its technology innovation system and is responsible for the implementation of technology development strategies and the commercialization and application of technology innovation achievements, thus driving Midea’s transformation towards a global technology group in a faster manner.

Midea Group is committed to investing in the research of core technologies and has made significant breakthroughs in the main tracks and in the field of new industrial technology. In the project of "Research on the Application of Precision Washing System based on AI Vision and Electric Spray Arms in Household Dishwashers", Midea invented the precision washing technology based on multi-task image intelligent recognition and realized a truly intelligent and fully automatic mode to meet the demands of Chinese families for the cleanness and hygiene, convenience and efficiency, and precision washing of dishwasher. In the project of "Key Technology and Application of Multi-Grade High-Efficiency Heat Energy Supply of Air Source Heat Pumps", an innovative breakthrough of key technology of air source heat pump water heaters is made to solve the problem that conventional air source heat pumps cannot operate reliably in the cold areas in the north and to ensure the high efficiency and low-carbon supply of industrial steam, which leads the technical progress and industrial development of air source heat pump heating, achieves pollution and carbon reduction, energy saving, and efficiency increase, and produces significant economic and social benefits. In the project

of "Research and Application of Key Technology of Low-noise Heavy-rare-earth-free Permanent Magnet Motors for Compressors", the multiplicative noise of compressors is reduced through the electromagnetic force of the motor body, and its "double pioneer" technology makes household appliances quieter and more environment-friendly and significantly improves the noise of air conditioning system. In addition, the dependence of permanent magnet motors on heavy rare earth materials is effectively relieved through the comprehensive optimization of the magnetic circuit structure of the stator and rotor. Through the "Magnetic Levitation Inverter Centrifugal Ice Storage Dual-condition Unit" project, Midea removed bottlenecks in conventional technologies and developed such innovative technologies as the centrifugal compressor wide-range adaptive anti-surge control technology, multi-condition wide-area energy efficiency improvement technology, and high-reliability maglev compressor drive and control technology. By doing so, it achieved double high efficiency in air conditioning and ice storage conditions. Through the "Supersonic Cold Air Power Spray Technology" project, Midea achieved major technological breakthroughs by focusing on the supercritical-rate cold-spraying efficient deposition technology and the flake-bridging low-potential metal mix anti-corrosion coating. Additionally, it developed long-life, high-binding force, and high-corrosion resistance magnetic conductive coating for cooking utensils, achieving efficient electromagnetic heating of non-magnetic utensils. Midea also independently developed new aluminum-containing austenitic heat-resistant stainless steel, solving the problem that the core parts and components of cold spray equipment are prone to cracking and damage in high-temperature and high-pressure coupled environment. Meanwhile, Midea has taken the initiative in building the first large automated cold spray assembly line in the home appliance industry. Through the "Key Technology for Low-carbon, Efficient Heat Exchangers" project, Midea developed the topology-optimised small-diameter inner grooved tube large corrugated fin heat exchanger technology based on its self-developed 3D and 1D coupled heat exchanger simulation platform. The technology can inhibit the increase in the flow pressure drop in the tube and boost the heat exchange capacity per unit volume on the air side of the heat exchanger while improving heat exchange efficiency. Additionally, by strengthening the heat exchanging capacity in frosting conditions through the optimised corrugated structure, the technology reduces the materials consumption and improves the energy efficiency of system operation. By the end of 2022, Midea had won a total of three national science and technology awards, and more than 340 provincial and ministerial science and technology awards, as well as received over 280

"Internationally Leading/Advanced" certificates for its technologies.

Midea has strengthened the transformation of R&D achievements while carrying out the core technology research. By the end of 2022, Midea (inclusive of TLSC) held more than 80,000 valid patents. In 2022, Midea was granted more than 4,000 invention patents around the globe. Midea continues to improve patent quality. It won multiple awards at the 2022 23rd China Patent Awards. To be specific, the "Dishwasher" and the "Control Method, Controller, and Refrigerator of Meat Subcooling Preservation" won two Silver Invention Awards, the "Window Air Conditioner" won a Silver Design Award, and the "Compressor and the Heat Exchange System with it", "Recommendation Method, System, and Big Data Server of the Air Conditioner and Its Operation Parameters" and other patents won six Excellence Awards. In addition, Midea received more than 20 provincial patent awards in 2022.

In order to provide strong support for the fulfillment of the strategic objective of "Technology Leadership", Midea further implements the "3+1" standardization strategy of "Innovation Patentability, Patent Standardization, Standard Internationalization and Midea Standard Goes Out", and a two-tier (Group-business divisions) standardization management system has been put in place. Meanwhile, to ensure the effective execution of the standardization strategy, the Group has set up a standardization management committee. With the double drivers of "standard innovation + production innovation", Midea shifts innovation achievements to advanced technological standards. Additionally, it endeavors to play a bigger part with respect to advanced technology standards of the industries, aiming to create more value for users, partners and industries. During 2022, Midea took part in the formulation/revision of 314 technological standards, including 11 international standards, 65 national standards, 22 industry standards, and 216 local and group standards, including "Technical Requirements for Temperature Controllers for Air Conditioning Systems for Household and Similar Purposes", "Domestic Electric Dishwashers-Methods for Measuring Performance", "Minimum Allowable Values of Energy Efficiency and Energy Efficiency Grades for Electric Ovens for Household and Similar Purposes", "A.C. Ventilating Fans and Regulators for Household and Similar Purposes-Methods for Measuring Performance", "Medical-grade Washing Machines", "Systems and Software Engineering -- Software Product Quality Requirements and Evaluation (SQuaRE) -- Common Industry Format (CIF)

for Usability: User Requirements Specification", "Method of Measurement and Rating of Air Conditioning System with Thermal Storage", "Wiring Harnesses for Household Appliances", "Minimum Allowable Values of Energy Efficiency and Energy Efficiency Grades for Electric Pressure Cooker", "Cleaning Robots for Household and Similar Purposes", "Technical Requirements for Artificial Intelligence-based Household Central Air Conditioner", "Evaluation of the Lifecycles of Home Appliances-Part 10: Electric Washing Machines for Household and Similar Purposes", "Evaluation Methods and Technical Requirements for the Refrigerators with Healthy Purification Functions", "Methods for Testing the Heating Uniformity Grade of Household Induction Cooker", "Technical Specifications for Energy Storage System for Phase-change Water Heater", "Microwave, Steaming, and Baking Integrated Machine for Household and Similar Purposes", "Evaluation of the Lifecycles of Home Appliances-Part 3: Special Requirements for Electric Motors-Compressors", "Evaluation of Carbon Emission Grading in the Operation Phase of Civil Buildings", "Household Robots-Intelligent Grading and Evaluation", "Technical Requirements for Low-carbon and Efficient Refrigerator Heat Exchangers", and "Accounting and Reporting Requirements for Greenhouse Gas Emissions of Refrigerant-containing Electrical Appliance Manufacturers". In terms of recognition and honors received for standardization, Midea won the 2022 China Standard Innovation Contribution Award, and the Standard Innovation Organization Award at the Third Science and Technology Awards organized by the China Society for the Promotion of Science and Technology Commercialization. In addition, it has been recognized as an "Enterprise Standard Leader" for five consecutive years, and a group standard, for which Midea served as the main contributor, has been selected by the Ministry of Industry and Information Technology as one of the 100 group standard application demonstration projects.

**C. Deepened the channel transformation, further improved the channel efficiency and rebuilt the retail and ToB service abilities so as to achieve direct connection with customers**

Being customer-oriented, Midea continues to enhance vertical efficiency and horizontal synergy efficiency, as well as accelerate retail growth and retail transformation. Through the reform of direct retailing, Midea has been continuously promoting the "vertical efficiency improvement" of offline channels, with the shift from distributors to operators completed and the retail operation capability

greatly improved. Meanwhile, organizational reform has provided effective support for the "horizontal synergy efficiency enhancement". The operation center is made the "main battlefield", with deep coordination among all product categories. Horizontal synergy efficiency has been greatly improved in channel expansion, scenario-based transformation at the retail end, etc. Midea has realized "One Midea" for all markets, ensuring the consistency of user service and experience. In 2022, online sales as a percentage of Midea's total sales reached over 48%. In terms of e-commerce, Midea continued to push ahead with the upgrade of the product structure, product suite development, and new services such as "green home appliances". Additionally, Midea redoubled its efforts at channel segmentation and made arrangements for content platforms, and finally recorded new growth. Concurrently, the construction of Midea's platform for e-commercial business was advanced. Midea focused on the development and improvement of new capabilities, such as self-operation, self-live-streaming, and whole-chain marketing. By strengthening content and digital marketing and gaining an insight into the differentiated needs of different customer groups, Midea achieved integrated quality and efficiency improvement through the "Digitization & Intelligence Driven" strategy and accomplished the upgrade-based transformation from traffic operation toward user operation. As online and offline markets integrated at a faster speed, based on different levels and characteristics of different channels, as well as changes to customers' needs and ways of spending, Midea drives the retail transformation based on user demands and experience, and keeps refining the retail operations system, so as to achieve direct connection with retail customers. To be specific, first, to strengthen stores' retail capabilities and improve their whole-chain retail experiences, Midea helped stores carry out digital retail transformation driven by new systems and tools. Specifically, the "Midea Cloud Sales+" ecosystem was upgraded and transformed to develop Midea's own retail business platform, thereby achieving the physical transformation of the operations centre and full upgrade of the "Midea Cloud Sales" system. Additionally, customer experiences were substantially boosted. As a result, the "Midea Cloud Sales" App recorded a year-on-year increase of over 300% in the daily average page views (PV), and the efficiency of direct retail was significantly boosted. Meanwhile, the retail system of stores was reconstructed based on the "Midea Cloud Sales" App and the "Midea Home Delivery" mini-app, and the cloud warehouse services were formally launched. Moreover, to facilitate stores' online and offline whole-scene marketing and promotions, Midea provided digital marketing tools for merchants, thereby empowering stores' customer acquisition and potential customer conversion.

Midea also developed a digital and intelligent platform operations system to improve stores' management efficiency. It conducted classified product operation and hierarchical store management based on the label-based system for products and stores. By doing so, retail data and business activities can be reviewed online, enabling rapid analysis and precise operation of stores. Second, vigorous efforts were made to expand into the sinking markets. As a result, Midea gained the largest overall share of the core sinking channel platforms in the industry. Midea has fully expanded into stores in lower-tier markets, achieving a product penetration of more than 90%. At the same time, Midea has fully entered the booths of core stores. It has constantly upgraded retail store standards in order to deliver quick, professional services to consumers in the lower-tier markets. Focusing on user demands, Midea has been refining its product distribution. As a result, Midea has outperformed its peers in terms of the sales of emerging products such as household central air conditioners, dishwashers, air fryers, and clothes dryers. Concurrently, Midea has kept delving into new consumption potential in the lower-tier markets. With the introduction of consumption policies for green home appliances and trade-in activities, marketing modes such as vouchers are leveraged to improve consumption quality. In this context, the average prices of Midea's home appliance products in all categories have risen by more than 30% in the lower-tier channels. Third, centering on consumer experiences in retail, Midea carried out green home appliance campaigns with entire-house appliances trade-in and subsidies for buying eco-friendly intelligent home appliances at the core by fully leveraging its strengths in entire-house appliances. Midea also organised quality marketing activities by focusing on product experiences and brand volume, user traffic, and retail sales. Additionally, Midea has carried out several tour exhibitions in markets at different tiers nationwide for products such as "AI-powered Villa Commercial Air Conditioner", "AI-powered Light Dry Cleaning Washer-Dryer Suite", "Microcrystalline Ultra-thin Zero Built-in Refrigerator", and "Fresh Air Fryer". Moreover, with active services as a breakthrough, Midea has unblocked the user operation chain that covers public and private domains as well as membership, doing so to optimise the consumer experience and perception. Fourth, to achieve consistent consumer experiences, Midea has integrated the online capabilities of "Midea Mall", "MSmartLife", and "Midea Service" and rolled out "M-Smart", a retail platform that integrates Midea's online and offline capabilities designed to strengthen offline franchise stores' distribution capabilities on e-commerce platforms and out-of-store marketing capabilities and expand the coverage of after-sales services. By doing so, Midea ensures

that consumers can achieve the same shopping experience at franchised stores as they do on e-commerce platforms. Additionally, Midea expedited the optimisation of the layout of retail outlets of "M-Smart". By securing intelligent product shelves and establishing the "M-Smart" online store, Midea has provided consistent shopping services and strengthened the marketing capabilities of offline stores. Fifth, Midea leverages the "Digitization & Intelligence Driven" strategy to be "Direct to Users", and initiates a series of business moves in user experience, user operation and user service from user needs and service scenarios. Adhering to the "Create Value for Users" principle, Midea has deepened the business transformation toward the retail end. Additionally, Midea has carried out all-around user connection by relying on media matrices such as WeChat enterprise account, official account, mini-app, and video account, as well as terminal experience contacts such as service engineers, experience consultants, and intelligent scenes. Also, Midea has pushed ahead with the optimisation of product iteration, shopping experience, and service experience with user experience as a driver. Concurrently, it has strengthened private domain operation and improved customer royalty. By the end of 2022, the total number of registered members exceeded 140 million, and the Net Promoter Score (Net Promoter Score) rose by 6% than that in the same period of 2021. Meanwhile, the development of Midea's business data analysis capability has been constantly refined. Analysis of user consumption behaviour data serves as a strong support for business decision-making.

Centering around three types of targets: users, customers, and engineers, Midea perseveres in reconstructing service procedures, upgrading service standards, and improving its capability of offering free installation services for consumers that buy a collection of products. Additionally, it deepens the business model change of the user service system to provide one-stop entire-house smart home appliance service solutions for users and improve service quality and user experience. First, Midea reconstructed user experience procedures from the users' perspective. It has achieved a user confirmation rate of 90% through users' participation in the service process and closed-loop result confirmation. Additionally, professional service reports have been directly sent to users to enhance users' perception of the whole service procedure. Concurrently, Midea emphasises quick satisfaction with user demands. It has achieved a 24-hour completion rate of 88%. Midea has reconstructed the return and replacement procedure experience. Replacement instead of repair has been fully implemented for small domestic appliances and partly piloted for major domestic

appliances. The return and replacement time has been shortened to three days through online identification/no identification or the simultaneous delivery of the new appliance and recovery of the old one. Second, Midea accelerated the construction of active service capabilities, transformed from passive waiting to active service for users, and built the active service platform. Thirty-three active service scenes were launched, with more than 5 million active service times, more than 1.5 million private domain users, and a year-on-year increase of 12.9% in the re-purchase rate. Third, Midea built a whole-chain closed-loop system for the voice of customers (VOC) and launched the user voice intelligent analysis platform to achieve rapid discovery, exploration, distribution, closed-loop management, and monitoring of all-channel problems. Fourth, Midea improved the customer service experience of high-end brands. On the one hand, it boosted its basic service capabilities, including promoting the suite-based construction of the high-end brand network, selecting high-quality service providers, establishing suite-based outlets for high-end brands, and setting up specialised high-end brand outlets in some regions on a pilot basis. Additionally, it formulated and optimised the manual on whole-procedure services of high-end brands and carried out training and certification for authorised engineers of high-end brands, thereby raising the requirements for engineer authorisation. So far, specialised engineers for high-end brands have numbered more than 1,100. On the other, based on the authorisation and certification mechanism, Midea has set up exclusive customer services, exclusive high-end service engineer teams, and exclusive service rights of high-end brands, doing so to develop differentiated high-end brand services. Besides, Midea has raised the standards for high-end brand services by shortening the response time limit and upgrading service tools and protective measures. It has also created high-end service experiences by rolling out service surprises for special festivals, designing personalised service rituals, and continuously maintaining customer royalty. Fifth, Midea carried out green recycling business, cooperated with qualified dismantling enterprises, deployed the two modes of self-owned channel recycling and external cooperation for the market recycling end, and built the "Internet +" recycling platform. Additionally, it completed the launch of the green recycling system, enabling a closed loop of reporting by users online, automatic distribution and transfer in the work order system, and monitoring of recycling information.

Transformation of the ToB business model has been further deepened. The business model has been upgraded from traditional hardware product packages to scene-based solutions targeting customers

in the whole industry, so as to enhance sales and brand presence on the ToB market. Meanwhile, refinements have been carried out for the existing customer, product and business structures, thus increasing the profitability of the business value chain. In addition to the traditional home appliance industry, Midea has unfolded coordinated marketing in the ToB business of the Building Technologies Division, the Robotics & Automation Division, and the Other Innovation Business through industry-wide solution development and promotion. During the promotion of the ToB business in 2022, Midea strengthened horizontal collaboration among business groups (divisions). To facilitate work in information sharing, business opportunity sharing, channel sharing, and delivery collaboration, Midea developed a regular collaboration mechanism and project promotion procedure. As a result, particular headway was made in intelligent manufacturing and medical services and health. In intelligent manufacturing, Midea Industrial Internet Platform (M-IoT) was selected by the Ministry of Industry and Information Technology among the "New Cross-industry and Cross-field Industrial Internet Platforms in 2022". Integrating Midea's eight matrices, including KUKA, Midea Cloud, Annto, and Midea Finance, M-IoT has demonstrated Midea's industrial cloud ecosystem. To empower the digital transformation of the whole industrial chain, M-IoT has been empowering different industries and fields through industrial solutions, software, and network by relying on the all-in-one feature of "manufacturing know-how, software and hardware". So far, M-IoT has been applied by more than 400 large enterprises in more than 40 segmentations. In medical services and health, Midea has established partnership with approximately 6,000 hospitals. Midea Medical unveiled the brand mission of "Respect Every Second in Life" in July 2022 and five hospital scenario solutions, covering the medical technology building scenario, the surgery department scenario, the outpatient pharmacy scenario, the inpatient ward scenario, and the logistics command scenario. To be specific, the medical technology building scenario, through the integration of technologies of WDM and Midea Biomedical, provides imaging examination and diagnosis of all parts of the body as well as the intelligent cold chain monitoring system and intelligent laboratory management system. The surgery department scenario, through the integration of technologies of KUKA Robotics, Swisslog Healthcare, WDM, Midea Biomedical, and Building Technologies, provides environment and behaviour management for interventional procedures, such as cardiac interventional therapy, and particle radiotherapy, supply distribution tracing and inventory management, and intelligent lighting application. The inpatient ward scenario, through the technological collaboration of Swisslog Healthcare, Midea Biomedical, and Building

Technologies, provides integrated ward management, integrated in-hospital logistics management, intelligent infusion and reminder, and other system applications, thereby developing spatial solutions for intelligent wards. Through the collaboration between Swisslog Healthcare and Midea Biomedical under Midea, the outpatient pharmacy scenario demonstrates Midea's exploration of hospital pharmacy and logistics automation and provides integrated solutions in this regard. The logistics command scenario achieves dual drivers through clinical medical technologies and construction operation and maintenance. It provides systematic solutions that cover the whole construction process of the hospital and establishes the LIFE20 intelligent hospital framework system. With the top-down top-level design and planning of Midea Building Technologies Division's iBUILDING platform, the scenario completes the whole-chain development of system integration, data insight, auxiliary decision-making, and action closed-loop, thereby helping the medical industry complete intelligent hospital upgrading.

Annto, a subsidiary of Midea Group, is a technological innovation-based provider of supply chain (logistics) service. It is committed to providing customers with end-to-end digital and intelligent supply chain solutions. In terms of internal support and services, under the background of Midea Group promoting the T+3 business model deep reform, Annto further promoted the logistics reform and improved B2C logistics capacity. Through big data analysis and data modeling and based on user needs, Annto refines and integrates its warehouse network and expands the unified warehousing and distribution model to retail stores. Overall planning of channel inventories and unified operation of warehousing and distribution boost channel efficiency and provide support for comprehensive standardization and digitalization of user services. Annto refines the integrated delivery and installation service network and connects the links from manufacturing to consumption, providing support for the achievement of Midea's "Direct to Users" strategy. Annto has established an integrated and smart logistics platform for the whole process of production logistics, warehousing, urban distribution, delivery and installation. It also cooperated with Sino-US Global Logistics Institute of Shanghai Jiao Tong University to establish the Joint Research Center for Smart Logistics and Supply Chain, generating achievements in route planning for delivery vehicles, scheduling and controlling of digital manufacturing logistics and other fields. In 2022, Annto completed the deepening and application of urban delivery capacity scheduling algorithm and corresponding scheduling system in

65 operation centers nationwide and launched research and application projects on core warehouse operation capabilities such as storage network optimization and warehouse storage and sorting efficiency optimization, in order to form practical results such as solutions, key algorithms, and decision support tools. The service network of Annto of warehousing, trunk line transportation, distribution, delivery, and installation has realized the whole-procedure visualized direct distribution to districts, counties, and towns, and the service capacity has been continuously upgraded. Relying on the end-to-end supply chain, Annto has been able to connect the entire chain of orders from front-end factory logistics of production and sales to back-end logistics of warehousing, distribution and installation, so as to efficiently and transparently manage the entire lifecycle of orders, improve delivery efficiency and user satisfaction, and effectively consolidate the operational foundation through project implementation. In terms of warehouse network layout, Annto has laid out large logistics distribution centers and thousands of distributed mini warehouses in more than 140 cities across China, realized real-time inventory sharing and allocation, and effectively reduced inventory costs and capital occupation through unified warehouse and unified distribution. In terms of warehouse management, Annto realized intelligent unmanned warehouse management through intelligent equipment and advanced technology in high-standard automated warehouses for expensive consumer goods, reduced sorting operation, and improved sorting efficiency through procedure optimization and information system function enhancement. Annto optimized the layout through online big data analysis and scientific algorithms and achieved a 500,000 square meter saving in warehousing space. Also, it optimized the integration services of terminal warehousing and distribution and of delivery and installation through inventory sharing and intelligent replenishment. In terms of intelligence, Annto focused on "smart parks" to realize the whole-procedure intelligent management system for parks, promote the improvement of the operational capacity of self-built parks, and create integrated products of smart parks. In terms of production logistics, Annto realized the functions of factory logistics planning collaboration, wave-based sorting, JIT delivery, inventory sharing and visualization, intelligent replenishment, etc. through the whole-procedure digital construction of Vendor Managed Inventory (VMI), which increased the human efficiency of the VMI intelligent warehouse by 50%, the surface efficiency by 46%, and the inventory reconciliation efficiency by 45%. In terms of trunk line urban distribution, Annto realized direct inter-city delivery through the LCL trunk line network, and achieved optimal timing configuration through route planning.

Meanwhile, it strengthened the cultivation and expansion of terminal outlets, built a "scheduling center" platform based on the whole procedure of order-scheduling-capacity-operation-system, broke the management boundary between the project system and shipping capacity resources, integrated line resources, and built the operation capacity of domestic trunk line network, thus improving user experience comprehensively. In terms of end services, Annto has placed great emphasis on standardised service products, including the integration of delivery and installation of home appliances, "three-guarantee and five-guarantee" services, and new energy-related services, based on the development of retail-end capabilities and relying on the intelligent management platform, in order to support corporate customers in reaching users. In terms of capacity optimisation, Annto has deepened the construction of online freight platform capacity, realised online capacity and cost transparency through digital construction, accumulated valuable capacity resources and cost data, and realised the integration of logistics, capital flow, information flow, contract flow, and bill flow. Additionally, in terms of the delivery and installation of home appliances, Annto optimized the integrated delivery and installation and rebuilt the main procedure of the after-sales platform in 2022 and realized the digitalization of order and engineer management. The per capita order receiving efficiency of engineers increased by 34% year-on-year, and Annto effectively supported business models such as complied delivery and installation and delivery of the new and recovery of the old, with more than 3,000 delivery and installation outlets and a team of more than 32,000 professional engineers, covering more than 2,700 districts and counties in China. In terms of home appliance delivery and installation capabilities, Annto has been capable of providing services such as quick entry and exit, prompt delivery, and self-collection by users by refining the procedures and mechanism for inventory management of outlets. In terms of new energy service capabilities, Annto has mainly provided services such as "surveying, installation, inspection, and repair" for midstream manufacturers and constructors of power charging equipment and downstream equipment operators and original equipment manufacturers of new energy equipment.

In terms of external business expansion, adhering to the business philosophy of building and sharing with customers, Annto provides strong support for corporate customers in promoting channel efficiency and sales growth. In 2022, Annto focused on industry customers and depth, and relied on the "1+3" service model, i.e., "whole chain" + "a shared inventory system, integration of delivery and

installation, production and logistics" to help customers develop core operation foundation and product operation capabilities. By developing an intelligent logistics platform that integrates the whole chain, including production logistics, warehousing, trunk line logistics, urban distribution, and delivery and installation, Annto has provided customers with quality products and digital solutions, thereby helping customers promote channel transformation and supply chain efficiency optimisation. Annto's integrated supply chain services serve two aspects. They can provide system and operational services for enterprises in the logistics environment and facilitate enterprises' transformation and upgrading and achieve business transformation in product flow. By supporting enterprises' whole-chain value boost through intelligent logistics, Annto has achieved a steady increase in market share year by year. Annto can provide integrated supply chain services covering the whole chain of "parts-finished products-stores-users" and help customers to solve problems such as rising fulfillment costs caused by diversified channels and fragmented orders "through a shared inventory system" and to establish a whole-value-chain monitoring system for operation indicators, continuously optimize costs, strengthen risk control capabilities, and provide effective data support for enterprises' operation decisions. "Integrated delivery and installation" can help customers to better reach users and improve service experience. "Production and logistics" means transforming Midea's years of experience in lean manufacturing into the "Lighthouse Factory Supply Chain Solution" and to realize the output of systematic solutions based on customer needs and industrial characteristics. Based on Midea's industry-leading experience of channel transformation and sound smart supply chain systems and networks, Annto has provided services to thousands of enterprises, with clients spanning many industries across home appliances, consumer electronics, food and beverage, maternal and infant, and household necessities and chemicals.

#### **D. Promoted “Global Impact”, enhanced localized operations overseas and accelerated the cooperative integration of TLSC**

Midea further promoted its global business layout to solidify its global competency. It formulated a global supply cooperative mechanism, strengthened the global manufacturing network and localized operations overseas, optimized the global logistics and service system, and promoted product globalization and regionalization. Its overseas business spans more than 200 countries and regions in

North America, South America, Europe, Asia, Africa and Oceania. Meanwhile, guided by the market and focusing on users, Midea builds a global user research network with foresight. Midea has established an organization for local consumer and market observation, built a digital marketing ecosystem, implemented product lifecycle management based on the changing trends of user needs and consumption habits around the world, built user touch points throughout the entire chain, and continuously optimized and matched the retail operation system for the user-growth market. Midea has reconstructed the overseas sales operation system, continuously deepened the user-oriented digital transformation, and established end-to-end procurement as well as execution processes, tools, operation mechanisms and information connection for sales orders to achieve online and visual overseas planning and order execution. Midea exerted great efforts to build the intelligent overseas commercial system, constantly deepened its data-based business decision-making capability, and created a digital platform to facilitate mobile operations overseas. 23 overseas branches were covered. A total of 45 key indicators were included, such as sales, finance, supply chain, products, and e-commerce. Furthermore, real-time online business, data transparency and sharing, and early risk warning have become available for better operating efficiency in the key part of the overseas business.

In 2022, Midea made headway towards the Global Impact strategy that has focused on the United States, Brazil, Germany, Japan and ASEAN, and initiated a special campaign for overseas branding. It not only clarified specific plans for user segmentation, product maps, brand matrices and localization infrastructure construction in strategic markets, but also invested more resources in user insight, branding, product innovation and organizational consolidation to ensure the implementation of the relevant strategies. Being customer-oriented, Midea promoted the transformation of overseas channels towards the retail end, and kept expanding and improving the distribution of overseas channels. In 2022, Midea had more than 3,000 new partners in this respect, and significantly improved its profitability at the retail end. Besides, it constantly promoted the flattening of channels, directly contacted more than 1,200 small business customers through streamlining channel hierarchy on a pilot basis in Vietnam, and recorded an annual revenue of tens of millions of US dollars through rolling out the pilot DTC retail model in Brazil and Egypt. Additionally, it promoted digital reform to improve channel efficiency and data transparency, rolled out the pilot digital channel management

mode in ASEAN region, and launched in batches the overseas "Midea Cloud Sales" platform in ASEAN market, which has been adopted by thousands of small business customers, thereby effectively optimizing store management. Midea made continuous efforts for the overseas e-commerce business, and recorded a year-on-year increase of 14% in e-commerce sales revenue in 2022. While steadily improving the fine operation capability and resource allocation efficiency, Midea built a self-developed e-commerce data analysis system to realise the digital upgrade of e-commerce business, gain insight into the development trend of products, and precipitate portrait data about core customers, thereby analysing and controlling operating efficiency and profit more quickly, more comprehensively and more conveniently. Besides, Midea continuously promoted the optimisation of product structure, and increased the average price of products under its own brands by more than 20% on the online channel in 2022. Particularly, Midea's microwave oven products made a breakthrough in the high-end market, becoming a model for product upgrade in overseas market. In addition, Midea made sustained efforts to maintain the dominant market position and channel vitality of its core product categories. Over 60 products made their way onto the top 10 best seller lists on e-commerce platforms in the US, Germany, UK, Italy and Japan. Specifically, in the online market of the US, the market share of Midea's microwave ovens and window air conditioners respectively exceeded 50% and 25%, and the sales revenue of such product categories as range hoods, refrigerators and laundry appliances also achieved a significant growth. Moreover, Midea actively fostered the ToC capability for self-operation of e-commerce. The Amazon business operated by Midea itself as a seller in the US grew tens of times in sales during 2022. Meanwhile, Midea has been actively exploring new channels and new models in the US, Japan, Australia, Singapore and other countries, and has settled in more than ten new platforms such as Otto, Rakuten, Wayfair and Microsoft. Midea strengthened overseas own branding, expedited the pace of "Global Impact" of its own brands by launching a special project for branding in North America, and enhanced the penetration of its own brands in key markets in multiple dimensions, including offline retail experience, guide team development, social media campaign and entire-house product suite marketing. Besides, Midea intensified efforts on online content marketing inside and outside relevant websites, promoted the building of Amazon flagship stores and official brand websites, gradually formed a brand flagship store matrix of three major brands and seven major websites, comprehensively upgraded content planning, visual presentation and shopping experience, established a marketing resource pool, newly cooperated with nearly 400

international famous chefs and Internet celebrities, and attracted the attention of 22 million users. Based on the expansion of diversified interactive sales scenes and the layout of diversified live broadcast modes, Midea managed to hold more than 1,500 live broadcasts with tens of millions of user interactions throughout the year. Additionally, Midea worked to, through sponsoring and cooperating with well-known foreign football clubs and sports events, especially the Manchester City Football Club in the US, the New York City Football Club in the UK, the Corinthians Football Team in Brazil, and the FF Championship, enhance the exposure of Midea brand, and expand the localised marketing of Midea brand in local markets, thereby improving the global visibility of Midea brand. Midea has created a mechanism for co-creating smart scenes overseas. By setting up the positions of IoT Product Manager and Engineer in the markets of key countries, it has localised the connectivity testing of new IoT products. As of the end of 2022, the shipment of IoT products in overseas markets had surpassed 1.8 million units, among which more than 570,000 units had been activated. Additionally, Midea had completed the construction of the international MSmartLife App as a globally unified platform for online support services, built a service team for the global application market such as App Store and Googleplay and for "in-app feedback" applications, and completed the localisation of the webpage of frequently asked questions (FAQ) for the markets of five core countries. Based on increasing resource investment, a digital ecosystem of user growth was constructed with the six major touch points of user co-creation, user services, brand official website, social media, overseas e-commerce and the MSmartLife App, and the best modes of overseas user data storage, content iteration and operation were explored. In addition, Midea promoted user growth projects worldwide, established a global digital marketing management system, improved overseas private domain traffic operation and overseas digital marketing through marketing communication and promotion, consumer touch point and user life cycle data management, and significantly improved such indicators as user conversion rate and customer acquisition of the after-sales system, thereby effectively supporting the sustained growth of sales. In 2022, Midea contacted a total of 1.9 billion people through overseas social media and interacted with 37 million users, with its official website being visited more than 9 million times. In the future, Midea will, based on the digital building of retail marketing, additionally cover 20 countries and seven languages to increase retail efficiency and improve user experience. Midea kept improving the overseas manufacturing layout and expedited the introduction of the "China-based Supply for the World + Local Supply" model. In 2022, the manufacturing base in Egypt

and the new air conditioning base in Thailand were completed and put into operation, further improving the overseas capacity layout of major household appliance products. Meanwhile, efforts were stepped up to promote the construction of the manufacturing bases base in Brazil and Mexico to effectively cover the American market. In addition, the domestic refined manufacturing system was promoted in overseas manufacturing bases, and overseas talent development was enhanced with respect to lean management, driving improvement in global manufacturing efficiency and delivery capacity. The constantly refined EHS management system provides firm assurance for the safe and stable operation of overseas manufacturing bases. Global logistics and warehousing capacity were enhanced. On the one hand, Midea deepened cooperation with global strategic partners, and created a new mode of international logistics cooperation to effectively ensure the supply of logistics resources during drastic market changes. On the other hand, it built an agile and efficient global spare parts supply chain system, set up a global spare parts centre, constantly optimised the delivery efficiency of spare parts, established a global sales operation system, improved the performance organisation capacity, promoted the transformation toward global professional operation, achieved online and visual implementation of overseas plans and orders, and refined and improved services from the four dimensions of spare parts delivery, customer contact, service network and service technology engineering to improve the overall service quality. Midea improved its global service system and global service capacity, optimised service networks of iService system (an overseas after-sales system) and cloud call centre platform, and master data management of global outlets and service projects, realised interface sharing between call centre and after-sales service system, and greatly improved the accuracy and efficiency of service. Meanwhile, it additionally incorporated such functions as speech analysis, semantic recognition and access to social media by intelligent voice robots in an effort to construct a fast-response and proactive global service system. In 2022, the introduction of Amazon Connect, a global, omnichannel cloud contact centre, into Midea enabled the Company to achieve the iterative upgrade of its global contact centre and directly reach the end customers worldwide, thereby achieving the whole-procedure closed-loop management ranging from user reaching to service completion, and dramatically improving service efficiency and user experience, while significantly reducing operating cost and improving voice call quality through the cloud-based transformation of the call centre. Amazon cloud security tool was adopted to satisfy the compliance requirements of all relevant countries for data security management. By the end of 2022,

Midea had launched the cloud call system in the six countries and regions such as Italy, Singapore, Hong Kong, Malaysia, Germany and Mexico.

In 2022, the rising cost of raw materials and the depreciation of the Japanese yen continuously affected the operations in the Japanese market. Meanwhile, the difficulty in cross-border personnel flow and the continuous fluctuation of the supply chain arising from the impact of relevant macro factors, kept all links of the business value chain under pressure. TLSC continued to deepen the synergy with the Group's product divisions in the value chain to ensure the supply of products. Measures such as price adjustments through the faster launch of new products and enhanced sales activities, improved product mix, increased retail market share and tightly controlled non-operating expenses, so as to address the impact of product costs, currency fluctuations and other factors and ensure the accomplishment of the operating objectives. During 2022, the retail sales of the Japanese home appliance market grew 3% compared to 2021, while that of TLSC grew 15%. Its market share of six major product categories combined has increased to over 14%, with the respective market share of air conditioners, refrigerators, laundry appliances, microwave ovens and rice cookers continuously growing. The organisational structure has been optimised and adjusted according to the different user scenarios, and the whole process of the business model has also been optimised and upgraded to improve organisational efficiency and market response speed, while the after-sales system has been further strengthened to improve user experience. TLSC continued to boost synergies with the Group and the relevant divisions on branding, R&D and innovation, supply chain integration, quality improvement, etc., so as to build a strong product portfolio for the global market together. By 2022, the business of TLSC has covered more than 120 countries and regions.

**E. Stepped up the comprehensive digitalization to materialize data- and platform-based operations in the whole value chain, and thus to become more competitive in the digital era**

Focusing on the “Digitization & Intelligence Driven” strategy, Midea achieves changes in the format of products, drives hardware sales through software sales and intensifies contents and services; and achieves changes in business methodology, promotes reforms in research, production and sales, and fosters disruptive changes in existing business models through an Internet mindset and Internet tools. Midea has promoted business digitization and established a data business system. After years of

digital practice, focusing on the development trend of industrial digitalization and the characteristics of industrial digitalization, Midea has established its SMART data business system. With process changes throughout the whole chain of data business, data governance to ensure data specification and availability, high-value data assets constructed relying on the public layer, data products and data applications have been created with data technology.

In terms of domestic sales, Midea adhered to the "Direct to Users" and "Digitization & Intelligence Driven" strategies and the "customer-oriented" principle, and worked to improve the efficiency of the omnichannel value chain with data-driven measures. Specifically, Midea launched the Midea Cloud Sales platform to continuously promote the reform and development of its domestic sales channels by a "non-face-to-face" transaction mode. Through such business reforms as entire-house sample store, cloud warehouse, omnichain inventory sharing, omnichain big data application, and auxiliary decision-making, Midea continued to support the efficient implementation of the reform of direct retail in combination with the optimisation and iteration of the Midea Cloud Sales platform system. Meanwhile, Midea further improved the brand mindset of users and the platform-based retail operation, launched 360 series data products covering online and offline product sales chains, realised omnichain data monitoring and problem diagnosis, provided sales optimisation strategies to improve product sales, and increased the return on investment (ROI) in marketing by 15%. Additionally, Midea optimised store site selection using a data algorithm, and kept empowering channel reform by digital means. In August 2022, Midea launched a data model for store siting, which can rapidly improve the efficiency and accuracy of siting. Particularly, the hit rate of the recommended digital siting for COLMO brand stores reached 86%, with the siting efficiency increasing by more than 10 times. In terms of overseas sales, Midea effectively supported the "Global Impact" strategy, deepened the development of digital capabilities of the system driven by the original equipment manufacturer (OEM) and own branding & manufacturing (OBM), promoted the digital transformation of overseas business in line with local circumstances, and supported the product plan based on user insights to upgrade its overseas products in an all-around way. Besides, Midea refined the capability for OEM best practice, improve the business capability for in-depth cooperation with OEM customers and the customer service capability with respect to corresponding functions. Based on new technology architecture, Midea built the iBOS platform for the integration of overseas sales. With the

collaborative planning, forecasting and replenishment (CPFR) model, whole-procedure visualisation of overseas orders, and other features, the iBOS platform can improve the execution and delivery efficiency of overseas orders at a much lower cost. Additionally, Midea independently developed the MCC channel management system to support the channel management reform for overseas markets, and promoted digital products and experience with respect to domestic sales to overseas markets, with great pilot results being obtained in retail and channel distribution. Furthermore, Midea comprehensively upgraded the overseas localised digital marketing platform in Brazil on a pilot basis, to shore up the ToC capability development of overseas markets. Midea also pushed ahead with the establishment of the overseas user operation and membership system, and rolled out the overseas contact centre system in the Asia-Pacific region in an all-around way, thereby providing better services for users of the OBM business. The construction of digital systems in manufacturing bases in Thailand, Italy and Egypt was completed, contributing to the improvement of the efficiency of overseas manufacturing. In terms of R&D, following the "Technology Leadership" strategy, Midea steadily promoted the digitalisation of R&D, improved its digitisation and intelligence capabilities in multiple application areas such as technology innovation, user research, digital simulation and verification, software-defined hardware, development of the global platform cluster, and C2M customisation, increasing the online processing rate, transparency rate and digitalisation rate of R&D to 85%, 80% and 40% respectively. In addition, Midea built a digital planning platform to rapidly translate technological capabilities into popular products, and kept promoting the modularisation of platform, increasing the hit rate of product planning and the benchmark efficiency of platform by 15% year on year, and shortening the average development period by 10%. Furthermore, Midea started the digital simulation era, established a unified digital simulation platform and simulation talent system, and drove the transformation toward an efficient and collaborative R&D. In terms of supply chain and manufacturing, Midea promoted the transformation toward an end-to-end integrated supply chain, established the management system for integrated supply chain (ISC), developed industry-leading capabilities in regard to order execution, global supply chain management and agile delivery as well as highly-flexible, highly-efficient, and highly-elastic agile delivery capabilities to achieve intelligent channel replenishment and improve inventory turnover, built the sales and operations planning (S&OP) cockpit to improve the synergy efficiency of production, supply and sales of the whole value chain, and established the commitment mechanism of sales and production by order pre-scheduling

rules. In addition, Midea improved resource sharing in such aspects as electronics, sheet metal, injection molding, mold and labour, adopted the big data technology for intelligent stocking and replenishment, and managed to complete the stocking and replenishing of all product portfolios warehoused in an hour, thereby supporting the improvement of manufacturing capability. The data linkage between the intelligent order centre and the intelligent plan centre was constantly upgraded to support the global operation of Midea as planned, and the M-IoT industrial Internet platform was continuously improved and recognized as a "cross-industry and cross-field platform" by the Ministry of Industry and Information Technology. Based on the M-IoT industrial Internet platform, Midea has built a number of green benchmark factories and dark workshops with high quality and great flexibility, as well as benchmark factories featuring the full access of washing machine to 5G. Increasing the production efficiency and reducing the defective rate by more than 30%, the benchmark factories are being rapidly replicated to multiple manufacturing bases. Moreover, the project "Pilot Demonstration of Information-based Digital Navigation for Air Conditioning" was selected into the "List of Pilot Demonstration Projects for the Integrated Development of Next-generation Information Technology and Manufacturing in 2022" of the Ministry of Industry and Information Technology. For external customers in the industry, M-IoT has created a total of 75 effective solutions in combination with industry application scenes. Covering nine key areas such as R&D, design, manufacturing, and supply chain management, the aforesaid solutions have helped more than 400 large-scale enterprises achieve digital transformation and upgrade. In the process of operation and management, Midea has fully promoted the objective and key result (OKR) system as well as management by objectives and collaboration, improved the digital collaboration platform, strengthened the fundamental capabilities of office platforms, and enhanced the efficiency and transparency of cross-team collaboration. The five scenes of smart logistics have been extended to more than 30 industrial parks across the country, expanding the coverage of administrative services and improved customers' experiences when they provide services. By creating a unified bidding invitation and procurement platform for Midea Group, all scenes designed for non-production materials have been unified, network-based, and process-based. With the optimization of the process efficiency as the core lever, Midea has further clarified the decentralization system and has achieved reciprocity between power and responsibility. It also has constantly boosted organizational vitality. As a result, the process efficiency of the core value chain covering research, production, sales, and supply has increased by

10%; the process efficiency of finance and other functions has risen by 30%; the process efficiency of the office automation (OA) system has climbed by 50%.

Midea strengthened the construction of the digital base, and built a new CloudNative platform for corporate digital application to reshape the business foundation model by virtue of the CloudNative architecture. In 2022, the number of micro services accessed to the CloudNative platform increased by 87%. Midea further developed the PaaS technology platform by initiating the overseas layout thereof and building PaaS stations in Hong Kong, North America and Europe, thereby empowering the international OTC projects of Midea and increasing the overall response efficiency of overseas business by more than 50%. As of the end of 2022, the number of services accessed to PaaS Technology had increased by three times, and the total amount of API requests of PaaS components increased by five times. The big data base of the one-stop data platform was comprehensively upgraded, accompanied by a 40% reduction in overall cost and a 30% increase in resource efficiency. Continuous efforts were made to promote the security transformation and performance optimisation of databases and to optimise the power usage efficiency (PUE) of data centres. As a result, the overall performance of databases was improved by three times, and the PUE of data centres decreased by more than 10%. In March 2022, the contract for the cloud project in Guian New Area was officially signed. The project will meet the computing need of Digital Midea in the next ten years and provide a guarantee for Midea to develop into a leader in the IoT era. The data-empowered business was comprehensively promoted, and data governance strengthened. Through covering core business scenes such as R&D, supply chain, marketing and manufacturing, Midea boosted the standardisation of data and the efficiency improvement and cost reduction of relevant business. Moreover, Midea cultivated more high-quality digital talents through establishing the standards and systems for cultivating digital talents. Midea systematically trained nearly 10,000 people in 2022. In addition, in terms of information security, Midea has basically established a system of security defence in both depth and breadth, and a 7\*24h safety operation system, which can, in combination with the integrated and efficient digital operation maintenance base, effectively ensure the safe and stable operation of business.

Midea put continuous efforts into the R&D of artificial intelligence (AI) technologies, and

comprehensively promoted the application of intelligent technologies. In 2022, Midea AI Innovation Center put continuous efforts and achieved application breakthroughs in four fields, namely smart home empowered by AI, smart manufacturing empowered by AI, smart medical services empowered by AI, and household robots. WISHUG, the home service robot brand of Midea, has been unveiled, together with XIAOWEI, the first-generation robot product of the brand. XIAOWEI has been mass-produced and put on sale. XIAOWEI has four core features, namely AI housekeeper, home assistant, security guard, and technology playmate. Besides, the voice full-stack technology developed by Midea has been applied to its home appliances of all categories. At present, five voicers with different characteristics have been launched online together with stable text-to-speech (TTS) services, with a successful voice recognition rate of over 90% in home appliance control. Midea has also created a graph of nutrition and health knowledge for the vertical field of the home appliance industry, the largest of its kind, which can provide fundamental data support for such scenes as human-robot interaction, smart customer services, and active services. Additionally, Midea has achieved the combination of navigation technology, SLAM (simultaneous localisation and mapping) scheme framework, and SLAM algorithm based on multi-sensor fusion, providing more stable and reliable positioning and better environmental adaptability for the robot system. Meanwhile, Aidget, an edge AI deployment tool chain independently developed by Midea, has been delivered, mass-produced and applied in such products as smart refrigerators, dishwashers and home service robots, and has been simultaneously launched in the two communities of GitHub and OpenAI under the support of its developer, which is expected to help Midea boost the co-creation of AI ecology together with the developed, and thus empower technical development of the industry. Thanks to its continuous efforts in the AI-based platform empowerment R&D system, Midea has already launched data annotation platform, model training platform, knowledge graph development platform, AI dialogue development platform, visual open platform, XiaoMei voice interaction platform, etc., greatly improving the product development efficiency. Furthermore, the first voice AI chip of Midea has also completed the preliminary module manufacturing on a trial basis. In 2022, the Ministry of Science and Technology announced the latest batch of "National Open Innovation Platforms for the New Generation Artificial Intelligence", clearly supporting Midea's construction of the "National Open Innovation Platform for the New Generation Artificial Intelligence on Intelligent Service Robot". Midea will rely on the aforesaid platform to achieve innovation breakthroughs in key core technologies.

**F. Promoted the strategy of “Digitization & Intelligence Driven” and accelerated the implementation of “Comprehensive Intellectualization” to “Customize a Smarter Midea Life for You”**

In 2022, M-IoT remained committed to improving the comprehensive user experience of Midea products, perfecting the building of open platform capability, consolidating the entire-house basic guarantee capability, and creating customer-oriented Midea Smart Life solutions, so as to provide users with whole-scene experience services and more quality ecosystem value-added services, and create more convenient, open and reliable "Midea Smart Life". Focusing on themes such as kitchen, balcony, bathroom, living room, bedroom, entire-house air and entire-house water, M-IoT accelerated the launch of smart entire-house solutions with full-scenario experience in the pre-installation market, while continuously iterating and optimizing such solutions based on the demand of the pre-installation market, thereby satisfying the demands of customers. Midea offered users with stable and smooth client end usage experience through improving the comprehensive performance indicators of the MSmartLife App to industry-leading level, and further improved the capability for configuring smart home scenes and improved the linkage efficiency of device access scene through creating an industry-leading IoT technology platform. Over 95% of smart devices support scenario-based interaction by the end of 2022. Midea's smart scenarios were executed more than 300 million times. Through scenario-based user connection, the number of users of multiple scenario-based devices has been growing steadily.

Midea has built a comprehensive test and experiment base covering communication modules, smart home control applications, entire-house intelligence and other business fields, which can provide basic guarantee for Midea to offer the best entire-house intelligent experience for hundreds of millions of families around the world. With the protection of user privacy and data security at the core, Midea has continuously built and improved the Midea smart home security system that is in line with the standards of the domestic and overseas industry, which has been CNAS, ISO 17025, UL, and SGS certified by many authorities. In 2022, the China National App Administration Center (CNAAC) carried out an all-around inspection of information security and privacy protection of the MSmartLife App and awarded the app "CNAAC App Security Mark". The M-IoT Laboratory was granted the radio

frequency QTL qualification by UL Solutions, which allows Midea to complete all tests on relevant products by virtue of its own laboratory equipment. The authorisation of QTL qualification will help Midea effectively shorten its product testing cycle, further improve the efficiency of product testing, and support and promote its product layout in overseas markets. According to the result of the appraisal of excellent cases for practicing the national standards on cybersecurity on the 20th anniversary released by the National Information Security Standardization Technical Committee, Midea was the only home appliance business that was included in the list and won a case award for "the application of personal information security standards to smart home". Besides, the mobile security technology of Midea's MSmartLife App was included in the "2022 Security Guard Program Excellent Cases" by the China Academy of Information and Communications Technology (CAICT) and the China Communications Standards Association (CCSA). As such, M-Smart is considered industry-leading in terms of data security. Meanwhile, as a member unit of the Council of the Connectivity Standards Association (CSA) and a contributor to and participant in the formulation of the Matter Protocol, M-IoT joined hands with ecosystem partners such as Amazon, Google and Apple, to promote the establishment and application of the Matter Protocol, and Midea U-shaped Window Air Conditioner has been among the first to be Matter-certified, thus contributing to the building of an open global smart home ecosystem. During 2022, M-IoT played an active part in the drafting and formulation of relevant industry standards, thereby promoting the wider popularization and application of new industry technologies. In the year, four of these group standards in the smart home appliance industry were issued, including Technical Requirements for Smart Home Appliance Sets, Application Guide for Knowledge Graph of Smart Home Appliances, Assessment Model of Intelligence Capabilities of Smart Home, and Technical Specifications for WLAN Modules of Smart Home Appliances and Connection Performance of the Whole Machine.

**G. In view of consumer stratification, launched multiple brands and diversified product portfolios, and enhanced the promotion of the core values of these brands to empower retail sales and user operation**

COLMO serves high-end users with high-end smart products. Its overall sales reached over RMB8 billion in 2022, up 100% year on year. In terms of product, after three years of development,

COLMO's entire-house high-end smart products have basically satisfied all the demands for electrical appliances in home life by covering the five entire-house systems of entire-house distributed intelligent control, entire-house air, entire-house water, entire-house food nutrition and enjoyment, and entire-house washing and care, preliminarily establishing a leading high-end smart life solution in the home appliance market. In 2022, COLMO launched the EVO suite to, following the product concept of "extremely built-in, on-demand customisation, and home integration" and the brand spirit of being rationally aggressive, continuously satisfy the new demands of high-end users for kitchen life and provide a natural kitchen life. With a vision of "providing global high-end users with an all-inclusive high-end smart life solution", COLMO started in 2021 the evolution and upgrade from high-end smart product suites to high-end entire-house smart systems, took the lead in proposing higher-end entire-house intelligent solutions centered on "Smart Villa Expert" in early 2022, achieved in-depth intelligent control of smart home by integrating entire-house appliances with the smart screen of central air conditioner, sketched a new picture of smart entire-villa control, and launched the "Smart Villa Expert" solution together with five core "Smart Villa" systems to consolidate the industry positioning of "smart entire-villa control". In terms of branding, COLMO takes the lead in proposing the concept of "Smart Villa Life, COLMO Lifestyle" to lead the life evolution of 1% high-net-worth customers worldwide, exclusively sponsors the third season of Life Evolution, a high-end talk show, and becomes the entire-house smart home partner of Our Folks 2022, an annual super variety show in 2022, with a view to, through cooperation with various fields such as culture, art, sports and architecture, presenting a higher-end COLMO Lifestyle from different dimensions. In terms of user and market, COLMO has made continuous efforts to reach and spiritually resonate with high-end users, and has worked hand-in-hand with more than 520,000 high-net-worth customers since its launch. According to the data from AVC, the proportion of COLMO products in the high-end market increased significantly in 2022, with the water dispenser products occupying more than 65% of the offline high-end market, water purifier products and floor-standing air conditioners more than 20%, and dishwashers more than 13%. In terms of sales channels, to provide high-end users with better entire-house smart experiences, COLMO collaborated with the international fashion media group Marie Clarie to build a high-end, stylist architectural and cultural landmark, the COLMO "Villa Intelligence Beautiful Home" Experience Space, in Sino-Ocean Taikoo Li Chengdu. Additionally, it further expanded the high-end whole-scene channel by setting up over 270 smart experience pavilions across more than 120 major cities.

As a world-renowned home appliances brand with a century-old history, Toshiba is committed to providing users with inspiring, perfect products and services. With strict requirements for the entire production flow and quality inspection criteria higher than international standards, Toshiba has become the bellwether of international quality in the home appliance industry. In recent years, Toshiba's increasing sales in China have made it a new choice for high-end home appliances in the country. To create a leader in a high-end, exquisite and star-level lifestyle, Toshiba continued its efforts in 2022. In terms of product, it constantly improved the layout of home appliances of all categories, created an industry-leading mainline of core technology, and launched a series of annual popular single products such as the "479 Large White Peach" and "429 Small White Peach" refrigerators, X10 Heat Pump Washer-dryer, XD95 Superheated Steam Oven, Dishwasher S5W with 15 place settings capacity, and RC-10IH Rice Cooker, with a view to building the ingenuity and craftsmanship mindset following the "product as band" concept. In terms of marketing, campaigns were carried out for different user circles, including food lovers and mothers, to achieve precise marketing and sustain inbound marketing through targeted membership coverage combined with KOL recommendations. Toshiba's brand proposition of "Details Matter" is aimed at a wide range of sophisticated lifestyle consumers, and in 2022, Toshiba gathered celebrities to promote the IP "Craftsman of Life" at Xiaohongshu for all product categories, and launched a series of shop experience activities under the theme of "Details Matter for Toshiba". In terms of channel, Toshiba actively promoted retail transformation. In 2022, Toshiba completed the cooperation with nearly 80 brand operators, built 130 star-level life pavilions, promoted the joint development of Toshiba's white goods of all categories, and made continuous efforts to ensure a unified image at the retail end. In terms of market, the total retail sales of Toshiba products in the domestic market surpassed RMB2 billion in 2022, a year-on-year increase of more than 55%. During the "Double 11" sale, the online sales of Toshiba increased by 100% year on year.

WAHIN continued breaking the boundaries of traditional home appliance models. The brand insists on innovation, embracing the Generation Z with "Trendy Designs, Practical Functions and Fun Interactions". Its operating revenue exceeded RMB7 billion during 2022. It has established the slogan "Young and Daring" for branding, and positioned itself as a brand of "young, high-tech and trendy appliances", continuing to provide users with good-looking, interesting and surprising products with

easy-to-use technology. In 2022, WAHIN integrated marketing and upgraded the anime IP WAHIN Girl to an ultra-high-simulation digital human, who won the 2021 Forbes Business Value Award for Virtual Humans in Chinese Home Appliance Industry and reached 150 million users while serving as the brand's digital manager. In the meantime, WAHIN cooperated with the School of Journalism & Communication of the Peking University and the School of Arts Administration and Education of the Central Academy of Fine Arts, using a young brand positioning to gain penetration into and resonance with young consumers. On the May 4th Youth Day, WAHIN announced a full range of new products at its "Dare to Be a Youth to Step Forward" Launch, being the first to provide good-looking suite products in all categories. Meanwhile, with the help of professional esports players, its new products kept breaking the circle, attracting over 200 million unique visitors overall. Additionally, the brand released the idea of "Lite Smart" that gradually covered all product categories, with the philosophy of being instantly discovered, instantly connected and instantly controlled for the "Lite Smart 2.0" software products. During the "Double 11" sale, WAHIN launched the "resume-based customized package", achieving an overall exposure of more than 100 million UV in collaboration with the TV program "Exciting Offer". In terms of sales, the sales of WAHIN products reached close to RMB1.6 billion during the "618" promotion in 2022, up 80% year on year. Particularly, WAHIN refrigerators ranked among the top three in JD.com, Tmall and Douyin, grew 10 times from the previous year at the self-operated store on Pinduoduo, and sold 95,000 units via livestreaming. During the "Double 11" sale, WAHIN air conditioner products ranked top three in retail sales on JD.com, and Douyin platforms, among which WAHIN 2 HP wall-mounted air conditioner ranked first online. In terms of branding, in 2022, WAHIN air conditioner products kept expanding content precipitation and improving brand volume by the strategy of "professional expert content + user recommendation". Furthermore, more than 10,000 articles were published online in WAHIN's air conditioner-focused content marketing during the "618" promotion. Notably, the search index of "WAHIN air conditioner" increased by 300% on Xiaohongshu and by 260% on Zhihu. During the "Double 11" sale, by positioning crowd portraits and accurately matching KOL matrix, WAHIN triggered a social media topic of "WAHIN 2 HP Wall-mounted Air Conditioner", with an exposure of more than 40 million UV outside the online channel.

**H. Seized market opportunities amid domestic and international circulations, responded to**

**China's goals regarding "carbon emission peak" and "carbon neutrality", made technological breakthroughs and innovations, and kept improving the ToB business landscape**

Midea Industrial Technology Business Group is a co-builder in digital transformation and green sustainable development across the global pan-manufacturing sector. With the vision of "Technology Drives the Whole World", it provides high-tech, reliable, and eco-friendly industrial products and solutions in four major fields: intelligent transportation, industrial automation, green energy, and consumer appliances. The Industrial Technology Research Institute and a strategic development organisation have been established in 2021. It focuses on both independent development and acquisitions, and centres around a solid technical foundation, including heat management technology, drive technology, control technology, energy technology, chip technology, etc. In the four major areas, a complete industrial chain layout and technical matrix have been formed, covering information, control, drive, and execution. It continues to increase investments in the development of key and cutting-edge technologies, with R&D investment exceeding RMB1 billion in 2022, and over 50% of R&D personnel having master's or doctoral degrees. At the same time, it continues to increase the recruitment of senior experts in the industry. In 2022, Midea Industrial Technology received numerous industry awards, including an Excellence Award at the 23rd China Patent Awards for the invention patent "Compressor and Heat Exchange System with it", in addition to one Gold Award and two Silver Awards at the Guangdong Patent Awards, as well as one Gold Award and two Silver Awards at the Anhui Patent Awards. The Industrial Technology Business Group's "Research and Application of Key Technology of Low-noise, Heavy Rare Earth-free Permanent Magnet Motor for Compressors", "Research and Application of Key Technology of Lightweight, Silent and High-efficiency Compressor for Refrigerators with High Volume Rate", "Research and Application of Key Technology of High-overload Permanent Magnet Synchronous Motor Drive System for Home Appliances", "Key Technology and Application of Variable Capacitance Driven High-efficiency and Miniaturized Memory Motor System for Home Appliances", and "Application of Micro Phase Change Heat Pump Technology for Typical Home Appliances" were all certified as "Internationally Advanced" by the China National Light Industry Council. "Research and Application of Key Technology of High-overload Permanent Magnet Synchronous Motor Drive System for Home Appliances" also won the 2022 China National Light Industry Council Technology Progress Award (First Prize). Additionally, three products,

including "New-type High-efficiency, High-speed Variable Frequency Scroll Compressor", "New-generation Ultra-efficient Air Conditioner BLDC Motor", and "New-generation High-volume-rate Refrigerator Variable Frequency Compressor" were selected as the 2022 Energy-saving and Eco-friendly Products by the China Association of Refrigeration.

Midea Industrial Technology made constant efforts for consumer appliances and consolidated its leading position in the industry. According to data provider ChinaIOL, in 2022, the global market share of residential A/C compressors rose to 44%, continuing to be the largest, while the sales volume of compressors for heat-pump heating and chilling units went up 50% year on year. The global market share of refrigerator compressors reached 16.7%, thus ranking at the forefront of the industry. The unit sales of motors for residential air conditioners and laundry appliances accounted for 39% and 17.5% of the global figures respectively, still leading the way in the industry. The whole-new M Series DC Compressor for car refrigerators has been launched to the market in May 2022, with the sales volume surpassing 150,000 units in 2022. Furthermore, Midea Industrial Technology continues to expand its focus on the four major product lines of MCU, IoT, power supply, and power chips. Annual sales have surpassed 10 million, with quality indicators ranking at the international leading level among comparable products. Concurrently, the company has supplied products to more than 30 manufacturers. Midea continues with digital and intelligent transformation and keeps expanding and improving its capacities. The Foshan Xingtan Base for components of consumer appliances has been established to make a forward-looking layout in intelligent manufacturing of mechanical and electrical products. Midea has comprehensively automated, digitalized and intellectualized the production layout, process design and production management, seeking to build an Industry 4.0 intelligent manufacturing demonstration base in China. The integration work on the Thai compressor company proceeded well, which has helped significantly increase the overseas production capacity of refrigerator compressors. The first phase of the Thai motor factory's construction has been completed, initially establishing overseas production capacity for ECM motors. Midea Industrial Technology remains dedicated to developing the Indian market, and its first self-built overseas A/C compressor base completed the delivery of its initial batch of orders by the end of 2022. This accomplishment lays the groundwork for rapid growth in overseas strategic markets and further enhances the global supply capability of core components. Deepening its focus on intelligent transportation components, Midea

Industrial Technology leverages its solid core technology in the consumer electronics field to quickly develop three major product lines: Automotive Grade thermal management, electric drive systems, and chassis execution systems. The existing eight product lines of the three major systems gradually went into production. In terms of technological breakthroughs, it has developed cutting-edge CO<sub>2</sub> automotive electric compressor technology to overcome the industry's pain points in low-temperature heating and has launched the world's first high-speed electric SiC compressor operating at 800V and 12,000rpm to address user pain points such as slow charging and short range. Simultaneously, it has broken through the bottleneck of large-scale flexible production of flat-wire motors. In terms of market expansion, an overseas local marketing team has been established. In 2022, the cumulative sales of products reached nearly 200,000 sets, with nearly 30 new designated cooperation projects added, and the total output value of orders generated by designated cooperation projects is expected to exceed RMB8 billion in the future. In terms of production capacity assurance, the new energy vehicle parts manufacturing base in Anqing was completed and put into production in 2022, with an annual production capacity of 1 million electric compressors, 1.2 million EPS steering motors, and 200,000 drive motors. Midea Industrial Technology Business Group acquired WuHan TTium Motor in April 2022, officially entering the field of two-wheeled travel and expanding the core components of two-wheeled pedelecs. By introducing Midea's supply-chain system and advanced experience of large-scale production, it set up modern factories in China and Vietnam to continuously provide customers with high-quality products. Additionally, at the Eurobike 2022, it launched three large crankset center motor products with technical advantages such as high power density, high efficiency, quick response and low loss rate, attracting extensive attention. In the field of industrial automation, Midea Industrial Technology's two major brands, Servotronix and Hiconics, provide complete solutions from the sensing to the control level for customers in the process, hybrid and discrete industries, helping industrial customers improve quality and efficiency, and achieve digital transformation and green development. As an integrated solution provider in the field of automation equipment, Servotronix focuses on the entire industrial automation chain, including software tools, equipment control, servo drives, servo motors, and encoders, continuously providing customised motion control solutions for customers in various fields. In 2022, its linear drive product revenue increased by over 55% year on year, and it actively cultivated and expanded overseas markets, with overseas revenue in 2022 significantly increasing by approximately 140% year on year. Relying on its leading technology

advantages, Servotronix successfully developed and launched the enhanced DS2P servo drive in 2022, significantly improving the comprehensive performance of the servo system, and introduced core products and solutions such as the softMC703 High-performance Multi-axis Controller, softMC Compact 301 Compact Motion Controller, and CDHD and CDHD2 High-performance Servo Drives. With "high-speed, high-precision, and high-performance" customised solutions, it continues to expand the application of existing products in new fields, covering industries such as lithium batteries, photovoltaics, semiconductors, robots, laser processing, and consumer electronics. Meanwhile, it focuses on pain points in emerging markets, launching a series of product combination solutions, and demonstrating superior performance in intelligent manufacturing scenarios such as laser precision cutting, lean manufacturing of die-bonding machines, precise control of six-axis robots, and precise positioning of visual inspection equipment. At the 2022 China Motion Control and Linear Drive Technology Industry Development Summit, Servotronix won the "2022 Linear Drive Brand Influence Enterprise of the Year" award for its contributions and innovative technology to the industry. Hiconics successfully developed and launched a new generation of high-performance high-voltage frequency converter HCA series products in the high-voltage inverter field, comprehensively improving operational efficiency, energy-saving effects, and human-machine operation. The leading domestic power plant's "First Domestic Water Pump High-Speed Direct Drive Frequency Conversion Energy Saving Retrofit Project" was successfully retrofitted and put into operation without stopping the machine, significantly improving the overall power-saving rate after the retrofit. In the low-voltage inverter field, a new generation of high-performance vector inverters CM530H-PLUS, which can be widely used in asynchronous motor/synchronous motor speed control, was introduced. It can achieve higher performance and precision in motor drive control, compatible with multiple bus communications, with rich functionality and strong interconnectivity. Through the perfect "Motor + Drive + Oil Pump" industry solution, the high-end low-voltage inverter product ES300 was launched, successfully entering the top hydraulic industry customers. Midea Industrial Technology actively deployed core component technologies such as valves and reducers, and achieved mass production of HVAC electronic expansion valves in 2022. The independently developed "Harmonic Reducer High Precision Long Life Design Technology Research and Application" was certified as "Internationally Advanced" by the Guangdong Mechanical Engineering Society. In the green energy field, Midea Industrial Technology continued to lay out the entire energy value chain of "sources, grids, load, and

storage". On the "source" side, photovoltaic engineering projects made breakthroughs in multiple scenarios, saving customers millions in annual electricity costs; on the "grid" side, intelligent micro-grid adopted the "self-generation and self-use, surplus power to the grid" model, providing corporate customers with whole life cycle solutions including project planning, design, construction, and operation and maintenance, helping to achieve "low cost, low risk, low carbon emissions", and providing intelligent micro-grid and SVG dynamic reactive power compensation devices for intelligent and stable grid and micro-grid management; on the "load" side, the use of high and low voltage inverters significantly improved energy-saving and consumption reduction for industrial enterprises; on the "storage" side, household energy storage products and integrated photovoltaic storage solutions were successfully launched, with overseas market orders exceeding RMB100 million.

Midea Building Technologies, with the mission of "co-building sustainable smart space" and the vision "to be a global leader in building technology", has transformed from a commercial air conditioning product supplier to an integrated solution service provider for intelligent building ecosystems. Currently, Midea Building Technologies has six major product manufacturing bases and seven R&D centres worldwide, with a sales network covering global markets. It has formed the largest and most comprehensive professional smart building product matrix and service network in China. At the "Make iBuilding come TRUE" building technology conference held in early 2022, Midea Building Technologies released the "iBUILDING, Midea Building Digital Platform" to empower hardware products and promote business transformation. The platform serves as a digital foundation and integrates hardware equipment such as MDV multi-unit central air conditioning, K WING chiller central air conditioning, LINVOL smart elevators, KONG building automation, and business services such as carbon consulting, carbon management, and contract energy management. This integration forms four industry solutions for smart low-carbon, smart rail transit, smart hospitals, and smart industrial parks.

In the domestic market, according to the data from ChinaIOL.com, Midea Commercial Air Conditioner has continued to rank first with respect to domestic market share in 2022. It leads the domestic brands in the multi-split market with a market share exceeding 18%. According to Commercial Air Conditioner Market data, the market share of both Midea's air-cooled screw chillers and water-cooled

screw chillers is the highest among domestic brands, and the annual sales volume of Midea's centrifugal chillers exceeds 1,600 units, ranking first among domestic brands. In the overseas market, data from ChinalOL.com show that in 2022, Midea accounted for 29% of China's total central air conditioning export value, ranking first. Midea's air source heat pump product exports increased by more than 160% year on year. According to the European Heat Pump Association's data forecasts, to achieve the REPowerEU plan, the number of heat pumps in the European market will increase from the current 17 million units to 60 million units by 2030. Midea Building Technologies is continuously expanding its heat pump production base in Italy, with an annual production capacity of 300,000 units. The future delivery cycle of heat pump products will be shortened to one month, comprehensively enhancing Midea's competitiveness in the European market. Midea Building Technologies has launched the iEasyEnergy "light storage and heat flex" integrated solution in Europe. Based on the "dual storage" system, combined with "zero-carbon" heat pumps and flexible control, the energy self-sufficiency rate can be increased to 90%. The Aqua Thermal Super commercial hot water product, with its high efficiency, reliability, and energy-saving features, can provide hot water at 65°C even at -25°C extreme low temperature. The ESG series frequency conversion swimming pool heat pump is Midea's first net-zero energy consumption product, manufactured on a zero-carbon production line and certified by SGS for zero-carbon emissions. The product uses recyclable materials for the body and packaging, environmentally friendly R32 refrigerant, and can utilise clean energy from rooftop photovoltaic panels and connect to energy storage systems during operation to achieve energy-saving and emission reduction.

In terms of product innovation, Midea Building Technologies launched many new products in 2022 to strengthen its business in areas such as commercial air conditioning, building automation, and elevators. This includes the launch of two innovative products under the new chiller brand "K WING", where the magnetic levitation ice storage dual-condition unit uses industry-first horizontally-opposed compression technology to help bearings overcome disturbances caused by inertial forces generated during compressor operation, thereby improving the machine's reliability. The air levitation centrifugal unit adopts the industry's first non-equal height foil oil-free air-floating bearing, solving the problem of low bearing capacity in traditional units, increasing the overall bearing capacity by 52%, and improving energy efficiency by over 40% compared to traditional units. The unit has a small size and

occupies an area of only 0.78m<sup>2</sup>, with modular installation and easy disassembly. The MDV8 Unbounded VRF, loaded with digital sensors and MDV-Link chips, reconstructs the integrated value of space, air, and people. Midea's fully variable frequency air-cooled chiller (heat pump) offers heating and cooling, environmental protection, energy saving, intelligent technology, and health and safety features. The energy-saving, comfortable, and smart MDV FIT unit is designed specifically for small and medium-sized commercial spaces. The modular evaporative cooling scroll chiller has smart control, high-efficiency energy-saving, and modular combination features, with independent dual systems and a whole-machine anti-corrosion design. Midea Precision Machine Room Air Conditioner offers a variety of modes, such as fluorine pump natural cooling, variable frequency regulation, precise control, wet film humidification, and mixed cooling. In the field of building automation, Midea launched the building intelligent control system "NZ" with cloud-edge collaborative capabilities based on the KONG C3SI building automation strategic path, as well as the "WU KONG Smart Ward Solution" aimed at smart medical scenarios, efficiently and rapidly promoting the application of IoT technology in the field of smart buildings from three aspects, i.e. software, data, and services. Midea Building Technologies' digital and intelligent elevator brand LINVOL launched two new villa elevators, "HOMI" and "CUBY", the first digital and intelligent passenger elevator series, "EVIN" Machine Room Less and "EVIK" Mini Machine Room, as well as the retrofitted digital elevator with safety protection and intelligent and convenient access for the elderly, "EVIN-X". Meanwhile, an iBUILDING-based intelligent elevator management platform has been launched, empowering building traffic with whole-new digital and intelligent solutions.

As building energy consumption is increasing its proportion of the energy consumption of the whole society in the progress of urbanization, accelerated efforts have been made in the construction of "zero-carbon buildings" with "green energy system" as the core. In building energy management, the iBUILDING Midea Building Digital Platform conducts intelligent energy adaptation and management with a customized design based on the building's characteristics. In 2022, iBUILDING expanded its smart building business from industrial parks to hospitals and public facilities. Midea Building Technologies secured project orders for the Shanghai Citigroup Tower, Douyin Group's Shanghai Headquarters, iSoftStone, and Vanke Group. iBUILDING's zero-carbon solutions continuously strengthened their presence in zero-carbon parks, assisting projects like the Midea Industrial Park

West District, Chongqing Chiller Factory, and Jingzhou Factory in achieving carbon neutrality. In the western part of Midea Industrial Park, iBUILDING connects the systems of power grid, carbon trading, energy and HVAC to deliver "low-carbon and energy-saving" in every link. In terms of power generation, the platform developed a distributed photovoltaic + energy storage integrated project on the roof of Midea office buildings. In terms of power consumption, energy is saved by the MDV8 Unbounded Multi-split Machine with digital sensors through space characteristic recognition, system refrigerant temperature judgment, and self-adaptive indoor machine air and flow volume. Moreover, by connecting the park's carbon management system, iBUILDING provides the trading of carbon emission rights and green certificates, building a model project for zero-carbon buildings. In Shanghai Tongji Hospital, centering on people and equipment, iBUILDING makes deep involvement of building automation system and new technologies such as cloud computing, big data, IoT and artificial intelligence in smart building management. For example, the whole process of staff entry and exit is visualized through 3D virtual hospital modeling, and the hyper-converged application of building automation system, medical special system and medical information system is realized by using the IOC platform to connect information islands. In the He Art Museum (HEM) in Foshan, iBUILDING used a digital twin model to create a "Virtual HEM", which senses the museum's temperature and humidity as well as monitors the status of precious collections in the storage cabinet in real time. Additionally, iBUILDING integrates security, operation and maintenance, elevators, and energy management into unified management to achieve interconnection between devices, customer-oriented experience and full life cycle management of buildings, effectively supporting the better operation of HEM. In Shenzhen's Meilin Vanke Center, the Space Tech Energy Management System was built based on iBUILDING. It not only solves the energy data statistics and predictive analysis of existing buildings but also provides energy optimization suggestions based on self-developed algorithms, delivering consumption reduction targets for building through a smart operation. During the 24th Winter Olympics, Midea Building Technologies provided a wide range of products for multiple scenes, from the opening ceremony to the closing ceremony, from sports venues to logistical support, and at the window of broadcasting the event globally and the transportation hub connecting the world. It provided low-carbon, efficient and smart HVAC solutions for Winter Olympic venues and supporting buildings, including the National Stadium "Bird's Nest", the mountain broadcasting center in Zhangjiakou, Shougang Park, the National Speed Skating Stadium, Beijing-Zhangjiakou High-speed

Railway, Winter Olympic Village, and Taizicheng Snow Town, helping the event to fulfill its green commitment. In May 2022, the first phase of the Guangzhou Metro Line 7 West Extension Shunde Section officially opened. Midea transitioned from supplying single equipment for rail transit to providing integrated procurement, design, and operation services, implementing wind-water linkage and intelligent, energy-efficient system solutions at all stations for the first time. In June 2022, the final piece of the world's first desert railway, the Haruo Railway, officially opened. Midea addressed the cooling challenges faced by communication base stations in 70°C heat through technological innovation and equipment upgrades. With professional solutions and extensive global service experience in rail transit, Midea also became the air conditioning system supplier for Southeast Asia's first high-speed railway, the Jakarta-Bandung High-Speed Railway. They provided design optimisation, equipment supply, electromechanical installation, and after-sales maintenance for six building clusters, including apartments, station buildings, and train depots, in support of the Belt and Road Initiative. In December 2022, Midea Building Technologies signed a cooperation agreement with China Southern Power Grid to jointly promote the implementation of virtual power plants across five southern provinces and launch a pilot program in Shenzhen, actively exploring the commercial model and industrialisation of virtual power plants and related businesses. Additionally, several projects powered by the iBUILDING Midea Building Digital Platform received industry recognition, such as Midea Building Technologies iBUILDING IOC for He Art Museum winning the "Red Dot Award: Brands & Communication Design 2022"; Midea Headquarters Building, Shanghai Tongji Hospital, and Midea Smart Building Integrated Digital Management Cloud Platform iBUILDING Portal each winning the 16th IDA Award; and the Midea West District Industrial Park project receiving the "LEED & WELL Dual Gold Certification" from the U.S. Green Building Council (USGBC) and the International WELL Building Institute.

In terms of technology development, in 2022, Midea Building Technologies' "Key Technologies and Equipment for Urban Sustainable Development" project, focusing on "Key Technologies and Products for Human Factors Engineering in Public Buildings", was approved and included in China's 14th Five-Year Plan for National Key R&D Projects. Several technological achievements, such as "High-efficiency Supply of Multi-flavor Heat Energy from Air Source Heat Pumps" and "Key Technologies and Industrialization of Wide Temperature Range Full Condition High-efficiency Multi-split Air

Conditioning Systems", have been certified by authorities as "Internationally Advanced". Midea Building Technologies' independently developed "Variable Frequency Screw High-Temperature Water Source Heat Pump" was selected for the 2022 China Association of Refrigeration Energy-saving and Eco-friendly Product Catalog, while "Horizontal Opposed Maglev Variable Frequency Centrifugal Compressor Technology" and "Digital Simulation Key Technology for Multi-split System" were included in the 2022 China Association of Refrigeration Energy-saving and Eco-friendly Technology Catalog. Midea MDV8 Series Multi-split Air Conditioner (Heat Pump) Unit was granted the certificates of "professional, characteristic, energy-saving and refined products", low-carbon certification and carbon footprint evaluation in the inspection and assessment by Hefei General Machinery & Electrical Products Inspection Institute (National Quality Supervision and Inspection Center of Compressors and Refrigeration Equipment). MDV8 VRF was honored with multiple Tick-Mark performance certifications issued by Intertek, three of which are free topology high reliability, ultra-high temperature stable operation and ultra-high energy efficiency. In April 2022, two of Midea's star products, "Medium- and High-temperature Water Outlet Variable Frequency Direct Drive Centrifugal Unit" and "High-efficiency Modular Integrated Cooling Station", were listed in the "2021 Excellent Cold Source Products for Data Center Cooling" selected by the China Association of Refrigeration. In July 2022, at the 2022 China Heat Pump Industry Annual Conference and the 11th International Heat Pump Industry Development Summit Forum, Midea Building Technologies' "Ultra-low Temperature Air Source Heat Pump Heating and Hot Water Integrated Blaze Series Products" won the "Energy-saving and Emission Reduction Technology Progress Award for Heat Pump Technology Innovation". With the winners of the 2022 International Exhibition of Inventions of Geneva announced, Midea Building Technologies' "MDV8 Smart Building Energy Solution" project won the Gold Medal, and its "KONG Cell: Empowering Traditional DDC with IoT Technology" and "M-thermal Arctic Heating Heat Pump" projects won the Silver Awards. Meanwhile, its "Maglev Compressor High-precision Control Technology" and "VRF Smart Control Technology" won the Patent Gold Award and Silver Award of Guangdong Province. The "Control Method, Controller, and Air Conditioner for an Outdoor Fan in Heating Mode" was honoured with a Gold Award at the Anhui Patent Awards. Midea Building Technologies has a mature technology research and product development system, a research and development team of nearly 1,000 people, and invested over RMB1 billion in R&D in 2022. It has established joint research centres with Tsinghua University, Shanghai Jiao Tong University, and Xi'an

Jiao Tong University, leading or participating in multiple national and provincial-level research projects. In 2022, Midea Building Technologies reached strategic cooperation with Nanjing Yangtze River Urban Architectural Design Co., Ltd., Space Tech and Shanghai Tongji Hospital in cloud computing, big data, information security and other fields.

### **I. Promoted innovation in robotic product development, accelerated integration and expansion of the robotics business for the China market**

KUKA, a subsidiary of Midea, is a world-renown robotics manufacturer. Relying on its industry-leading movement algorithm, KUKA can ensure superior movement performance of robotics products throughout their life cycle, and its mature design concept can continuously give birth to new products able to lead the market. In 2022, KUKA continued to promote the innovation of various products and technologies. In the software field, KUKA won the German Innovation Award with its new iiQKA robotic operating system and ecosystem. Relying on its excellent applicability, modern and modular software architecture, and high performance and flexibility, iiQKA.OS can help improve development efficiency, and enable users to easily and quickly achieve automation. In the field of general industry, KUKA's new-generation KR CYBERTECH nano robotics will operate on the KR C5 micro robotics controller, which can ensure excellent operating accuracy in continuous path motion, and can thus be applied in multiple scenarios such as PCB assembly, painting, bonding, machining, polishing, packaging and arc welding. The all-new KR 3 D1200, made from innovative materials, is lighter in weight, faster in speed, and more flexible, with a maximum load capacity of 6kg and a standard cycle time of less than 0.32 seconds. It also features a self-lubricating ball bearing design. Targeting the electric vehicle and renewable energy sectors, KUKA has introduced four standard products and three cleanroom versions of KR SCARA robots, capable of handling loads up to 12kg. The 12kg-class standard and cleanroom robots both offer three different working ranges of 650, 750, and 850 mm, with the standard model's shortest cycle time ranging between 0.4 and 0.42 seconds. Moreover, the Irish technology company Votchnik has developed the ALR-4000 automation system based on KUKA's KR QUANTEC series industrial robots, which extracts hazardous gases and removes sharp-edged components to reduce harm to humans and the environment, enabling the recycling and disposal of electronic components such as LCD devices. In the field of human-robot collaboration,

KUKA's LBR iisy collaborative robot and the smartPAD pro robot controller duo have won a total of four Red Dot Design Awards and iF Design Awards. The LBR iisy is a sensitive, precise, and easy-to-operate collaborative robot. Its edgeless arm design allows personnel and collaborative robots to work safely side by side, and all joints are equipped with integrated torque sensors that can instantly detect the slightest touch. The smartPAD pro robot controller makes robot operation intuitive and simple, featuring an ergonomic product design and robust durability. In the medical field, KUKA LBR Med is a certified collaborative robotics applied in medical products. At the International Conference on Robotics and Automation (ICRA) held in May 2022, KUKA and its partners demonstrated how the LBR Med robotics could be applied in highly complex and sensitive medical scenarios such as brain tumor biopsies. Considering that the food, medicine and cosmetics industries have special hygiene requirements for robotic automation, the new "Hygienic Oil" product portfolios and "Hygienic Machine" products of KUKA are designed to avoid potential contamination and meet the higher hygiene requirements, while maintaining excellent performance in packaging, palletizing and other application scenarios that prioritize hygiene requirements. Applied with lubricants compatible with food and boasting smooth surfaces easy to clean, KUKA's "Hygienic Oil" also complies with the hygiene requirements of such standards as the EU Machinery Directive 2006/42/EC and the international DIN ISO 14159. In 2022, in terms of market expansion, KUKA and Ford Otosan signed a framework agreement, based on which KUKA will provide more than 700 robotics for the new generation of electrically interconnected commercial vehicle project at Ford's Kocaeli Plant in Turkey for such fields as the production of white vehicle body. KUKA's proprietary technologies also serve the Swedish Automotive Group. Specifically, KUKA provides such services as design and assembly of production lines for the chassis systems of the two new electric vehicles of Swedish Automotive Group at its Southern California Plant. Meanwhile, KUKA is also responsible for the transformation of the production line's logistics transportation system, which includes technologies such as spot welding, self-piercing riveting, flow drilling screw assembly and connection, and gluing. KUKA has received an order from Germany's ZF Group, a globally renowned automotive systems supplier, to provide 36 KR IONTEC series robots for use in the die-casting manufacturing of plug-in hybrid transmission casings.

KUKA continuously promotes the integration and expansion of the robotics business in the Chinese market and deepens the promotion of organizational reform with a focus on industrial applications

and key customers. Its product varieties are further enriched, supply chain bottlenecks such as core components are gradually addressed, and operating trend keeps improving overall. In terms of market expansion, KUKA China set historical records in orders and deliveries in 2022. According to MIR Industrial's forecast analysis, KUKA China's domestic industrial robot shipment share reached 8% in 2022. KUKA continued to deepen its cooperation with leading clients such as BYD, Tesla, FAW-Volkswagen, NIO, and CATL, providing comprehensive solutions for new energy vehicle manufacturing. Additionally, after 2017, 2019, and 2021, KUKA won the "Outstanding Partner" award from FAW-Volkswagen again in 2022 due to its excellent project execution capabilities and efficient project collaboration performance. It also achieved breakthroughs in multiple industries such as food and beverages, photovoltaics, consumer electronics, and pharmaceuticals, by integrating intelligent warehousing and manufacturing products to optimise supply chain resources, provide one-stop full-chain solutions, enhance customer value, and user experience. Sales have also significantly increased as they actively expand waste systems while maintaining growth in traditional pneumatic logistics systems. In product development, KUKA continuously enriches its product matrix. For general industrial sectors, they launched the KR CYBERTECH nano E series six-axis robot, with two models catering to different demands and multiple process packages. The compact structure and hollow arm meet various arc welding application requirements. The optimised body design improves rigidity and effectively prevents welding jitter, combined with high trajectory accuracy to ensure excellent welding results. Targeting the consumer electronics and new energy sectors, KUKA introduced the full series of four-axis robots, KR SCARA CS, with compact, minimalist, intelligent, and easy-to-use controllers and a new generation operating system. Payloads cover 3kg-12kg, with a maximum working distance of 850mm, suitable for high-speed handling and high-precision picking applications. For logistics, KUKA released mobile robot products such as KMP 600i and KMP 1500i, covering mainstream 600 kg and 1500 kg material handling scenarios, and expanding KMP+ series products for a broader range of industrial manufacturing scenarios. They also released the KMP600S-2 product for overseas businesses, meeting IP54 protection level and CE standards, compatible with K-arOS body control system, K-Studio deployment system, and K-MReS intelligent factory logistics scheduling system. In the medical field, the TransGuard rail logistics transportation system completed localisation development, and KMP mobile robots and stackers have been successfully localised for a series of tray storage and transportation solutions. In terms of capacity

expansion, KUKA China fully leveraged Midea's experience and advantages in production and operational efficiency in 2022. KUKA's first fully automated production line for heavy-duty robotics in China, which was developed and designed independently, was put into operation, and was the first production line of "robotics-produced robotics" in Guangdong Province. The entire process, from the first operation to the final product, was unmanned, significantly increasing single-shift capacity. In terms of technical research and development, KUKA China's laboratory was rated as the first "National Robot Testing and Evaluation Center (Headquarters)" data exchange laboratory and CNAS authorised and approved digital evaluation centre. This authorised listing signifies the high recognition of KUKA China's product quality control and laboratory level by the National Evaluation Center (Headquarters). In the future, KUKA China can independently issue CNAS-approved test reports, significantly improving research and development verification testing efficiency, and providing "Laboratory CE level" product certification externally. The patented technology of "control method, device, computer equipment and storage media for robotics motion" independently developed by KUKA China won the Silver Award of the 9th Guangdong Patent Award. The new KR DELTA robot won the 2022 G-Mark GOOD DESIGN Award for outstanding industrial design. In addition, KUKA has been playing an active part in raising Midea Group's intelligent manufacturing level. By the end of 2022, the robot density of Midea reached 500 units per 10,000 persons. And this number is expected to reach 700 by in the next two years with greater investments in this respect.

#### **J. Deepened the long-term incentive and protected the interests of shareholders**

In 2022, Midea continued to encourage the core management to take responsibility for the Company's long-term development and growth by further enhancing its long-term incentive schemes. Midea has launched nine stock option incentive schemes, six restricted share incentive schemes, eight global partner stock ownership schemes and five business partner stock ownership schemes, which have helped, in a more effective manner, to align the long-term interests of senior management and core business backbones with that of all shareholders.

Midea Group protects its shareholders' interests by ensuring a consistent dividend policy. It shares its growth with shareholders by putting forward cash dividend plans with a total amount of more than RMB86 billion (inclusive of the 2022 dividend plan) since Group listing in 2013. In addition to the

consistent dividend payouts, the Company has carried out a string of share repurchase plans. To further stabilize the market capitalization and protect the shareholders' interests, the Company has launched share repurchase plans for four consecutive years since 2019. And the repurchased shares would be used for equity incentive schemes and employee stock ownership schemes. During the Reporting Period ended 31 December 2022, Midea has used more than RMB2.6 billion for share repurchases.

### **3. Core Competitiveness Analysis**

**A. As one of the leaders among the global household appliance makers and a dominator in the major appliance sectors, Midea Group provides high-quality, one-stop home solutions through its wide product range.**

As a white goods and HVAC enterprise with a whole industrial chain and full product line, Midea Group has developed a complete industrial chain combining R&D, manufacturing and sales of core components and finished products, supported by an industry-leading R&D center and manufacturing technologies of core components (such as compressors, electrical controls, magnetrons and controllers), and ultimately based on its powerful capabilities in logistics and services. Midea owns top brands of household appliance and HVAC in China. Its dominance in the major appliance and HVAC markets means that it can provide a wide range of competitive product sets. It also means internal synergies in brand awareness, price negotiation as a whole, customer needs research and R&D investments. Compatibility, coordination and interaction among household appliances have become increasingly important since smart home is gaining popularity. With a full product line, Midea has had a head start in providing a combined and compatible smart home platform with integrated home solutions for customers.

**B. Adherence to the strategy of “Technology Leadership”, global R&D resource integration capabilities, a global innovation ecosystem and a scientist system, as well as continuing lead in R&D and technical innovation**

The Group is focused on building a globally competitive R&D capability and system. It has established a three-tier technical committee system responsible for the formulation and

implementation of technology strategies. And the four-tier R&D system has been improved with an aim to build world-leading R&D capabilities. The interconnected technology strategies and mid- and long-term product planning serve as two drivers of growth. Midea currently focuses on 11 technologies in a bid to make breakthroughs with key technologies and achieve technology leadership. It has invested over RMB50 billion in R&D over the past five years, with the investment of more than RMB12 billion in 2022. In order to deepen its global technology ecosystem in a faster way, the Group has set up a total of 35 research centers in 12 countries. It has over 20,000 R&D personnel. With the “2+4+N” global R&D network, it has gained the advantage of scale in R&D across the world. Domestically, Midea Global Innovation Center in Shunde District, Foshan City and Midea Global Innovation Center in Shanghai are the cores of Midea’s R&D arm. Overseas, with Midea America Research Center, Midea Germany Research Center, Midea Japan Research Center and Midea Italy Research Center as the cores, Midea makes use of the regional technological advantages, integrates global R&D resources, and builds complementary global R&D capabilities. Following the strategy of “Technology Leadership”, it attracts more professional talent and builds an organic global R&D network.

Midea’s long-term focus on building technology, marketing, design, product and open innovation systems, building a cutting-edge research system and building reserves in technology for mid/long term, has provided a solid foundation for the Group to maintain long-term product and technological superiority. While strengthening its global R&D network, Midea also works on constructing an open platform of innovative ecosystems. Through deepening the implementation of technology projects to integrate quality technological resources across the world, a global innovation system has been put in place. By way of integrating various resources of large companies, technology companies, universities, research institutes and innovation consulting agencies, a technology ecosystem has been put in place and continuously expanded, which has access to enormous resources for technological innovation. Additionally, a scientist system has been established with eight academician workstations/workshops and 19 academicians on more than 200 cooperation projects. These projects cover green, energy-saving, health, intelligent, robotics and automaton technologies, among others. In terms of basic research, the Group cooperates with domestic and foreign scientific research institutions, such as Massachusetts Institute of Technology, University of California, Berkeley,

University of Illinois at Urbana-Champaign, Stanford, Purdue University, University of Maryland, The University of Sheffield, Tsinghua University, Shanghai Jiao Tong University, Zhejiang University, the Chinese Academy of Sciences, Harbin Institute of Technology, Xi'an Jiaotong University, Huazhong University of Science and Technology and South China University of Technology, in order to establish joint labs for deepening technological cooperation. The Group also upgrades and make innovations on cooperation models by carrying out strategic cooperation with tech companies such as BASF, Honeywell, 3M, and SCHOTT to build a global innovation ecosystem through multiple channels.

**C. Stronger Global Impact fueled by Midea's continual global resource allocation and investments, globally-advanced manufacturing capabilities and advantage of scale**

The success of a series of global acquisitions and new business expansion moves has further solidified Midea's global operations and leading advantages in robotics and automation. With the world's leading production capacity and experience, and a wide variety of products as well as its production bases all over the world, the Group has been able to expand rapidly into the emerging overseas markets and is becoming a stronger competitor in those mature overseas markets. The Group is one of the biggest manufacturers in the world for many product categories, which gives it competitive edges in efficiency improving and cost reducing that its overseas competitors are unable to replicate. Overseas sales of the Group accounts for more than 40% of the total sales revenue. Its products have been exported to over 200 countries and regions, and it owns 18 overseas manufacturing bases and 24 overseas operating agencies. Midea's global operations system has been further improved through the reform of international business organizations towards diverse business models. It also increases investments in overseas business operations, focuses on the needs of local customers and enhances product competitiveness in a bid to promote significant growth in its Own Branding & Manufacturing (OBM) business. In addition, with a deep knowledge and understanding on product characteristics and product demands in overseas market, Midea is promoting worldwide branding and expansion through global collaboration and cooperation. In this way, the global competitiveness of Midea is increasing steadily.

**D. A complete and broad channel network and a well-established smart supply chain system ensuring the steady growth of Midea on the domestic market**

With its continuous efforts over the years, Midea has formed a multi-channel network which has a complete business layout and covers a wide range of areas, thus meeting the purchase needs of online and offline consumers for household appliances. Midea continues to improve its offline business layout around user needs, and has created a network layout of comprehensive household appliance stores, specialty stores of self-owned products, traditional retailers and e-commerce franchise stores. It provides easy access to Midea's products and services for individual customers, as well as professional scenario-based solutions for corporate customers, covering the entire market from first-tier cities to townships. Particularly, Midea boasts a unique exclusive shop system in the industry with nearly 20,000 outlets, where various needs of users from new decoration to updates can be met in pre-decoration stores, flagship stores, professional stores, combo stores and other stores. Midea continuously provides industry-leading digital platform services to retail stores, having completed multi-product-category, pre-decoration, and retail transformations for more than 9,000 existing store outlets. Over 6,000 digital retail benchmark stores have been established, with a focus on expanding and constructing premium brand stores for COLMO and Toshiba. Centered around "smart suite operation" and "entire-house renovation solutions", Midea actively cooperates with home decoration, furniture, building materials, and design channels, seeking to capture front-end traffic. The Company has built over 500 "home decoration + appliances" deeply integrated brand stores, providing one-stop services for customers. Midea also explores nationwide property cooperation channels, offering localised renovation and replacement services to homeowners through various methods such as model rooms in residential communities, and developing a systematic solution for partial renovation of existing houses. The Company promotes layered operations for pre-decoration stores, creating an integrated decoration style for home appliances and home decoration, and launching exclusive smart product suites for the pre-decoration market. In 2022, the retail sales on the pre-decoration market saw a year-on-year increase of over 100%. In 2022, Midea combined the exclusive store business and the pre-decoration store business to create "Midea Cloud Sales+". With a unified platform, unified management and unified operation, the "Midea Cloud Sales+" ecosystem has been enhanced, with its business covering markets of all tiers. Upholding the customer-oriented principle, Midea continuously promotes digital transformation on the direct retail end, providing customers with digital platform services that are industry-leading. By providing offline stores with professional digital platform support such as capacity enhancement, purchasing guarantee, and user

operation, it can help improve the actuarial rate, order review timeliness and logistics efficiency to ensure store supply experience. The Company continues to refine the Midea Cloud Sales App, improve the supply chain capability, and increase logistics efficiency. It also builds an online shopping mall for offline stores through the Midea Home Delivery mini-app, empowering offline retail by using tools such as marketing tool packages, user operation platforms, and the home delivery platform. Besides, in Pinduoduo, Douyin, Kuaishou and other emerging channels, Midea grows at a faster pace, driving sales and user growth through membership operation, as well as the offering of product suites and smart products. Meanwhile, Midea specifically promotes product structure breakthroughs, accurately identifying user needs through data insights, using innovative approaches to drive growth in emerging categories, and continuously enhancing its intelligent scenario operation capabilities and breaking into the high-end market.

Annto, a technological innovation-based provider of new supply chain (logistics) services under Midea Group, makes full use of digital and big data technologies to refine and manage its comprehensive logistics network. Annto gathers data from all aspects of the logistics chain and leverages information technology to optimise process execution, enabling seamless coordination among people, goods, vehicles, and sites. Through intelligent management and decision-making related to orders, information, and logistics, building a smart and digital integrated logistics service platform. Annto creates a supply chain business model that has been successfully validated through corporate practice while focusing on industry characteristics, deeply exploring pain points in the entire value chain, and forming a business framework and operation management system that combines software and hardware capabilities. Annto provides systematic and in-depth solutions for different industry clients. Annto concentrates its resources on urban and rural distribution and is able to provide fully visualized direct distribution services covering every town and village of the country. Relying on more than 140 urban distribution centers nationwide, it covers more than 99% of towns and villages across the country. It can finish the delivery to 30,739 (or over 77% of) towns and villages within 24 hours and to 37,260 (or over 94% of) towns and villages within 48 hours in the country. Additionally, Annto strengthens the shared inventory system for online and offline channels and the competitive edge of integrated delivery for the ToB/ToC business, refines its network of integrated delivery and installation services, drives connectivity through the whole process from manufacturing to sale, provides quality

service solutions for various orders from customers, as well as comprehensively better the end user experience.

**E. A user experience-oriented reform of “Comprehensive Digitalization and Comprehensive Intellectualization” that focuses on “Digitization & Intelligence Driven” to make Midea a leader in the IoT era**

Midea has put in place and will prioritize the development of the Midea Cloud Sales commercial platform supported by unified data and technology platforms, the IoT ecosystem platform, and the Industrial Internet platform of “M-IoT”, with an aim to become a world-leading technology group driven by digitization & intelligence. On one hand, it promotes deep integration of the digital technology and business in the whole value chain, with the view to becoming an icon in digitalization. On the other hand, with foresight, it plans for whole new products, services and business models centering on smart technologies, products and scenes, so as to outcompete Internet companies. With continual investment and research in artificial intelligence (AI), silicon chip, sensor, big data, cloud computing and other new technologies, Midea has built the biggest AI team in the household appliance industry, which is committed to enabling products, machines, production processes and systems to sense, perceive, understand and judge, driven by the combination of big data and AI, in order to reduce obstacles for man-machine interaction to the minimum and create smart appliances without any assistance in interaction. Focusing on “people and their family”, Midea builds a whole value chain of IoT. Breakthroughs have been made in user data protection, content operation for smart scenes, smart connection technology, the smart home ecosystem, cloud platforms, the smart voice function, the big data-based cloud housekeeper services, etc. By doing so, Midea is able to offer complete smart home solutions for users, as well as to empower its business partners.

Upon years of digital transformation characterized by “One Midea, One System, One Standard”, Midea has successfully materialized operations driven by software and data through its value chain, connecting end to end and covering planning and R&D, Product Ordering, intelligent scheduling, flexible manufacturing, coordinative supply, product quality tracking, logistics, installation & post-sale services, etc. The Group’s digital platform has made come true C2M flexible manufacturing, platform-based and modularized R&D, digitalized production techniques and simulation, intelligent logistics,

digital marketing, digital customer service, etc. By way of integrating the IoT capabilities of its AI Innovation Center, Software Engineering Institute, IT Department, IoT Division, Smart Home Business Group, Robotics & Automation Division, Building Technologies Division, Other Innovation Business and other organs, Midea has established a unified IoT technology platform. Its Industrial Internet platform has been upgraded to “M-IoT 2.0”, and five of its factories have been included in the “Global Lighthouse Network” initiated by the World Economic Forum, representing Midea’s powerful technology attribute and strong intelligent manufacturing capability. These practices are swiftly applied to other Midea manufacturing bases across the world. Based on these “Lighthouse” factories and the “Lighthouse Network”, Midea brings the relevant experience and services outside the Group to empower ecosystem partners and facilitate the transformation of China’s manufacturing sector. It has provided the relevant products and services for around 400 customers in more than 40 market segments. Therefore, it is safe to say that Midea has built a solid foundation regarding Industrial Internet systems. While driving online systems and digitalization, Midea also adopts a systematic data-based approach to governance. A whole new data platform has been put in place to accumulate data assets and achieve integration of online and offline business data, as well as product and service data. Further, the “User One\_ID” system has been refined to provide adequate data support for all business lines.

#### **F. Sound corporate governance mechanism and effective incentive scheme to provide a solid foundation for Midea’s sustained and steady development**

Paying close attention to the construction of a governance framework, regarding its corporate control, centralization and decentralization systems, the Group formed a mature management system for professional managers. The divisional system has been in operation for many years, and its performance-oriented evaluation and incentive mechanism featuring full decentralization has become a training and growth platform for the Group’s professional managers. The Group’s primary senior management team consists of professional managers who have been trained and forged in the operational practices of Midea Group, with an average length of service of over 15 years in the Group. They have rich management experience and practices in the relevant industries, deep understanding and insights of the relevant industries with respect to ToC and ToB, and accurate understanding of the

industry environment and corporate operations and management. The Company's advantages in such systems and mechanisms have laid a solid foundation for the efficient and effective business operations, as well as the promising, stable and sustainable future development of the Company. At present, the Company has launched nine Stock Option Incentive Schemes, six Restricted Share Incentive Schemes, eight Global Partner Stock Ownership Schemes and five Business Partner Stock Ownership Schemes for key managerial and technical personnel at different levels, in addition to the exploration and practices with respect to diversified stock ownership schemes of key innovative subordinates. As such, a governance structure has been put in place that aligns the interests of senior management and core business backbones with that of all shareholders, as well as comprises long and short-term incentives and restrains.

## 4. Analysis of Main Business

### 4.1 Overview

See contents under the heading “2. Business Scope in the Reporting Period”.

### 4.2 Revenues and Costs

#### 4.2.1 Breakdown of operating revenue

Unit: RMB'000

	2022		2021		YoY Change (%)
	Amount	As a percentage of total operating revenue (%)	Amount	As a percentage of total operating revenue (%)	
Total	343,917,531	100%	341,233,208	100%	0.79%
By business segment					
Manufacturing	305,846,997	88.93%	301,026,573	88.22%	1.60%
By product category					
HVAC	150,634,586	43.80%	141,879,146	41.58%	6.17%
Consumer appliances	125,284,737	36.43%	131,866,099	38.64%	-4.99%
Robotics & automation systems	29,927,674	8.70%	27,281,328	7.99%	9.70%
By geographical segment					
PRC	201,272,589	58.52%	203,579,380	59.66%	-1.13%
Outside PRC	142,644,942	41.48%	137,653,828	40.34%	3.63%
By sales model					
Online	68,012,355	19.78%	62,103,887	18.20%	9.51%

Offline	275,905,176	80.22%	279,129,321	81.80%	-1.16%
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Note: Consumer appliances in the table above primarily include refrigerators, laundry appliances, kitchen appliances and small domestic appliances.

The Industrial Technology Business Group, the Building Technologies Division, and the Robotics & Automation Division recorded revenue of RMB21.6 billion (up 7% year-on-year), RMB22.8 billion (up 16% year-on-year), and RMB27.7 billion (up 10% year-on-year) respectively during the Reporting Period.

#### 4.2.2 Business segments, products, geographical segments or sales models contributing over 10% of the operating revenue or profit

Applicable N/A

Unit: RMB'000

	Operating Revenue	Cost of sales	Gross profit margin	YoY change of operating revenue (%)	YoY change of cost of sales (%)	YoY change of gross profit margin (%)
By business segment						
Manufacturing	305,846,997	227,347,877	25.67%	1.60%	-0.57%	1.62%
By product category						
HVAC	150,634,586	116,234,025	22.84%	6.17%	3.77%	1.79%
Consumer appliances	125,284,737	87,449,080	30.20%	-4.99%	-8.22%	2.45%
Robotics & automation systems	29,927,674	23,664,772	20.93%	9.70%	10.84%	-0.81%
By geographical segment						
PRC	201,272,589	151,542,264	24.71%	-1.13%	-3.37%	1.74%
Outside PRC	142,644,942	108,996,437	23.59%	3.63%	1.20%	1.83%
By sales model						
Online	68,012,355	47,374,843	30.34%	9.51%	5.29%	2.80%
Offline	275,905,176	213,163,858	22.74%	-1.16%	-2.90%	1.39%

Under the circumstances that the statistical standards for the Company's main business data adjusted in the Reporting Period, the Company's main business data in the recent year is calculated based on adjusted statistical standards at the end of the Reporting Period

Applicable N/A

#### 4.2.3 Whether revenue from physical sales is higher than service revenue

Yes No

Business segment	Item	Unit	2022	2021	YoY Change (%)
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Home appliances	Sales	In thousand units/sets	547,765.0	562,677.2	-2.65%
	Output	Ditto	539,852.5	585,074.7	-7.73%
	Inventory	Ditto	87,067.8	87,636.3	-0.65%

Reason for any over 30% YoY movements in the data above

Applicable N/A

#### 4.2.4 Execution of significant sales and purchase contracts in the Reporting Period

Applicable N/A

#### 4.2.5 Breakdown of cost of sales

Unit: RMB'000

Business segment	Item	2022		2021		YoY Change (%)
		Amount	As a percentage of total cost of sales (%)	Amount	As a percentage of total cost of sales (%)	
Home appliances	Raw materials	170,337,613	83.63%	175,102,256	84.47%	-2.72%
	Labor costs	12,746,704	6.26%	12,186,025	5.88%	4.60%
	Depreciation	3,242,335	1.59%	3,203,362	1.55%	1.22%
	Energy	2,760,289	1.36%	2,846,166	1.37%	-3.02%

#### 4.2.6 Changes in the scope of the consolidated financial statements for the Reporting Period

Yes No

The detailed information of major subsidiaries included in the consolidation scope in the current period is set out in Notes 5 and 6. Entities newly included in the consolidation scope in the current period through acquisition mainly include Midea Capital Co., Ltd. and its subsidiaries (inclusive of structured entities), WuHan TTium Motor Technology Co., Ltd. and its subsidiaries, as well as KONG Smart Environment (Xi'an) Co., Ltd. (formerly known as "Shaanxi Construction Investment Group Co., Ltd.") (please refer to Note 5(1)(a)), while details of those through incorporation can be found in Note 5(2)(a). The detailed information of subsidiaries no longer included in the consolidation scope in the current period is set out in Note 5(2)(b).

#### 4.2.7 Major changes in the business, products or services in the Reporting Period

Applicable N/A

#### 4.2.8 Main customers and suppliers

Major customers of the Company

Total sales to top five customers (RMB'000)	39,056,405
Total sales to top five customers as a percentage of the total sales for the year (%)	11.36%
Total sales to related parties among top five customers as a percentage of the total sales for the year (%)	0

## Information about top five customers

No.	Customer	Sales revenue (RMB'000)	As a percentage of the total sales revenue (%)
1	Customer A	23,909,634	6.95%
2	Customer B	6,425,663	1.87%
3	Customer C	3,667,310	1.07%
4	Customer D	2,949,572	0.86%
5	Customer E	2,104,226	0.61%
Total	--	39,056,405	11.36%

## Other information about top five customers

Applicable N/A

## Major suppliers of the Company

Total purchases from top five suppliers (RMB'000)	15,589,950
Total purchases from top five suppliers as a percentage of the total purchases for the year (%)	6.36%
Total purchases from related parties among top five suppliers as a percentage of the total purchases for the year (%)	0

## Information about top five suppliers of the Company

No.	Supplier	Purchase (RMB'000)	As a percentage of the total purchases (%)
1	Supplier A	5,288,172	2.16%
2	Supplier B	3,740,282	1.53%
3	Supplier C	2,331,059	0.95%
4	Supplier D	2,233,939	0.91%
5	Supplier E	1,996,498	0.81%
Total	--	15,589,950	6.36%

## Other information about top five suppliers

Applicable N/A

## 4.3 Expense

Unit: RMB'000

	2022	2021	YoY Change (%)	Reason for any significant change
Selling and distribution expenses	28,716,121	28,647,344	0.24%	
General and administrative expenses	11,582,664	10,266,283	12.82%	
Finance costs	3,387,491	4,386,111	-22.77%	

Research and development expenses	12,618,506	12,014,907	5.02%	
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#### 4.4 R&D investment

Applicable N/A

Information about R&D personnel

	2022	2021	YoY Change (%)
Number of R&D personnel	20,782	18,105	14.79%
R&D personnel as a percentage of total employees	12.50%	10.92%	1.58%
Educational background of R&D personnel	—	—	—
Bachelor's degree	12,353	10,881	13.53%
Master's degree	4,457	3,934	13.29%
Doctoral degree	548	427	28.34%
Other	3,424	2,863	19.59%
Age structure of R&D personnel	—	—	—
Below 30	6,566	5,956	10.24%
30~40	11,208	9,532	17.58%
Over 40	3,008	2,617	14.94%

Information about R&D investment

	2022	2021	YoY Change (%)
R&D investment (RMB'000)	12,618,506	12,014,907	5.02%
R&D investment as a percentage of operating revenue	3.67%	3.52%	0.15%

Reasons for any significant change in the composition of R&D personnel and the impact

Applicable N/A

Reasons for any significant YoY change in the percentage of R&D investment in operating revenue

Applicable N/A

Reasons for any significant change in the percentage of capitalized R&D investment and rationale

Applicable N/A

#### 4.5 Cash flow

Unit: RMB'000

Item	2022	2021	YoY Change (%)
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Subtotal of cash inflows from operating activities	343,767,987	330,415,497	4.04%
Subtotal of cash outflows due to operating activities	309,110,159	295,323,793	4.67%
Net cash flows from operating activities	34,657,828	35,091,704	-1.24%
Subtotal of cash inflows from investing activities	102,953,948	127,801,101	-19.44%
Subtotal of cash outflows due to investing activities	116,463,458	114,201,515	1.98%
Net cash flows from investing activities	-13,509,510	13,599,586	-199.34%
Subtotal of cash inflows from financing activities	54,739,462	21,145,221	158.87%
Subtotal of cash outflows due to financing activities	65,594,343	52,349,760	25.30%
Net cash flows from financing activities	-10,854,881	-31,204,539	65.21%
Net increase in cash and cash equivalents	10,581,929	17,001,531	-37.76%

Explanation of why the data above varied significantly

Applicable N/A

a. Primarily driven by a decrease in cash received from disposal of investments, net cash flows from investing activities decreased 199.34% from last year.

b. Primarily driven by an increase in cash received from borrowings, net cash flows from financing activities increased 65.21% from last year.

c. Primarily driven by a decrease in net cash flows from investing activities, net increase in cash and cash equivalents decreased 37.76% from last year.

Explanation of main reasons leading to the material difference between net cash flows from operating activities during the Reporting Period and net profit for the year

Applicable N/A

## 5. Analysis of Non-Core Business

Applicable N/A

## 6. Assets and Liabilities

### 6.1 Material changes of asset items

Unit: RMB'000

	31 December 2022	1 January 2022	Change in	Explanation about any
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	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)	percentage (%)	material change
Cash at bank and on hand	55,270,099	13.08%	71,875,556	18.53%	-5.45%	
Accounts receivable	28,237,973	6.68%	24,636,440	6.35%	0.33%	
Contract assets	4,498,956	1.06%	3,823,476	0.99%	0.07%	
Inventories	46,044,897	10.90%	45,924,439	11.84%	-0.94%	
Investment properties	809,936	0.19%	859,195	0.22%	-0.03%	
Long-term equity investments	5,188,817	1.23%	3,796,705	0.98%	0.25%	
Fixed assets	26,082,992	6.17%	22,852,848	5.89%	0.28%	
Construction in progress	3,843,777	0.91%	2,690,930	0.69%	0.22%	
Right-of-use assets	2,339,878	0.55%	2,297,354	0.59%	-0.04%	
Short-term borrowings	5,169,480	1.22%	5,381,623	1.39%	-0.17%	
Long-term borrowings	50,685,948	12.00%	19,734,020	5.09%	6.91%	
Contract liabilities	27,960,038	6.62%	23,916,595	6.16%	0.46%	
Lease liabilities	1,507,480	0.36%	1,533,552	0.40%	-0.04%	

Indicate whether overseas assets account for a larger proportion in total assets.

Applicable N/A

## 6.2 Assets and liabilities measured at fair value

Applicable N/A

Unit: RMB'000

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change recorded in equity	Amount provided for impairment in the period	Purchased in the period	Sold in the period	Other changes	Closing balance
Financial assets								
1. Financial assets held for trading (excluding derivative financial assets)	5,879,202	-661,037			8,229,719	10,231,578	68,287	3,284,593
2. Derivative financial assets	1,298,815	-802,930	-304,606		506,664	6,072	60,580	752,451
3. Receivables financing	10,273,552				3,252,988	-		13,526,540
4. Other debt investments and other	27,484,322				10,468,000	21,290,895	964,875	17,626,302

5. Investments in other equity instruments	45,747		-2,481		-	2,062	155	41,359
6. Other non-current financial assets	5,912,873	-797,785	732,939		5,368,375	1,142,919	551,761	10,625,244
Sub-total of financial assets	50,894,511	2,261,752	425,852		-27,825,746	32,673,526	1,645,658	45,856,489
Investment properties								
Productive living assets								
Others								
Sub-total of the above	50,894,511	2,261,752	425,852		27,825,746	32,673,526	1,645,658	45,856,489
Financial liabilities	166,649	-129,583	31,962		1,923,605	99,876	2,553	1,895,310

#### Contents of other changes

Whether there were any material changes on the measurement attributes of major assets of the Company during the Reporting Period

Yes  No

### 6.3 Restricted asset rights as of the end of this Reporting Period

As of the end of this Reporting Period, there were no such circumstances where any main assets of the Company were sealed, distrained, frozen, impawned, pledged or limited in any other way.

## 7. Investment made

### 7.1 Total investment amount

Applicable  N/A

Total investment amount of the Reporting Period (RMB'000)	Total investment amount of last year (RMB'000)	YoY Change (%)
116,463,458	114,201,515	1.98%

### 7.2 Significant equity investment made in the Reporting Period

Applicable  N/A

### 7.3 Significant non-equity investments ongoing in the Reporting Period

Applicable  N/A

## 7.4 Financial investments

### 7.4.1 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	Gain or loss from change in fair value during the period	Cumulative fair value change recorded in equity	Purchased in the period	Sold in the period	Gain or loss in the period	Closing carrying amount	Accounting title	Funding source
Overseas listed stock	1810	XIAOMI-W	769,972	Fair value method	927,158	-412,068	71,252			-412,068	586,342	Financial assets held for trading	Own funds
Overseas listed stock	SOUN	SoundHound AI	157,203	Fair value method		-25,883	-2,965	80,737		-25,883	51,889	Financial assets held for trading	Own funds
Domestically listed stock	688165	EFORT	178,534	Fair value method	392,312	-118,192	-			-118,192	274,120	Financial assets held for trading	Own funds
Domestically listed stock	688159	Neoway	31,600	Fair value method	-	-31,208	-	60,308		-31,208	29,100	Financial assets held for trading	Raised funds
Domestically listed stock	688322	Orbbec	300,000	Fair value method		-100,585		235,255		-100,585	134,670	Other non-current financial assets	Own funds
Domestically listed stock	688162	JEE	88,180	Fair value method		-164,426		317,779		-164,426	153,353	Financial assets held for trading	Raised funds
Domestically listed stock	301135	Real-Design	40,000	Fair value method		-28,466		90,567		-28,466	62,101	Other non-current financial assets	Raised funds
Domestically listed stock	688097	BOZHON	55,000	Fair value method		-54,997		144,743		-54,997	89,746	Other non-current financial assets	Raised funds

Domestically listed stock	001283	Highpower Technology	20,000	Fair value method	-	-3,436	41,466	-	-3,436	38,030	Other non-current financial assets	Raised funds
Total			1,640,489	-	1,319,470	-939,261	68,287	970,855	-939,261	1,419,351	-	-

## 7.4.2 Derivatives investments

Applicable N/A

### A. Derivatives investments for hedging purposes in the Reporting Period

Applicable N/A

Unit: RMB'000

Type of derivative	Initial investment amount	Gain or loss from change in fair value during the period	Cumulative fair value change recorded in equity	Purchased in the period	Sold in the period	Closing amount	Closing amount as a percentage of the Company's closing net assets
Futures contracts	71,790	0	-22,714	-	-	85,017	0.06%
Forward contracts	902,875	-602,152	-313,854	350,012	6,072	352,895	0.25%
Cross-currency interest rate swaps		-305,423	732,939			4,276,688	2.99%
<b>Total</b>	<b>974,665</b>	<b>-907,575</b>	<b>396,371</b>	<b>350,012</b>	<b>6,072</b>	<b>4,714,600</b>	<b>3.30%</b>
Explanation of significant changes in accounting policies and specific financial accounting principles in respect of the Company's hedges for the period as compared to the prior period			No change				
Actual gain/loss in the period			Actual loss from derivatives investments during the Reporting Period was RMB-2,289.381 million.				
Results of hedges			The Company's major risks during the Reporting Period included foreign exchange risk exposures and raw material price risks. Foreign exchange risks included foreign currency-denominated asset and liability exposures arising from overseas sales, raw material purchases, financing and other operations. And raw material price risks included exposures to fluctuations in spot trading market prices for bulk material purchases. These uncertainties arising from currency fluctuations were effectively hedged against by buying derivative contracts of the same amount and maturity but in opposite directions.				
Source of derivatives investment funds			All from the Company's own funds				
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.)			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 bulk 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>1. Legal risk: The Company's futures business and forex funds businesses shall be conducted in compliance with laws and regulations, with clearly covenanted responsibility and obligation relationship between the Company and the agencies.</p> <p>Control measures: The Company has designated relevant responsible departments to enhance learning of laws and regulations and market rules, conducted strict examination and verification of contracts, defined responsibility and obligation well, and strengthened compliance check, so as to ensure that the Company's derivatives investment and position operations meet the requirements of the laws and regulations and internal management system of the Company.</p> <p>2. Operational risk: Imperfect internal process, staff, systems and external issues may cause the Company to suffer from loss during the course of its futures business and forex funds business.</p> <p>Control measures: The Company has not only developed relevant management systems that clearly defined the assignment of responsibility and approval process for the futures business and forex funds business, but also established a comparatively well-developed monitoring mechanism, aiming to effectively reduce operational risk by strengthening risk control over the business, decision-making and trading processes.</p> <p>3. Market risk: Uncertainties caused by changes in the prices of bulk commodity and exchange rate fluctuations in foreign exchange market could lead to greater market risk in the futures business and forex funds business. Meanwhile, inability to timely raise sufficient funds to establish and maintain hedging positions in futures operations, or the forex funds required for performance in forex funds operations being unable to be credited into account could also result in loss and default risks.</p> <p>Control measures: The futures business and forex funds business of the Company shall always be conducted by adhering to prudent operation principles. For futures business, the futures transaction volume and application have been determined strictly according to the requirements of production &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>	<p>The Company carried out recognition and measurement according to "Section VII Recognition of Fair Value" in the Accounting Standard No. 22 for Business Enterprises—Recognition and Measurement of Financial Instruments.</p> <p>Changes in the fair value of derivatives were recognized at RMB-511.204 million during the Reporting Period.</p> <p>1. The fair value of futures contracts was determined on the basis of publicly quoted prices in the futures market.</p> <p>2. The fair value of foreign contracts was determined based on banks' quoted prices for foreign exchange products.</p> <p>3. The main parameter assumptions used in the analysis of the fair value of cross-currency interest rate swaps included interest rate paid, interest rate received, frequency of interest received, frequency of interest paid, USD interest rate curve, EUR interest rate curve,</p>

	USD/EUR exchange rate curve, etc.
Litigation involved (if applicable)	N/A
Disclosure date of the announcement about the board's consent for the derivative investment (if any)	30 April 2022
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)	21 May 2022
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	The Company's independent directors are of the view that the futures hedging business is an effective instrument for the Company to eliminate price volatility and implement risk prevention measures through enhanced internal control, thereby improving the operation and management of the Company; the Company's foreign exchange risk management capability can be further improved through the forex funds business, so as to maintain and increase the value of foreign exchange assets and the abovementioned investment in derivatives can help the Company to fully bring out its competitive advantages. Therefore, it is practicable for the Company to carry out derivatives investment business, and the risks are controllable.

## B. Derivatives investments for speculative purposes in the Reporting Period

Applicable  N/A

No such cases in the Reporting Period.

### 7.5 Use of funds raised

Applicable  N/A

No such cases in the Reporting Period.

## 8. Sale of Major Assets and Equity Interests

### 8.1 Sale of major assets

Applicable  N/A

No such cases in the Reporting Period.

### 8.2 Sale of major equity interests

Applicable  N/A

## 9. Analysis of Major Subsidiaries

Applicable  N/A

## Main subsidiaries and joint stock companies with an over 10% influence on the Company's net profit

Company name	Company type	Business scope	Registered capital	Total assets (in RMB million)	Net assets (in RMB million)	Operating revenue (in RMB million)	Operating profit (in RMB million)	Net profit (in RMB million)
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD158.58 million	21,442	10,139	16,218	2,283	2,021
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD42 million	18,125	9,810	7,372	1,095	1,001
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	Subsidiary	Manufacturing of water heaters	RMB60 million	15,048	1,661	13,425	1,580	1,379
Wuxi Little Swan Electric Co., Ltd.	Subsidiary	Manufacturing of laundry appliances	RMB732,487,764	22,260	6,651	22,043	2,102	1,927

## Acquisition and disposal of subsidiaries during the Reporting Period

Applicable N/A

The detailed information of major subsidiaries included in the consolidation scope in the current period is set out in Notes 5 and 6. Entities newly included in the consolidation scope in the current period through acquisition mainly include Midea Capital Co., Ltd. and its subsidiaries (inclusive of structured entities), WuHan TTium Motor Technology Co., Ltd. and its subsidiaries, as well as KONG Smart Environment (Xi'an) Co., Ltd. (formerly known as "Shaanxi Construction Investment Group Co., Ltd.") (please refer to Note 5(1)(a)), while details of those through incorporation can be found in Note 5(2)(a). The detailed information of subsidiaries no longer included in the consolidation scope in the current period is set out in Note 5(2)(b).

**10. Structured Bodies Controlled by the Company**

Applicable N/A

As of the end of the Reporting Period, one structured entity was included in the Group's consolidated financial statements, which is a private-equity fund controlled by the Group. As a manager and investor of the structured entity, the Group has relevant management power in and variable returns from the entity, and has the ability to exercise its management power to impact the returns.

**11. Outlook for the Future Development of the Company****Development strategies of the Company**

Midea adheres to the strategic focus of “Technology Leadership, Direct to Users, Digitization & Intelligence Driven, and Global Impact”, focuses on “Comprehensive Digitalization and Comprehensive Intellectualization”, and drives sustained business growth under the guidance of the strategic focus. Midea are built to grow on the back of advanced governance mechanism, future-proof values, and managerial mindset growth. Midea will continuously improve the governance mechanism by empowering responsibilities, rights and obligations, clarify decentralization and authorization, constantly refine the agent mechanism, optimize the incentive and constraint system, encourage entrepreneurship and boost organizational vitality, and establish a flat and agile organization and optimization process. It will also adhere to the values of long-termism and altruism, truly put employees, users, customers and partners at the center of all things, and improve the EHS governance and ESG rating. Additionally, the Management will keep reflecting on and challenging themselves, endeavoring to achieve all-round growth both spiritually and intellectually. Meanwhile, Midea will continue to improve the talent structure, build diverse teams that are inclusive and collaborative, further strengthen diversity, openness and inclusiveness, and create a simple, straightforward, flat and equal environment. In the meantime, it will constantly improve consistency management across the Group, so as to achieve consistent operations, corporate culture and values and philosophies, which will ensure the sustained and steady development of the Company. There are no shortcuts for the development and operation of a company. Looking back at 2022, the Company has further reinforced and adhered to basic principles in the face of risks, setbacks, and changes, returned to the basics and remained practical and reasonable. Not distracted from the long-term goals, the Company prioritised cash flows, product capabilities, and technology accumulation. Adhering to the principles of simplicity and efficiency, it has clarified its positioning, avoided impulsive decisions, removed the ego from decision-making process, and eliminated formalism. In the face of future changes, only by remaining cautiously open-minded, staying alert of potential challenges, and making adequate preparations can the goals be achieved. Despite the continuous increase in uncertainty, technology-driven transformation remains the main theme of the current era. Midea will adhere to the core strategic focus with “Technology Leadership” as the core, remain committed in the coordinated development of ToC and ToB businesses, and fire up the "Second Growth Engine". It will strive to boost the strength of its products and core technologies in the ToC business while improving profitability to provide strategic support for the transformation of the ToB business. The Company is

constantly consolidating and improving its globalisation capabilities, striving to transform from a Chinese business to an international one. Midea will also extend its advantages in efficiency to innovation, products, and technologies.

**Key operation points in 2023:**

In 2023, based on the core strategic focus with “Technology Leadership” as the core, Midea will adhere to the annual business principle of "Stabilize Profit & Drive Growth". "Stabilize Profit" entails maintaining a steady profit level based on the recovery of the previous year's profitability, while "Drive Growth" demands fully embracing entrepreneurship and proactively driving growth. It is essential to step out of the comfort zone, confront risks and uncertainties, as well as seek out new paths, new growth drivers, and new methodologies. Growth can be achieved by continuously expanding into new markets, product categories, mechanisms, and growth areas. The Smart Home Business Group aims to achieve high-quality growth, ensure stable and sustainable profitability and cash flow, and tackle challenges and issues in the development of non-advantaged categories, emerging categories, and premium brands through innovative transformation. The Company is committed to firing up the "Second Growth Engine", focusing on core ToB businesses such as Robotics & Automation, Building Technologies, and New Energy, while fully harnessing entrepreneurship. It will concentrate on R&D investment intensity and system construction, benchmark against world-class enterprises, establish and refine the "Three Generations" R&D system, actively expand overseas business, and achieve “Global Impact” through continuous innovation to address development challenges. Also, it will emphasize goal orientation, problem orientation, and result orientation, promote organisational innovation and mechanism restructuring, establish an agile organisation, effectively support Midea's strategic transformation. Measures will be taken to ensure the alignment of responsibility, authority, and benefits through further decentralisation, fully invigorate organisational and personnel vitality, enhance incentives for core personnel, encourage refined operations to bolster efficiency advantages, and continuously improve core operating indicators such as per capita efficiency and cash cycle. Entrepreneurship is the core competitiveness of an enterprise, necessitating continuous innovation in corporate governance and incentive mechanisms to fully stimulate the entrepreneurship and establish and reinforce Midea's entrepreneurial groups that are willing to take responsibility, admit mistakes, be

diligent in learning, and skilful in thinking through mechanism reform. Key tasks for 2023 include:

a. Based on the core strategy of "Technology Leadership", Midea will establish a comprehensive research organization, increase investment in digitalization and R&D, improve talent structure, carry out the task of technology innovation, product innovation, technological innovation, business model innovation, and process innovation, as well as build a mechanism that can support "Technology Leadership". Midea will resolutely increase R&D investment, build up R&D scale advantage, and continuously lay out key technologies, cutting-edge technologies, basic technologies, digitalization and intellectualization. By virtue of the two drivers of technology strategy and product strategy, as well as innovation mechanism assurance of the three-tier technical committee and the four-tier R&D system, Midea will enhance the "Three Generations" system and pool together its R&D strength. It will continue to promote localized R&D in overseas operations, increase investment in localized R&D, and leverage the advantages of localized R&D to better serve the local markets. Also, efforts will be made to continuously drive core technology breakthroughs in green development, energy saving, health, intelligent transformation, robotics & automation, etc. by adopting a joint innovation model, in pursuit of a stronger presence in the technology world. It will actively respond to China's dual-carbon strategy and carry on with its "Green Strategy", apply eco-friendly and low-carbon technology to products by technology innovation, help to save energy and reduce emissions in the life cycle of products, and lead the formulation of green standards in a deep manner to obtain the national green product certification of all categories of products. To promote the rapid application of scientific innovation through standardization, it will implement the "3+1" strategy for standardization, drive technological standardization for innovations in green development, energy saving, intelligent technologies, as well as healthy, comfortable and convenient technologies, etc., and strengthen the formulation and revision of international standards. For the purpose of making breakthroughs and building key technology barriers in all the product categories, and promoting innovation of global products, product structure improvement and high-end strategy, it will continue to implement the "Three Generations" project, accelerate the application of research results, and retain the "Number One Engine" of ToC business. In ToB business, it will cooperate with strategic partners by digital technology to increase the research on differentiated innovation technologies in new industries and foster the industrialization of innovation technologies. Also, it will continuously build the scientist

system, attract global research talent, vigorously introduce high-end talent, and constantly refine the R&D network. Based on regional technology advantages, it will continue to improve the "2+4+N" R&D network, increase the comprehensive strength of overseas R&D centers, and build an innovation mechanism for the "Technology Leadership" strategy, so as to maintain technology leadership in a comprehensive manner.

b. Midea will keep a high-quality development direction and stick to internal, sustained and effective organic growth. In the process of implementing new strategies to boost new growth areas, the key for Midea's survival in competition lies in improving operational efficiency. Therefore, Midea will optimize the delivery cycle, enhance the inventory turnover, improve the cash cycle, and implement the shared inventory system. Being customer-oriented, Midea will strive to be "Direct to Users" through user research, user insight, product plan transforming and user operation. Midea will promote the T+3 business model reform and high-performance operations in the whole value chain in every link from product planning to after-sales service, so as to increase efficiency in the whole value chain and the data-driven efficiency. Channel reform will be firmly pushed forward for the front-end market in pursuit of better profitability. In order to win in competition, it is important to develop high-end products to refine the product mix. Breakthroughs must be made in a faster manner regarding small appliances and upgrading of the major appliance business must be accelerated, in addition to the promotion of products catering to new consumption trends. Midea will plan for, establish and refine business middle platforms, especially data and technology middle platforms. In the meantime, it will maintain overall consistency by sticking to "One Midea, One System, One Standard". In face of common problems such as fluctuations in exchange rates and prices of bulk raw materials, as well as sourcing management, Midea will firmly promote its internal coordination and sharing mechanism and keep perfecting the relevant solutions. It will also maintain effective investments, control non-operating expenses, increase labor productivity, improve human resource allocation efficiency, promote lean management and provide fresh impetus for continual growth through relentless innovation.

c. In the domestic market, based on the "Direct to Users" strategy, Midea will continue to deepen the reform of its organizational structure, improve retail capacity, and develop user insights and back-end capacity. Midea will also commit itself to intelligent experience terminals and user experience as part

of efforts to connect with users' preferences. In terms of channel reform, the Company will deepen marketing changes and simplify delivery rules with a focus on terminal retail, and set up a professional team in the regional headquarters and operation center in China with a focus on retail capability and user operation. While organizing organizational reform, the Company will continuously strengthen the principle of "One Midea, One System and One Standard", give full play to collaborative advantages, and do well in result-oriented process control to achieve constant improvement of operating efficiency. Midea, based on digital systems and tools, is investing in dedicated resources to ensure the successful implementation of four core projects, namely "Grid-based Layout and High-quality Store Establishment", "Store Classification and Grading Online with Layered Resource Matching", "Product Assortment Upgrade", and "Full-Link Retail Operations". The Company aims to develop user operation capabilities and data analysis decision-making capabilities for the retail platform, supporting retail transformation. In the online channels, Midea is promoting the construction of a customer ecosystem, focusing on cultivating all-category and multi-category customer shops, optimizing supply chain models, and strengthening the capabilities of a shared inventory system, and drop-shipping services. This will satisfy the needs of customers and users while improving turnover efficiency, accelerating the scale expansion of premium brands and the enhancement of content live-streaming marketing capabilities. In terms of product marketing, the Company will strengthen branding and product suite-based operation to provide users with home appliance package solutions. Furthermore, the Company will continue to, centering around product structure upgrade, promote the implementation of intelligent scenes and the construction of entire-house smart decoration centre, build retail outlets for immersive experience of Midea Smart Home, and cultivate the core capability of providing entire-house smart solutions. Centred around the theme of "sensory technology", Midea is launching a series of product experience and targeted marketing activities. In terms of user operation and service, the Company will continue to, centering around the principle of "Create Value for Users" and the orientation of user experience, improve the iteration of product design and experience of purchase services, optimise the rights and interests of members, and accelerate the construction of private domain traffic platform. The Company will continue to optimise service process reconstruction, enhance user participation in closed-loop confirmation rates, and strengthen users' perception of the service process. Midea will upgrade service standards and technical process standards, striving to make Midea's services an industry benchmark, continuously enhancing the full-category service

capabilities, pre-decoration service capabilities, and entire-house smart scene-oriented service capabilities of suite-based service outlets, and improving the user experience of delivery, installation, and packaged services. Midea is also promoting the construction of a directly operated service system, strengthening the cultivation of diversified skill certification, and other service reform projects, enhancing the comprehensive capabilities of service engineers. Furthermore, Midea is advancing green recycling, proactive services, and intelligent customer service construction, providing users with a one-stop service experience.

d. On the overseas market, Midea will centre on horizontal and vertical capability expansion in 2023. On the horizontal dimension, it will concentrate on "Insight to Product," "Marketing to Order," "Order to Payment," and "Problem to Solution." On the vertical dimension, it will focus on capability frameworks, process construction, organisational mechanisms, and digital support to create a global business capability landscape and management support system that integrates OEM and OBM. In terms of products, based on the "Three Generations" cornerstone, it will strengthen the value synergy between the market front-end and R&D backend, emphasise overseas R&D localisation, continuously optimise product structure, build overseas user experience centres with a focus on intelligent scene experiences, comprehensively promote the entire-house smart scene system and smart retail upgrades, and construct a product competition system with high added value. In terms of manufacturing, it will continue to advance the construction and production of manufacturing bases in Brazil, Egypt, and Mexico, promote capacity planning in key markets such as Europe and ASEAN, and strengthen the "Local Supply" layout. In terms of user services, it is committed to building a stable global spare parts supply and a comprehensive global service system. It will complete the construction of the global spare parts centre's main warehouses in China and Thailand, achieve full coverage of Midea's Global Call Centre, pilot social media access in some markets, comprehensively upgrade the global engineering technology platform, and enhance service channel capabilities in key countries. In terms of digital construction, it will continue to drive business efficiency improvement through special process change teams, and advance the value chain data online to achieve the full value chain order information visualisation. In terms of organisational capabilities, it will achieve a unified talent management system for its own brand businesses, establish an organisational capability model, build specialised talent pools and training plans, shift organisational focus forward,

carry out the localisation of global business talents, and gradually construct a global organisational team. In terms of brand building, it will continuously deepen global brand building and marketing capability improvement. On one hand, it will insist on brand investment in strategic markets to maximise commercial sponsorship effects. On the other hand, it will strengthen front-end retail marketing infrastructure construction, continuously promote digital system construction, and support user growth through digital marketing.

In 2023, TLSC will focus on the basics of business, calmly and flexibly respond to market uncertainties and challenges, and continue to strengthen close cooperation with key customers. It will enhance market awareness and response speed, actively respond to various market risks, and rely on endogenous capabilities to drive growth. It will improve product strength and synergy efficiency, ensuring stable profitability through optimizing price strategies, improving product structure and channel systems. At the same time, by deepening the collaboration with the Group and related product divisions, it will further promote product quality improvement, optimise product development processes, ensure the progress of new product launches and product supply, enhance user experience value, fulfil global Toshiba brand development goals, and fully promote the global own brand strategy.

e. In 2023, Midea will continue to implement its double premium brands strategy, further strengthening the dual-engine power of COLMO and Toshiba brands. The COLMO brand will keep focusing on higher-end entire-house intelligence, catering to the deep needs of elite users, leveraging the influence of the "Smart Villa Expert" in villa entire-house intelligence, promoting comprehensive high-end smart living solutions, and leading the entire-house intelligence industry into the era of deep control. Targeting the segmented high-end market, the Toshiba brand will continue to deploy multiple categories such as refrigerators, laundry appliances, small domestic appliances, and kitchen appliances, further expanding scenarios in entire-house water usage, heating, and kitchen. Meanwhile, it will strengthen brand consistency, promote multi-category suite-based products to provide a refined living experience, upgrade brand image and build brand mindset, and deeply focus on layer marketing to strive for a dual breakthrough in customer base and scale. In 2023, WAHIN will continue to optimise product and service experience, offering a multi-category product layout to

provide consumers with intelligent and comfortable consumption experiences. It will maintain its focus on young user groups, continuously targeting young groups through school-enterprise cooperation, and explore diversified cross-border modes during Youth Day, summer graduation season, and job-hunting season. By creating new shopping scenarios in e-commerce channels with content-driven "virtual stores" and increasing coverage of pioneer youth user groups, WAHIN aims to drive sales growth through branding.

f. Midea will continue to focus on driving the transformation of its core business and digital empowerment, establishing an online operating system, and building a unified "business, system, and data" system. By optimizing the top-level architecture, Midea will continuously strengthen the construction of its underlying digital capabilities. In the R&D stage, Midea will support the development of the "Three Generations" R&D system, fostering product innovation and market insights through three generations of data. In the manufacturing and supply chain stages, Midea will promote the comprehensive implementation of integrated supply chain transformation, continuously improving planning accuracy, enhancing overseas order delivery efficiency, advancing visualisation and intelligent management of multi-dimensional order fulfilment information, popularizing dark injection molding factories and electronic benchmark factories, and achieving visualised management of carbon emissions during the manufacturing process to boost green manufacturing capabilities. In the domestic sales stage, Midea will concentrate on promoting end-to-end retail capability upgrades, increasing supply-side efficiency, ensuring consistency in e-commerce business, and constructing a platform digital transformation capability. It will also establish entire-house smart experience stores. In the export stage, Midea will enhance after-sales spare parts supply chain delivery efficiency and optimise spare parts warehouse layout, empowering the construction of global call centres with AI intelligent tools, improving after-sales service efficiency, increasing overseas sales efficiency with digital tools, and achieving transparency and automation of overseas sales orders throughout the entire chain. In the field of information security, Midea will persistently improve its in-depth security defence and security operation systems. By adopting the "Yundi" collaborative defence paradigm, Midea will enhance its security operation capabilities, continuously promoting the integration and iterative upgrading of basic services through a cloud-native platform, and deeply building a one-stop data platform capability to achieve service-oriented databases and big data capabilities, improving

resource utilisation and service efficiency. In the field of big data, Midea will expand the scale and intensity of digital talent cultivation, encouraging the digital upgrading of enterprises, focusing on constructing overseas national data maps, and promoting the comprehensive development of its own brands through the integration of large and small overseas data. It will also explore and expand data applications to empower the growth of ToB businesses. In the field of AI, Midea will continue to concentrate on edge intelligence, natural conversation, autonomous navigation and mapping, and robot autonomous learning to help upgrade the intelligence of its entire product line, comprehensively promoting the efficient use of AI platforms, and empowering smart homes, intelligent customer service, smart buildings, intelligent manufacturing, smart healthcare, and smart finance. In the smart home field, Midea will focus on key technologies such as intelligent perception, reliable communication, and autonomous decision-making in future entire-house intelligent solutions. It will develop deeply intelligent products and provide users with higher quality, more convenient intelligent scenarios, and personalised services.

g. Midea aims to drive new growth in its core ToB business, continuously expand business boundaries, and accelerate growth by rapidly deploying and entering new markets. In 2023, in the field of core components for consumer appliances, Midea will continue to enhance digitalisation and data operations, increase investment in R&D resources, and make continuous breakthroughs in new products, technologies, and applications, providing customers with eco-friendly, efficient, and intelligent products and technology solutions. The Company will bolster its global supply chain capabilities, promote mass production in its factories in India, expand production in its Thailand base, and accelerate the development of the Foshan Xingtan Park, aiming to establish an Industry 4.0 smart manufacturing demonstration base. Midea will create an overseas professional service platform, offering one-stop services for small and medium-sized customers and specialised services for large customers, achieving breakthroughs with overseas large customers and increasing the global market share of its products. Midea will strengthen its competitiveness in the home appliance chip sector, develop new product categories such as new energy vehicle water pump motor chips, energy storage application chips, and sensorless FOC low-power IPM chips, and increase sales scale through enhanced internal cooperation and external customer breakthroughs. In the field of new energy vehicle components, Midea will leverage its innovative advantages, achieve comprehensive

improvements in customer base, products, and manufacturing capabilities, transition from project acquisition to mass production operations, cover more mainstream customers, and enhance competitiveness in the three major systems - thermal management, electric drive systems, and chassis execution. Midea will increase the market coverage of thermal management products and explore more component technology areas such as flat-line motors, gradually implementing the "parts-components-systems" development path. In the field of industrial automation, Midea will further consolidate its technological expertise in motion control, adapt to market conditions and competitive strategies, utilise its technological advantages, carry out differentiated research and development, and provide new products and comprehensive system solutions targeting specific needs in key sub-markets such as lithium batteries, photovoltaics, semiconductors, robotics, and laser processing. Midea will rapidly transform its marketing model, expand new channel resources, stabilise top customers, seize market opportunities, and broaden market coverage. The company will enhance its flexible manufacturing capabilities, improve product delivery efficiency, further refine its end-to-end quality management system, and establish a laboratory with testing capabilities. In the new energy sector, Midea will develop integrated, efficient, and safe home energy storage systems tailored for residential applications and establish dual-channel distribution in new energy and home appliances. The company will set up an overseas channel network, fully leverage Midea's home appliance strengths, and collaborate with related divisions of the group to develop comprehensive home energy management solutions. Midea will complete internal demonstration projects for microgrids, actively explore external markets, and extend its reach to the back-end by forming an "EPC + preliminary digitalisation + operation and maintenance" model, while also expanding to the front-end to tap into electricity trading and photovoltaic design service markets.

h. Media will accelerate project collaboration between KUKA's China team and overseas teams, fully leveraging the advantages of global R&D synergy and Chinese manufacturing capabilities, in order to enhance KUKA's global operational efficiency. Midea will beef up KUKA's localized operations in China, increase investment in the development and application of robotics, as well as foster R&D innovation of core components and software systems. In terms of marketing, Midea will maintain leadership in the auto sector and take active steps to explore new areas including new energy, general industrial manufacturing, electronics, medical care and logistics, services, etc. Concerning

operation, it will concentrate on R&D, supply chain management, high-performance operations and digitalization, among others, so as to build the core competitiveness of the robotics and industrial automation business in a faster manner.

**Risks Faced by the Company and Countermeasures:**

a. Risk of macro economy fluctuation

The market demand for the Company's consumer appliances, HVAC equipment, industrial robotics, among other products, can be easily affected by the economic situation and macro control. If the global economy encounters a heavy hit and consumer demand slows down in growth, the growth of the industries in which the Company operates, may slow down accordingly, and as a result, this may affect the product sales of Midea Group.

b. Risks in the fluctuation of production factors

The raw materials required by Midea Group to manufacture its consumer appliances and core components primarily include different grades of copper, steel, plastics and aluminum. At present, the household appliance manufacturing sector belongs to a labor intensive industry. If the price of raw materials fluctuate largely, or there is a large fluctuation in the cost of production factors (labor, water, electricity, and land) caused by a change to the macroeconomic environment and policy change, or the cost reduction resulted from lean production and improved efficiency, as well as the sale prices of end products cannot offset the total effects of cost fluctuations, the Company's business will be influenced to some degree.

c. Risk in global asset allocation and overseas market expansion

Internationalization and global operations is a long-term strategic goal of the Company. The Company has built joint-venture manufacturing bases in many countries around the world. Progress has been made day by day regarding the Company's overseas operations and new business expansion. However, its efforts in global resource integration may not be able to produce expected synergies; and in overseas market expansion, there are still unpredictable risks such as local political and

economic situations, significant changes in law and regulation systems, and sharp increases in production costs.

d. Risk in foreign exchange losses caused by exchange rate fluctuation

As Midea carries on with its overseas expansion plan, its overseas sales have accounted for more than 40% of the total revenues. Any sharp exchange rate fluctuation might not only bring negative effects on the overseas operations of the Company, but could also lead to exchange losses and increase its finance costs.

e. Market risks brought by trade frictions and tariff barriers

Due to the rise of anti-globalization and trade protectionism, China will see more uncertainties in export in 2023. The trade barriers and frictions of some major markets will affect the export business in the short run, as well as marketing planning and investment in the medium and long run. Political and compliance risks are rising in international trade. These can mainly be seen on compulsory safety certificates, international standards and requirements, and product quality and management systems certification, energy-saving requirements, the call for increasingly strict environmental protection requirements, as well as with rigorous requirements for recycling household appliances waste. Trade frictions caused by anti-dumping measures implemented by some countries and regions aggravate the burden in costs and expenses for household appliance enterprises, and have brought about new challenges to market planning and business expansion for enterprises.

In face of the complicated and changeable environment and risks at home and abroad, Midea will strictly follow the Company Law, the Securities Law, the CSRC regulations and other applicable rules, keep improving its governance structure for better compliance, and reinforce its internal control system so as to effectively prevent and control various risks and ensure its sustained, steady and healthy development.

## 12. Visits Paid to the Company for Purposes of Research, Communication, Interview, etc. in the Reporting Period

√Applicable □N/A

Date	Place	Way of visit	Type of visitor	Visitor	Discussions	Index to main inquiry information
20 January 2022	Midea Group HQ	By phone	Institution	Alliancebernstein, Eurizon Capital, Marshall Wace, Millennium Partners, Oaktree Capital Management, Southeastern Asset Management, etc.	1. After acquiring WINONE Elevator, how is the business integration? 2. Nowadays, people of generation Z pursue a low-sugar and low-calorie lifestyle, so does the Company make any related arrangements? 3. Has the Company established the Software Engineering Institute recently? 4. What about the Company's progress in air conditioning and refrigeration technologies?	Log Sheet of Investor Relations Activities for 20 January 2022 disclosed on www.cninfo.com.cn
21 February 2022	Midea Group HQ	By phone	Institution	Oriental Alpha Fund, Citic-prudential Fund, Invesco Great Wall Fund Management, China Securities, Sunshine Asset Management Corporation Limited, Harvest Fund, E Fund, etc.	1. The Electromechanical Business Group was changed into the Industrial Technology Business Group. Why did the Company do so and what is its future plan? 2. How much does the Company invest in its research staff? 3. How does the Company deal with the uncertainty of sea freight? 4. What new contents were put forward at the conference of the Building Technologies Division at the beginning of the year?	Log Sheet of Investor Relations Activities for 21 February 2022 disclosed on www.cninfo.com.cn
17 March 2022	Midea Group HQ	By phone	Institution	E Fund, Springs Capital, Morgan Stanley Huaxin Fund, First State Cinda Fund, Minsheng Royal Asset Management, China Fund Management Co.,Ltd., Southwest Securities, Bosera Funds, etc.	1. What is Midea's progress in new energy? 2. Recently Midea's subsidiary WDM has launched the world's first helium-free MRI equipment, so what advantages does it have? 3. Has the Company issued green bonds? 4. What is Midea's progress in chips?	Log Sheet of Investor Relations Activities for 17 March 2022 disclosed on www.cninfo.com.cn
6 May 2022	Midea Group HQ	By phone	Institution	Changjiang Securities, GF Asset Management, Everbright Securities, BOCOM Schrodgers, CMB International, Temasek, Orient Securities, China Merchants Securities, Orient Securities Asset	1. Since 2021, exports have been affected by many factors, so will Midea change the USD35 billion target for 2025? What's your opinions for overseas business? 2. In terms of the coordinated development of ToC and ToB businesses, so does Midea have targeted ways for management? Is there discrepancy of resource allocation? 3. Under the pressure of the whole industry, what did Midea do to improve the profit margin of products? 4. There are so many participants in new	Log Sheet of Investor Relations Activities for 6 May 2022 disclosed on www.cninfo.com.cn

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				Management Co. LTD, etc.	energy vehicle parts business, so how do you think of development opportunities? What advantages does Midea have and what is the future outlook of the Company? 5. In the first quarter of 2022, what is the driving force of gross margin improvement in domestic and foreign sales? 6. How do you think about future outlooks of robots business? What competitive edges does Midea have? 7. The Company turns to business reduction and focus, and what industry changes make it do so? How do you think of the ceiling of customer-end (C-end)? 8. Can it be understood that the next three years of Midea is an input period, and the output period is after 2023 or 2024? 9. What is a reasonable level of profit in three years? Does a relatively high-quality development mean reducing capital expense and increasing dividends? 10. Is it challenging to make the gross profit margin of B2B equal to that of B2C? etc.	
13 May 2022	<a href="https://m.jhbshow.com/">https://m.jhbshow.com/</a>	Online communication	Institution and individual	Investors	1. Goodwill experienced drop in the 2021 annual report, so why is that and would it be offset from the current profit? 2. Can you introduce the five business segments of the Group? 3. How will Midea position the companies (TTium Motor, WINONE Elevator and Hiconics) it acquired in the past year on its business map? 4. Nowadays, the costs of raw materials are still high, so how does the situation affect the gross profit margin of Midea? How to deal with related adverse effects? 5. What's the date of record? 6. What is the business plan of overseas business? 7. How is Midea's development of electric cleaning appliances? 8. What is the impact of a global shortage of core components such as microchips? 9. Will export orders be affected when overseas competitors' production capacity recovers in the future? 10. How will Midea's own brands develop in new markets such as Europe, US, and other developed countries in the future? What are the differences? etc.	Log Sheet of Investor Relations Activities for the 2021 Annual Results Presentation disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
13 June 2022	Midea Group HQ	By phone	Institution	3W Fund Management Limited, FIL Investment Management (Hong Kong) Limited, Green Court Capital, JF Asset Management Limited, Point72 Associates II LLC, etc.	1. How is the development of COLOMO, the premium brand of the Company, in 2021? 2. How is the Company's dividend and buyback policy? 3. What major risks the Company will face in the future development? 4. Media says the management mentioned the industry might encounter cold winter in the a few years, so why did they say so and out of what background did	Log Sheet of Investor Relations Activities for 13 June 2022 disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

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					they say so? 5. What do you think of the competitive landscape and market performance of residential air conditioners?	
7 July 2022	Midea Group HQ	By phone	Institution	Hotland Innovation Asset Management, Minsheng Royal Asset Management, Taikang Asset, Tianfeng Securities, Chang Xin Asset Management, Pengyang AMC, etc.	1. How is the domestic channel reform of Midea? 2. What are the Company's priorities when it continuously expands its diversified ToB business? 3. Can you introduce the development of intelligent household appliances? 4. What do you think of the overall size and development prospect of Midea Building Technologies? 5. How do you think of the development prospect of medical business?	Log Sheet of Investor Relations Activities for 7 July 2022 disclosed on www.cninfo.com.cn
28 July 2022	Midea Group HQ	By phone	Institution	Morgan Stanley Huaxin Fund, New China Fund, New Thinking, China Merchants Securities, Pengyang AMC, BlackRock, etc.	1. What is Midea's progress in medical sector? 2. What are the arrangements of Annto Logistics for intelligent logistics? 3. Can you introduce the "Midea Digital 2025" strategy?	Log Sheet of Investor Relations Activities for 28 July 2022 disclosed on www.cninfo.com.cn
13 September 2022	Midea Group HQ	By phone	Institution	Alliancebernstein LP, Arohi AM Balyasny AM, BC Investment Management Corp, Coatue Mgmt, etc.	1. What is the latest development of overseas business? 2. How is the performance of the Toshiba brand in the first half of the year? 3. How is the performance of COLMO, the high-end household appliance? 4. What is Midea's progress in new energy?	Log Sheet of Investor Relations Activities for 13 September 2022 disclosed on www.cninfo.com.cn
22 September 2022	<a href="https://rs.p5w.net/html/134915.shtml">https://rs.p5w.net/html/134915.shtml</a>	Online communication	Institution	Investors	1. How is the production and sales volume of automobiles parts and its profitability? 2. Until now, how many shares have been repurchased? 3. How are Midea's business-end (B-end) and customer-end (C-end)? 4. Midea's stock price continues to be low, so how do you guarantee the benefits of small investors? You have been making the industrial input, but how long will it take to bring benefits? Do you think it is too hasty to do so? 5. Europe is trapped in an energy crisis, the residential energy storage market has exploded, and micro inverter business directly benefits from it. Clou Electronics is no worse than Deye Shares in terms of technologies, so it is suggested that the Company make more efforts to expand household energy storage and micro inverters, provide financial support, and make the energy storage business of Clou Electronics better and better. 6. In the face of the so-called three-year "cold winter", has the Group taken any measures to prevent it? 7. What is the development prospect of Indian plants? Why don't you build plants in South Asia?	Log Sheet of Investor Relations Activities for 22 September 2022 disclosed on www.cninfo.com.cn
6 December	Midea Group	By phone	Institution	M&G Investment	1. What is Midea's new progress in the air conditioner	Log Sheet of Investor

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2022	HQ			Management, GIC Private Limited, Wellington MGT CO LLP, Polymer Capital Management (HK) Limited, Fenghe Fund Management PTE LTD, etc.	export business in the second half of the year? 2. What is Midea's input in heat pump export? 3. What is the latest progress in channels?	Relations Activities for 6 December 2022 disclosed on www.cninfo.com.cn
22 December 2022	Midea Group HQ	By phone	Institution	Bosera Funds, Harvest Fund, BOCOM Schroders, HuaAn Fund, AEGON-INDUSTRIAL Fund, Tianhong Asset Management, etc.	1. What are the highlights of the Company's technology month? 2. How is the recent cooperation between Midea and its partners? 3. Can you introduce Midea's progress since it launched Midea Medical?	Log Sheet of Investor Relations Activities for 22 December 2022 disclosed on www.cninfo.com.cn

## Section IV Corporate Governance

### 1. Basic Situation of Corporate Governance

The Company is constantly improving its corporate governance in strict accordance with the Company Law, the Securities Law and the relevant regulations of the China Securities Regulatory Commission. There are five special committees under the Board, namely the Strategy Committee, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee, as well as the ESG Committee. They were designed to provide consultation and advice to the Board and validate the professionalization and efficiency of discussions and decision-making. The Company has established clear rules of procedure for its shareholders' meeting, board of directors, Supervisory Committee and special committees under the board, as well as the Work Rules for Company Secretary. It has also established a set of standard documents including Information Disclosure Management System, Funds Raising Management System, Connected Transaction Management System, Wealth Management Entrustment Management System, Insider Registration System, External Guaranty Decision-making System, Foreign Investment Management System, and Management System for Finance Flow with Connected Parties, Internal Auditing System. The shareholders' meeting, the Board of Directors, the Supervisory Committee and operations management departments have clear authority and responsibility. Each performs its own functions and maintains its stability effectively. Their scientific decision-making and coordinated operations have laid a firm foundation for the sustained, healthy and steady development of the Company.

The Company has also launched core management team shareholding plans and equity incentive plans for core research, quality control, technical, production and management staff, which helps to develop a sound shareholding structure for the future growth of the Company.

In 2022, the Company won the following honors:

No. 245 of "Fortune Global 500"; No. 35 of the "BrandZ™ 2021 Top 100 Most Valuable Chinese Brands" jointly released by WPP and Kantar Millward Brown; No. 186 of the "2022 Brand Finance

Global 500"; and the Top 500 New Economy Enterprises of China unveiled by the China Association for Public Companies.

Any incompliance with the applicable laws, administrative regulations, and regulations issued by the CSRC governing the governance of listed companies

Yes No

No such cases in the Reporting Period.

## **2. Independence of assets, personnel, finance, organizations and businesses which are separate from the controlling shareholder and the actual controller**

The Company is totally autonomous with respect to business, personnel, assets, organizations, and finance from Midea Holding Co., Ltd., the controlling shareholder of the Company, therefore maintaining integrity and independency in both business and operations.

### **2.1 Business independence:**

The Company has a complete industrial chain for its manufacturing business, a completely distinct purchase and sales system, and an independent and comprehensive business operation capability.

### **2.2 Personnel independence:**

The Company is completely autonomous from the controlling shareholder regarding its personnel. The labor, personnel and remuneration management of the company are totally unrelated. All senior management members received remuneration from the Company except those that hold only a director's position in the controlling shareholder.

### **2.3 Asset integrity:**

The Company has its own independent production system as well as ancillary production systems and facilities. Intangible assets such as industrial rights, trademark ownership and non-patent technology are held by the Company.

**2.4 Organization independence:**

The Company has set up an independent organizational structure which maintains its independent operation. The Company has the right to appoint or remove any personnel so there is no overlapping with the controlling shareholder.

**2.5 Financial independence:**

The Company's financial management is independent from the controlling shareholder. The Company has its own accounting department, accounting system, financial management system, and bank accounts and independently makes financial decisions and pays its own taxes according to relevant laws.

**3. Horizontal Competition**

Applicable N/A

**4. Annual and Extraordinary General Meetings of Shareholders Convened during the Reporting Period****4.1 General meetings of shareholders convened during the Reporting Period**

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Disclosure index
First Extraordinary General Meeting of Shareholders of 2022	Extraordinary	59.0587%	14 January 2022	15 January 2022	Announcement No. 2022-002, disclosed on www.cninfo.com.cn
Second Extraordinary General Meeting of Shareholders of 2022	Extraordinary	58.1929%	11 March 2022	12 March 2022	Announcement No. 2022-012, disclosed on www.cninfo.com.cn
2021 Annual General Meeting of Shareholders	Annual	58.3112%	20 May 2022	21 May 2022	Announcement No. 2022-035, disclosed on www.cninfo.com.cn
Third Extraordinary General Meeting of Shareholders of 2022	Extraordinary	57.6136%	24 June 2022	25 June 2022	Announcement No. 2022-068, disclosed on www.cninfo.com.cn
Fourth Extraordinary General Meeting of Shareholders of 2022	Extraordinary	57.6464%	19 August 2022	20 August 2022	Announcement No. 2022-083, disclosed on www.cninfo.com.cn
Fifth Extraordinary	Extraordinary	59.1660%	16 September 2022	17 September	Announcement No.

General Meeting of Shareholders of 2022				2022	2022-093, disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
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**4.2 Extraordinary general meetings of shareholders convened at the request of preference shareholders with resumed voting rights**

Applicable N/A

## 5. Directors, Supervisors and Senior Management

### 5.1 General information

Name	Office title	Incumbent/ Former	Gender	Age	Starting date of tenure	Ending date of tenure	Shares held at the year- begin (share)	Shares increased in the period (share)	Shares decreased in the period (share)	Other increase/decrease (share)	Shares held at the period-end (share)	Reason for share changes
Fang Hongbo	Chairman of the Board and CEO	Incumbent	Male	55	2012/8/25	2024/9/16	116,990,492				116,990,492	
He Jianfeng	Director	Incumbent	Male	55	2012/8/25	2024/9/16	0				0	
Gu Yanmin	Director and Vice President	Incumbent	Male	59	2014/4/21	2024/9/16	0				0	
Wang Jianguo	Director and Vice President	Incumbent	Male	46	2021/9/17	2024/9/16	0				0	
Yu Gang	Director	Incumbent	Male	63	2018/9/26	2024/9/16	0				0	
Xue Yunkui	Independent Director	Incumbent	Male	58	2018/9/26	2024/9/16	179,914				179,914	
Guan Qingyou	Independent Director	Incumbent	Male	45	2018/9/26	2024/9/16	0				0	
Han Jian	Independent Director	Incumbent	Female	50	2018/9/26	2024/9/16	0				0	
Dong Wentao	Chairman of the Supervisory Committee	Incumbent	Male	37	2020/10/16	2024/9/16	0				0	
Zhao Jun	Supervisor	Incumbent	Male	47	2014/4/21	2024/9/16	0				0	
Liang Huiming	Employee Supervisor	Incumbent	Female	39	2017/3/30	2024/9/16	0				0	
Zhang Xiaoyi	Vice President	Incumbent	Male	49	2018/4/23	2024/9/16	516,575				516,575	
Hu Ziqiang	Vice President	Incumbent	Male	65	2014/8/18	2024/9/16	400,000				400,000	

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Wang Jinliang	Vice President	Incumbent	Male	55	2014/8/18	2024/9/16	340,000			80,000	420,000	80,000 restricted shares were granted
Li Guolin	Vice President	Incumbent	Male	46	2020/7/3	2024/9/16	400,700			80,000	480,700	80,000 restricted shares were granted
Fu Yongjun	Vice President	Incumbent	Male	54	2021/9/17	2024/9/16	200,000				200,000	
Guan Jinwei	Vice President	Incumbent	Male	43	2021/9/17	2024/9/16	535,000				535,000	
Zhong Zheng	Vice President, CFO and Director of Finance	Incumbent	Female	41	2022/12/1 2022/2/22 2019/3/22	2024/9/16	276,152				276,152	
Zhao Wenxin	Chief People Officer	Incumbent	Female	40	2022/2/22	2024/9/16	400,000			80,000	480,000	80,000 restricted shares were granted
Bai Lin	Vice President	Incumbent	Male	42	2022/5/30	2024/9/16	95,079				95,079	
Wei Chang	Chief Technology Officer	Incumbent	Male	60	2022/8/29	2024/9/16	0				0	
Jiang Peng	Board Secretary	Incumbent	Male	49	2013/10/30	2024/9/16	438,600			80,000	518,600	80,000 restricted shares were granted
Yin Bitong	Director and Vice President	Former	Male	54	2016/12/16	2022/12/30	2,109,655				2,109,655	
Cai Weiding	CFO	Former	Male	41	2021/4/19	2022/1/29	0				0	

Indicate whether any director, supervisor or senior management resigned before the expiry of their tenures during the Reporting Period.

Yes  No

Changes in directors, supervisors and senior management

Applicable  N/A

Name	Office title	Type of change	Date	Reason
Cai Weiding	Chief Financial Officer	Former	2022-1-29	Personal reason
Zhong Zheng	Chief Financial Officer	Appointed	2022-2-22	-
Zhao Wenxin	Chief People Officer	Appointed	2022-2-22	-
Bai Lin	Vice President	Appointed	2022-5-30	-
Wei Chang	Chief Technology Officer	Appointed	2022-8-29	-
Zhong Zheng	Vice President	Appointed	2022-12-01	-
Yin Bitong	Director and Vice President	Former	2022-12-30	Personal reason

## 5.2 Brief biographies

Professional backgrounds, main work experience and current responsibilities in the Company of the incumbent directors, supervisors and senior management

**Mr. Fang Hongbo**, male, holder of a Master's degree, is the Chairman of the Board and CEO of Midea Group. He joined Midea in 1992 and previously served as the General Manager of Midea Air-Conditioning Division, CEO of Midea Refrigeration Electric Appliances Group, Chairman of the Board and CEO of GD Midea Holding Co., Ltd., etc.

**Mr. He Jianfeng**, male, holder of a Bachelor's degree, is a Director of Midea Group. He is also the Chairman of the Board and President of Infore Group Co., Ltd.

**Mr. Gu Yanmin**, male, holder of a Doctoral degree, joined Midea in 2000 and has functioned as the Head of Planning & Investment, Head of Overseas Strategy & Development, Vice President and Head of Overseas Business Development of Midea Air-Conditioning & Refrigeration Group, Head of Overseas Strategy of Midea Group. Currently he is a Director and Vice President of Midea Group, the President of the Robotics & Automation Division, as well as the Chairman of the Supervisory Committee of KUKA.

**Mr. Wang Jianguo**, male, a Master's degree holder, joined Midea in 1999. He was once the Director of the Supply Chain Management Department of Midea Group's Residential Air Conditioner Division, the Director of the Administration and Human Resources Department of Midea Group, and the General Manager of Midea Group's Refrigeration Division. Currently, he is a Director and Vice President of Midea Group, the President of the Smart Home Business Group, and the President of Midea International Business, in addition to being in charge of the TLSC Division, the international logistics platform and legal affairs.

**Mr. Yu Gang**, male, holder of a Doctoral degree given by the Wharton School of the University of Pennsylvania, is the Honorary Chairman and a co-founder of YHD.COM. He once served as the Global Supply Chain Vice President of Amazon and the Global Procurement Vice President of Dell. He is now a co-founder and a Co-Chairman of the Board of Directors of 111, Inc.

**Mr. Xue Yunkui**, male, is a holder of a Doctoral degree given by the Southwest University and a holder of a Post-Doctoral degree given by the Shanghai University of Finance and Economics. He used to be the associate dean and a doctoral supervisor at the School of Accountancy of Shanghai University of Finance and Economics, a Founding Vice President of Shanghai National Accounting Institute and Cheung Kong Graduate School of Business, the Secretary-General of China Association of Accounting Professors, a Vice Chairman of the Steering Committee of the National Accounting Institute under the Ministry of Finance, etc. He is now an accounting professor of Cheung Kong Graduate School of Business, and an Independent Director of Midea Group.

**Mr. Guan Qingyou**, male, obtained a PhD degree in economics from Chinese Academy of Social Sciences ("CASS") and Post-doctoral degree from Tsinghua University. He previously worked as Program Director at the Institute for Contemporary China Studies, Tsinghua University, Division Chief of the main office of China National Offshore Oil Corporation, Vice President of Minsheng Securities Co., Ltd., and Head of Minsheng Securities Research Institute. Other positions currently held by him include Dean of Reality Institute of Advanced Finance, professor at School of Economics, Hainan University, Chairman of China Institute of Private Sector, Director of China Society of Economic Reform, member of APEC China Business Council Digital Economy Committee, Chief Economic Advisor of China Fortune Securities, independent director of Midea Group Co. Ltd., Nanhua Futures

Co., Ltd., Beijing Yingpu Technology Co., Ltd., Hangzhou Hikvision DIGITAL Technology Co., Ltd., Shaanxi International Trust Co., Ltd., and Ucap Cloud Information Technology Co., Ltd., and member of the Fiscal Reform and Development Think Tank under the Ministry of Finance, Academic Committee of China Center for Urban Development under the National Development and Reform Commission, and Expert Advisory Committee on Industrial Economic Operation under the Ministry of Industry and Information Technology ("MIIT").

**Ms. Han Jian**, female, holder of a Doctoral degree given by the Cornell University, is a professor of management in China Europe International Business School, a specialist of the World Economic Forum, as well as an Independent Director of Midea Group.

**Mr. Dong Wentao**, male, a Master's degree graduate, joined Midea in 2016. He used to work in CIMC and ZTE. And he once served in the Legal Affairs Department, the Investor Relations Department, etc. of Midea Group, with over 10 years of experience in legal affairs, risk control, market value management, capital operation, etc.

**Mr. Zhao Jun**, male, a Master's degree graduate, joined Midea in 2000 and has functioned as the Director and the CFO of GD Midea Holding Co., Ltd. He is now a Supervisor of Midea Group, the Executive President in Midea Holding Co., Ltd., as well as a Non-Executive Director of Midea Real Estate Holding Limited.

**Ms. Liang Huiming**, female, is a holder of a Bachelor's degree. Joining Midea in 2007, she used to serve as the Chief Business Administration Commissioner in Midea Group's Administration and Human Resources Department. She is now the Employee Supervisor of Midea Group.

**Mr. Zhang Xiaoyi**, male, is a holder of a Master's degree. Joining Midea Group in 2010, he used to serve as the head of the overseas process IT system, the head of the supply chain system, and the IT Director of Midea Group, etc. He is now a Vice President and the CDO of Midea Group.

**Mr. Hu Ziqiang**, male, holder of a Doctoral degree, joined Midea in 2012, and has formerly worked for GE and Samsung and as a Vice GM in Wuxi Little Swan Co., Ltd. At present he is a Vice President of Midea Group, in addition to being the Chairman of the Board of Beijing Wandong Medical

Technology Co., Ltd., a listed company subordinate to Midea Group.

**Mr. Wang Jinliang**, male, holder of a Master's degree, joined Midea in 1995 and previously worked as the Vice President of China Marketing in Midea Group, and was GD Midea Holding's Vice President and Marketing Head. He is now a Vice President of Midea Group.

**Mr. Li Guolin**, male, holder of a Master's degree, joined Midea in 1998 and previously worked as a Vice President of the Residential Air Conditioner Division, and the President of the Small Domestic Appliance Division of Midea Group. He is now a Vice President and the Director of Quality and Intelligent Manufacturing of Midea Group.

**Mr. Fu Yongjun**, male, holder of a Master's degree, joined Midea in 1999 and previously worked as the General Manager of Midea Environment Appliances Division, the General Manager of Midea Component Division, and the President of Midea Electromechanical Division. He is now a Vice President, and the President of the Industrial Technology Business Group, of Midea Group.

**Mr. Guan Jinwei**, male, holder of a Master's degree, joined Midea in 2002 and previously worked as the Deputy General Manager of the Commercial Air Conditioner Division and the General Manager of an overseas marketing company of Midea Group, as well as an Assistant to the President of Midea International and the General Manager for the ASEAN region, among others. He is now a Vice President, and the President of the Building Technologies Division, of Midea Group.

**Mr. Bai Lin**, male, holder of a Bachelor's degree, joined Midea in 2002. He once served as the Asia Pacific General Manager of the Refrigeration Group, the General Manager of the overseas marketing company of the Refrigerator Division, the General Manager of the domestic marketing company of the Refrigerator Division, and the President of the Refrigerator Division. And he is now a Vice President and the China President of Midea Group.

**Ms. Zhong Zheng**, female, holder of a Master's degree, joined Midea in 2002. She once was the Director of Finance of the Financial Center and the Component Division, as well as the Audit Director of Midea Group, etc. She is now a Vice President as well as the CFO and Director of Finance of Midea Group.

**Mr. Wei Chang**, male, holder of a Doctoral degree, joined Midea in 2022. He used to be the Technical Director for Water Treatment and Polymers at the Global R&D Centre and the Greater China General Manager for Water Treatment Products at General Electric. He also served as the Director of the National Institute of Clean and Low-Carbon Energy of CHN Energy from 2014 to 2022. Currently, he is the Chief Technology Officer of Midea Group.

**Ms. Zhao Wenxin**, female, holder of a Master's degree, joined Midea in 2004. She used to be a Deputy General Manager and the Overseas Marketing General Manager of the Residential Air Conditioner Division in Midea Group, a Vice President of Midea International, etc. Currently, she is the Chief People Officer and Director of Human Resources of Midea Group.

**Mr. Jiang Peng**, male, holder of a Master's degree, joined Midea in 2007 and used to be the Representative for Securities Affairs and Board Secretary for GD Midea Holding Co., Ltd. He is now the Board Secretary and Director of Investor Relations of Midea Group.

Posts held in shareholding entities

Applicable N/A

Name	Shareholding entity	Position	Beginning date of office term	Ending date of office term	Allowance from the shareholding entity
He Jianfeng	Midea Holding Co., Ltd.	President	2016-01	-	No
Zhao Jun	Midea Holding Co., Ltd.	Executive President	2020-03	-	Yes
Note	N/A				

Posts held in other entities

Applicable N/A

Name	Other entity	Position	Beginning date of office term	Ending date of office term	Allowance from the entity
He Jianfeng	Infore Group Co., Ltd.	Chairman of the Board and President	1995-06	-	Yes
Gu Yanmin	KUKA	Chairman of the Supervisory Committee	2017-01	2024-06	Yes
Yu Gang	111, Inc.	Executive Chairman of the Board	2011-04	-	Yes
Xue Yunkui	Ouyeel Co., Ltd.	Independent Director	2022-08	2025-08	Yes
	Zhuhai Wanda Commercial Management Group Co., Ltd.	Independent Director	2021-03	2024-03	Yes
	Bank of Shanghai Co., Ltd.	Independent	2021-01	2024-01	Yes

		Director			
	Hinova Pharmaceuticals Inc.	Independent Director	2020-09	2023-09	Yes
Guan Qingyou	Beijing Rushi Research Information Consulting Service Co., Ltd.	Chairman of the Board	2017-12	-	Yes
	Shaanxi International Trust Co., Ltd.	Independent Director	2022-07	2025-07	Yes
	Nanhua Futures Co., Ltd.	Independent Director	2019-02	2025-02	Yes
	Shandong Hi-Speed Road&Bridge Co., Ltd.	Independent Director	2020-06	2022-03	Yes
	Hangzhou Hikvision Digital Technology Co., Ltd.	Independent Director	2021-03	2024-03	Yes
Note	N/A				

Punishments imposed in the recent three years by the securities regulators on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period

Applicable N/A

### 5.3 Remuneration of directors, supervisors and senior management

The following describes the decision-making procedures, grounds on which decisions are made and actual remuneration payment of directors, supervisors and senior management.

The decision-making remuneration procedure for directors, supervisors and senior management: The remuneration is proposed by the Board Remuneration Committee and approved by the Board. Decisions are made finally after the deliberation of shareholders' meeting.

The remuneration of directors, supervisors and senior management consist of basic annual payments and performance-related annual payments according to the Salary Management System for the Directors, Supervisors and Senior Management which has been approved by the Company. Basic payment is determined based on the responsibility, risk and pressure of directors, supervisors and senior management. The basic annual payment remains stable. Performance-related annual payment is related to the completion rate of corporate profit, the assessment result of target responsibility system and the performance evaluation structure of their own department. The remuneration system for directors, supervisors and senior management serves the Company's strategy, and shall be adjusted with the Company's operating conditions in order to meet the Company's development requirements. The basis for adjusting the remuneration of directors, supervisors and senior management are as follows:

- a. Wage growth in the industry
- b. Inflation
- c. Corporate earnings
- d. Organizational structure adjustment
- e. Individual adjustment due to a change in position

## Remuneration of directors, supervisors and senior management during the Reporting Period

Unit: RMB'000

Name	Position	Gender	Age	Incumbent/ Former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company
Fang Hongbo	Chairman of the Board and CEO	Male	55	Incumbent	11,301.4	
He Jianfeng	Director	Male	55	Incumbent	0	Yes
Gu Yanmin	Director and Vice President	Male	59	Incumbent	7,683.7	
Wang Jianguo	Director and Vice President	Male	46	Incumbent	6,194.8	
Yu Gang	Director	Male	63	Incumbent	450	
Xue Yunkui	Independent Director	Male	58	Incumbent	450	
Guan Qingyou	Independent Director	Male	45	Incumbent	450	
Han Jian	Independent Director	Female	50	Incumbent	450	
Dong Wentao	Chairman of the Supervisory Committee	Male	37	Incumbent	750.7	
Zhao Jun	Supervisor	Male	47	Incumbent	0	Yes
Liang Huiming	Employee Supervisor	Female	39	Incumbent	294.6	
Zhang Xiaoyi	Vice President	Male	49	Incumbent	6,916.3	
Hu Ziqiang	Vice President	Male	65	Incumbent	3,224.7	
Wang Jinliang	Vice President	Male	55	Incumbent	4,583.2	
Li Guolin	Vice President	Male	46	Incumbent	4,789.2	
Fu Yongjun	Vice President	Male	54	Incumbent	8,690.8	
Guan Jinwei	Vice President	Male	43	Incumbent	9,074.6	
Zhong Zheng	Vice President, CFO and Director of Finance	Female	41	Incumbent	7,271.4	
Zhao Wenxin	Chief People Officer	Female	40	Incumbent	4,702.4	
Bai Lin	Vice President	Male	42	Incumbent	8,278.6	

Wei Chang	Chief Technology Officer	Male	60	Incumbent	2,472.3	
Jiang Peng	Board Secretary	Male	49	Incumbent	2,521.1	
Yin Bitong	Director and Vice President	Male	54	Former	9,571.8	
Cai Weiding	CFO	Male	41	Former	987.7	
Total	--	--	--	--	101,109.3	--

## 6. Activities of Directors during the Reporting Period

### 6.1 Board meetings convened during the Reporting Period

Meeting	Convened date	Disclosure date	Resolutions
The Fifth Meeting of the Fourth Board of Directors	22 February 2022	23 February 2022	See the Announcement on Resolutions of the Fifth Meeting of the Fourth Board of Directors (Announcement No. 2022-005), which has been disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , China Securities Journal, Securities Times, and Shanghai Securities News dated 23 February 2022
The Sixth Meeting of the Fourth Board of Directors	10 March 2022	11 March 2022	See the Announcement on Resolutions of the Sixth Meeting of the Fourth Board of Directors (Announcement No. 2022-008), which has been disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , China Securities Journal, Securities Times, and Shanghai Securities News dated 11 March 2022
The Seventh Meeting of the Fourth Board of Directors	28 April 2022	30 April 2022	See the Announcement on Resolutions of the Seventh Meeting of the Fourth Board of Directors (Announcement No. 2022-018), which has been disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , China Securities Journal, Securities Times, and Shanghai Securities News dated 30 April 2022
The Eighth Meeting of the Fourth Board of Directors	30 May 2022	31 May 2022	See the Announcement on Resolutions of the Eighth Meeting of the Fourth Board of Directors (Announcement No. 2022-039), which has been disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , China Securities Journal, Securities Times, and Shanghai Securities News dated 31 May 2022
The Ninth Meeting of the Fourth Board of Directors	8 June 2022	9 June 2022	See the Announcement on Resolutions of the Ninth Meeting of the Fourth Board of Directors (Announcement No. 2022-041), which has been disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , China Securities Journal, Securities Times, and Shanghai Securities News dated 9 June 2022
The 10th Meeting of the Fourth Board of Directors	22 July 2022	23 July 2022	See the Announcement on Resolutions of the 10th Meeting of the Fourth Board of Directors (Announcement No. 2022-078), which has been disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , China Securities Journal, Securities Times, and Shanghai Securities News dated 23 July 2022
The 11th Meeting of the Fourth Board of Directors	29 August 2022	31 August 2022	See the Announcement on Resolutions of the 11th Meeting of the Fourth Board of Directors (Announcement No. 2022-085), which has been disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , China Securities Journal, Securities Times, and Shanghai Securities News dated 31 August 2022
The 12th Meeting of the Fourth Board of Directors	28 October 2022	-	The Interim Report for the Third Quarter 2022 was approved with nine affirmative votes, 0 negative notes and 0 abstentions.

The 13th Meeting of the Fourth Board of Directors	1 December 2022	2 December 2022	See the Announcement on Resolutions of the 13th Meeting of the Fourth Board of Directors (Announcement No. 2022-102), which has been disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , China Securities Journal, Securities Times, and Shanghai Securities News dated 2 December 2022
The 14th Meeting of the Fourth Board of Directors	16 December 2022	17 December 2022	See the Announcement on Resolutions of the 14th Meeting of the Fourth Board of Directors (Announcement No. 2022-103), which has been disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , China Securities Journal, Securities Times, and Shanghai Securities News dated 17 December 2022

## 6.2 Attendance of directors in Board meetings and meetings of shareholders

Attendance of directors in Board meetings and meetings of shareholders							
Director	Presence due at Board meetings in the Reporting Period (times)	Presence at Board meetings on site (times)	Presence at Board meetings by telecommunication (times)	Presence at Board meetings through a proxy (times)	Absence from Board meetings (times)	Absence from Board meetings for two consecutive times	Presence at meetings of shareholders (times)
Fang Hongbo	10	1	9	0	0	No	4
He Jianfeng	10	1	9	0	0	No	0
Yin Bitong	10	1	9	0	0	No	0
Gu Yanmin	10	1	9	0	0	No	1
Wang Jianguo	10	1	9	0	0	No	1
Yu Gang	10	1	9	0	0	No	0
Xue Yunkui	10	1	9	0	0	No	0
Guan Qingyou	10	1	9	0	0	No	0
Han Jian	10	1	9	0	0	No	0

## 6.3 Objections from directors on related issues of the Company

Were there any objections on related issues of the Company from directors

Yes  No

No such cases in the Reporting Period.

## 6.4 Other information about the activities of directors

Were there any suggestions from directors adopted by the Company

Yes  No

During the Reporting Period, in line with the Company Law, the Securities Law, the Rules for Stock Listing of Shenzhen Stock Exchange, and other relevant laws and regulations, as well as the Articles of Association, and the Rules of Procedure of the Board of Directors, directors of the Company

actively paid attention to the Company's production, operation, financial position, and the effects resulting from the changes in the economic status on the Company, vetted miscellaneous information reports provided by the Company in a timely manner, and voiced opinions and exercised their power at the Board of Directors. In addition, they supervised and checked the information disclosure of the Company and fulfilled the duties of directors faithfully and conscientiously. Based on the Company's reality, they put forward relevant opinions and suggestions about corporate governance and operating decisions, as well as supervised and promoted the execution and implementation of the resolutions of the Board of Directors to ensure scientific, timely, and efficient decision-making and safeguard the legitimate rights and interests of the Company and all shareholders.

## 7. Activities of Special Committees under the Board of Directors during the Reporting Period

Committee	Members	Number of meetings convened	Convened date	Topics	Substantial opinion and recommendations	Other information
Audit Committee	Xue Yunkui, Guan Qingyou, Han Jian, and Yu Gang	3	2022-4-28	The following proposals were approved: The 2021 Annual Report and Its Summary, The Interim Report for the First Quarter 2022, and The Proposal on Re-appointment of CPA Firm.	-	-
			2022-8-29	The Semi-Annual Report 2022 and Its Summary was approved.	-	-
			2022-10-28	The Interim Report for the Third Quarter 2022 was approved.	-	-
Nomination Committee	Guan Qingyou, Yu Gang, Xue Yunkui, and Han Jian	3	2022-2-22	The following proposals were approved: The Proposal on Appointment of CFO, and The Proposal on Appointment of Chief People Officer.	-	-
			2022-5-30	The following proposals were approved: The Proposal on Appointment of Vice President, and The Proposal on Establishment of the ESG Committee.	-	-
			2022-12-1	The Proposal on Appointment of Vice President was approved.	-	-

Remuneration and Appraisal Committee	Han Jian, Yu Gang, Xue Yunkui, and Guan Qingyou	3	2022-4-28	The following proposals were approved: The Remuneration Payment Standards for Directors, Supervisors and Senior Management for 2021, The Proposal on the Ninth Stock Option Incentive Scheme (Draft) and Its Summary, The Proposal on the 2022 Restricted Share Incentive Scheme (Draft) and Its Summary, The Eighth Core Management and Global Partner Stock Ownership Scheme of Midea Group Co., Ltd. (Draft) and Its Summary, The Fifth Core Management and Business Partner Stock Ownership Scheme of Midea Group Co., Ltd. (Draft) and Its Summary, and The Proposal for the Retirement of Unexercised Reserved Stock Options under the Fifth Stock Option Incentive Scheme upon Expiry.	-	-
			2022-6-8	The following proposals were approved: The Proposal on Matters Related to the Stock Option Exercise for the Third Exercise Period for the First Grant under the Fifth Stock Option Incentive Scheme, The Proposal on Matters Related to the Stock Option Exercise for the Second Exercise Period for Reserved Stock Options of the Fifth Stock Option Incentive Scheme, The Proposal on Matters Related to the Stock Option Exercise for the Second Exercise Period of the Sixth Stock Option Incentive Scheme, The Proposal on Matters Related to the Stock Option Exercise for the Second Exercise Period of the Seventh Stock Option Incentive Scheme, The Proposal on the Satisfaction of Unlocking Conditions for the Third Unlocking Period for the First Grant under the 2018 Restricted Share Incentive Scheme, The Proposal on the Satisfaction of Unlocking Conditions for the Second Unlocking Period for Reserved Restricted Shares under the 2018 Restricted Share Incentive Scheme, The Proposal on the Satisfaction of Unlocking Conditions for the Second Unlocking Period of the 2019 Restricted Share Incentive Scheme, and The Proposal on the Satisfaction of Unlocking Conditions for the Second Unlocking Period of the 2020 Restricted Share Incentive Scheme.	-	-

			2022-12-16	The following proposals were approved: The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme, The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme, The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2020 Restricted Share Incentive Scheme, The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2021 Restricted Share Incentive Scheme, and The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2022 Restricted Share Incentive Scheme.	-	-
Strategy Committee	Fang Hongbo, Gu Yanmin, Yu Gang, and Guan Qingyou	1	2022-4-28	The Shareholder Return Plan for 2022-2024 was approved.	-	-
ESG Committee	Li Guolin, Zhong Zheng, Zhao Wenxin, Jiang Peng, and Zhi Shuai	0	-	-	-	-

## 8. Activities of the Supervisory Committee

Were there any risks to the Company identified by the Supervisory Committee when performing its duties during the Reporting Period

Yes No

The Supervisory Committee of the Company had no objection to the matters of supervision during the Reporting Period.

## 9. Employees

### 9.1 Number, functions and educational backgrounds of employees

Number of in-service employees of the Company	1,199
Number of in-service employees of main subsidiaries	165,044
Total number of in-service employees	166,243
Total number of paid employees in the period	166,243
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	1,897
Functions	
Function	Number of employees
Production	132,036

Sales	9,093
Technical	20,657
Financial	2,098
Administrative	2,359
Total	166,243
Educational backgrounds	
Educational background	Number of employees
Master's and doctoral degrees	6,528
Bachelor's degree	28,974
Others	130,741
Total	166,243

## 9.2 Remuneration policy

Remunerations for employees are paid on time according to the remuneration system of the Company. The Company decides the regular salaries of the employees according to the position's value and evaluation performances and decides the variable salary according to the Company's and employee's performance. The remuneration distribution shows more consideration for strategic talent and ensures the market competitiveness in the salary of core talent. The Company shall make dynamic adjustments to the staff remuneration policy according to regional differences, number of employees, staff turnover, environment changes in the industry and paying ability of the Company.

## 9.3 Employee training

Focused on building the "Employee Growth Platform + Strategy Facilitation Platform + Knowledge Management Platform", Midea Academy consists of the Leadership Empowerment Center, the Professionalism Empowerment Center, the Globalization Empowerment Center, and the Newcomer Empowerment Center, in addition to a professional online learning platform—M-Learning, which motivates employees to learn on their own through special learning courses and practical learning functions. Meanwhile, Midea is building an offline three-tier empowerment system, linking the Group-business units-departments, to comprehensively develop the job knowledge and skills required by employees at each stage, taking into account personal development and corporate needs, and supporting the learning and growth of all Midea employees.

In Midea, new employees will receive orientation and job-specific skill training or tutoring, while in-service ones will be given a full range of learning and development programmes in leadership,

professionalism and general skills. Additionally, irregular trainings inside or outside the Company offer better opportunities for employees to improve their professional and general skills.

The leadership programme, in particular, is focused on building a multi-tier talent system, including a mature leadership development program comprising the Sailor Project, the Voyager Project and the Pilot Project to cultivate reserve talent for mid-level key personnel, heads for the primary structure of business units/business entities, and presidents for business divisions, respectively. To embody and promote "Employees First" in the behaviour of the management, Midea provides internal resources to help the management improve their sensitivity to "people" and diversity and inclusiveness, offers new management tools to support the accumulation and sharing of managerial experience, and builds a culture in which the senior management personnel tend to cultivate and inspire employees.

The attendances at internal training sessions were 1,114,608 in 2022, of which 108,766 were management personnel, 317,680 R&D and marketing personnel and 761,010 operational personnel.

a. Building Leadership Development Programs such as the Sailor-Voyager-Pilot program and a High-Potential Leaders Training system to facilitate talent management and training. 33 talent training programs were carried out.

b. To facilitate the implementation of the "Global Impact" strategy, seven global talent development programmes were launched in 2022, covering a total of 708 trainees.

c. Building a professionalism promotion system. In 2022, 46,054 professionalism improvement courses were given, and the professionalism system courses for key personnel covered a total of 857,197 trainees for 1,959,657 man-hours.

d. Providing channels for general skill improvement. 926 such courses such as the Career Development Center were given, covering a total of 197,550 trainees for 484,615 man-hours.

e. A total of 1,004 external training courses were introduced to broaden the horizons of employees, covering a total of 90,716 trainees for 1,128,513 man-hours.

f. In order to help new graduates develop themselves fast and foster a new power for the Company, 205 relevant courses such as the Re-Education of New Graduates, the Training Camp for New Graduates, and the Orientation Training Camp for New Graduates were organized, where 9,434 new graduates were trained for a total of 31,912 man-hours.

g. Facilitating organizational learning. With the addition of 1,619 new internal trainers, annual teaching time reached 9,775 hours in total. And a total of 3,280 courses were designed in the year.

172,873 employees visited M-Learning for a total of 1,051,611 times in 2022, with the total learning time reaching 490,718 hours.

#### 9.4 Labor outsourcing

Applicable N/A

### 10. Profit Distribution and Converting Capital Surplus into Share Capital

The Company has strictly implemented the Shareholder Return Plan for 2022-2024, which specifies the decision-making process for dividend standards, dividend ratios and profit distribution policies, ensures a continual and consistent profit distribution policy from the mechanism perspective, and fully protects the legitimate rights and interests of minority investors. In addition, the Company carried out share repurchases through centralized price bidding in 2022. As per the Company Law, the Stock Listing Rules of the Shenzhen Stock Exchange, and Guideline No. 9 of the Shenzhen Stock Exchange for the Self-regulation of Listed Companies—Share Repurchases, the amount used to repurchase shares in a year shall be deemed as cash dividends and included in the total cash dividends for the year when it comes to calculation.

Formulation, execution or adjustments of profit distribution policy, especially cash dividend policy, in the Reporting Period

Applicable N/A

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and resolution of meeting of shareholders	Yes
Specific and clear dividend standards and ratios	Yes

Complete decision-making process and mechanism	Yes
Independent directors faithfully performed their duties and played their due role	Yes
Minority shareholders are able to fully express their opinion and desire and their legitimate rights and interests are fully protected	Yes
In case of adjusting or altering the cash dividend policy, the conditions and process involved are in compliance with applicable regulations and transparent	No adjustment was made to the cash dividend policy.

The Company made a profit in the Reporting Period and the profit distributable to shareholders of the Company (without subsidiaries) was positive, but it did not put forward a preliminary plan for cash dividend distribution

Applicable N/A

Preliminary plan for profit distribution and converting capital surplus into share capital for the Reporting Period

Applicable  N/A

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax included)	25
Additional shares converted from capital surplus for every 10 shares (share)	0
Total shares as the basis for the preliminary plan for profit distribution (share)	6,875,060,728
Cash dividends (RMB) (tax inclusive)	17,187,651,820
Cash dividends in other forms (such as share repurchase) (RMB)	2,636,704,772
Total cash dividends (inclusive of those in other forms) (RMB) (tax inclusive)	19,824,356,592
Distributable profits (RMB)	27,719,633,000
Percentage of total cash dividends (inclusive of those in other forms) in the total distributed profit (%)	100%

Cash dividend policy adopted

Where the Company is at a mature stage of development and has significant expenditure arrangements, cash dividends shall account for at least 40% of the total distributed profit when carrying out profit distribution.

Details about the preliminary plan for profit distribution and converting capital surplus into share capital

According to the Auditor's Report PwC ZT Shen Zi (2023) No. 10017 issued by PricewaterhouseCoopers Zhong Tian LLP, the parent company realized a net profit of RMB12,530,265,000 for 2022. Pursuant to the relevant provisions under the Articles of Association, it provided 10% as statutory surplus reserve, namely RMB1,253,027,000. Plus undistributed profits at the beginning of the year of RMB28,094,420,000 and minus the profit distributed in the year of RMB11,652,025,000, the actual distributable profit would be RMB27,719,633,000.

## 11. Implementation of any Equity Incentive Scheme, Employee Stock Ownership Scheme or Other Incentive Measures for Employees

Applicable N/A

## 11.1 Equity incentive schemes

### Overview of the Fifth Stock Option Incentive Scheme

a. The Proposal for the Retirement of Unexercised Reserved Stock Options under the Fifth Stock Option Incentive Scheme upon Expiry was approved at the Seventh Meeting of the Fourth Board of Directors. As such, 58,000 stock options of five awardees that had been unexercised upon expiry were retired.

b. The Proposal for the Retirement of Unexercised Stock Options in the First Grant under the Fifth Stock Option Incentive Scheme upon Expiry was approved at the Ninth Meeting of the Fourth Board of Directors. As such, 30,270 stock options of five awardees that had been unexercised upon expiry were retired.

c. At the above-mentioned meeting, the Proposal for the Retirement of Unexercised Reserved Stock Options under the Fifth Stock Option Incentive Scheme upon Expiry was approved. As such, 260,000 stock options of 18 awardees that had been unexercised upon expiry were retired.

d. At the above-mentioned meeting, the Proposal for the Adjustment to the Exercise Prices for the Stock Option Incentive Scheme was approved. According to the arrangements in the 2021 Annual Profit Distribution, the exercise price for the first grant under the Fifth Stock Option Incentive Scheme was revised from RMB51.88 to RMB50.21 per share, and the exercise price for the reserved stock options under the Fifth Stock Option Incentive Scheme was revised from RMB42.71 to RMB41.04 per share.

e. At the above-mentioned meeting, the Proposal for the Adjustments to the Awardees and Their Exercisable Stock Options for the First Grant under the Fifth Stock Option Incentive Scheme was approved. It was agreed to adjust the awardee list and their exercisable stock options for the first grant under the Fifth Stock Option Incentive Scheme due to the resignation, substandard business unit performance, substandard individual performance, reassignment, violation of the Company's "Red Lines", or other factors of some awardees. Upon the adjustments, the number of locked-up stock options granted to them in the first grant under the Fifth Stock Option Incentive Scheme was

reduced from 20,380,000 to 17,447,750.

f. At the above-mentioned meeting, the Proposal for Matters Related to the Stock Option Exercise for the Third Exercise Period for the First Grant under the Fifth Stock Option Incentive Scheme was approved. A total of 926 awardees who are eligible for the Fifth Stock Option Incentive Scheme have been allowed to exercise 8,237,750 stock options in the third exercise period (ended 6 May 2023).

g. At the above-mentioned meeting, the Proposal for the Adjustments to the Awardees and Their Exercisable Stock Options for the Reserved Stock Options under the Fifth Stock Option Incentive Scheme was approved. It was agreed to adjust the awardee list and their exercisable stock options for the reserved stock options under the Fifth Stock Option Incentive Scheme due to the resignation of some awardees. Upon the adjustments, the number of locked-up reserved stock options granted to them under the Fifth Stock Option Incentive Scheme was reduced from 3,270,000 to 2,835,000.

h. At the above-mentioned meeting, the Proposal for Matters Related to the Stock Option Exercise for the Second Exercise Period for the Reserved Stock Options under the Fifth Stock Option Incentive Scheme was approved. A total of 69 awardees who are eligible for the reserved stock options under the Fifth Stock Option Incentive Scheme have been allowed to exercise 945,000 stock options in the second exercise period (ended 10 March 2023).

During the Reporting Period, 5,298,269 shares were exercised with respect to the first grant under the Fifth Stock Option Incentive Scheme.

During the Reporting Period, 541,300 shares were exercised with respect to the reserved stock options under the Fifth Stock Option Incentive Scheme.

### **Overview of the Sixth Stock Option Incentive Scheme**

a. The Proposal for the Retirement of Unexercised Stock Options under the Sixth Stock Option Incentive Scheme upon Expiry was approved at the Ninth Meeting of the Fourth Board of Directors. As such, 25,100 stock options of four awardees that had been unexercised upon expiry were retired.

b. At the above-mentioned meeting, the Proposal for the Adjustment to the Exercise Prices for the Stock Option Incentive Scheme was approved. According to the arrangements in the 2021 Annual Profit Distribution, the exercise price for the Sixth Stock Option Incentive Scheme was revised from RMB49.71 to RMB48.04 per share.

c. At the above-mentioned meeting, the Proposal for the Adjustments to the Awardees and Their Exercisable Stock Options for the Sixth Stock Option Incentive Scheme was approved. It was agreed to adjust the awardee list and their exercisable stock options under the Sixth Stock Option Incentive Scheme due to the resignation, substandard business unit performance, substandard individual performance, reassignment, violation of the Company's "Red Lines" or other factors of some awardees. Upon the adjustments, the number of locked-up stock options granted to them under the Sixth Stock Option Incentive Scheme was reduced from 30,255,000 to 26,982,250.

d. At the above-mentioned meeting, the Proposal for Matters Related to the Stock Option Exercise for the Second Exercise Period for the Sixth Stock Option Incentive Scheme was approved. A total of 905 awardees who are eligible for the Sixth Stock Option Incentive Scheme have been allowed to exercise 8,412,250 stock options in the second exercise period (ended 29 May 2023).

During the Reporting Period, 5,476,736 shares were exercised under the Sixth Stock Option Incentive Scheme.

### **Overview of the Seventh Stock Option Incentive Scheme**

a. The Proposal for the Retirement of Unexercised Stock Options under the Seventh Stock Option Incentive Scheme upon Expiry was approved at the Ninth Meeting of the Fourth Board of Directors. As such, 103,990 stock options of 12 awardees that had been unexercised upon expiry were retired.

b. At the above-mentioned meeting, the Proposal for the Adjustment to the Exercise Prices for the Stock Option Incentive Scheme was approved. According to the arrangements of the 2021 Annual Profit Distribution, the exercise price for the Seventh Stock Option Incentive Scheme was revised from RMB48.86 to RMB47.19 per share.

c. At the above-mentioned meeting, the Proposal for the Adjustments to the Awardees and Their Exercisable Stock Options for the Seventh Stock Option Incentive Scheme was approved. It was agreed to adjust the awardee list and their exercisable stock options under the Seventh Stock Option Incentive Scheme due to the resignation, substandard business unit performance, substandard individual performance, reassignment, violation of the Company's "Red Lines" or other factors of some awardees. Upon the adjustments, the number of locked-up stock options granted to them under the Seventh Stock Option Incentive Scheme was reduced from 49,440,000 to 44,200,200.

d. At the above-mentioned meeting, the Proposal for Matters Related to the Stock Option Exercise for the Second Exercise Period for the Seventh Stock Option Incentive Scheme was approved. A total of 1,237 awardees who are eligible for the Seventh Stock Option Incentive Scheme have been allowed to exercise 15,490,200 stock options in the second exercise period (ended 4 June 2023).

During the Reporting Period, 7,137,992 shares were exercised under the Seventh Stock Option Incentive Scheme.

#### **Overview of the Eighth Stock Option Incentive Scheme**

a. The Proposal for the Adjustments to the Exercise Prices for the Stock Option Incentive Schemes was approved at the Ninth Meeting of the Fourth Board of Directors. According to the arrangements in the 2021 Annual Profit Distribution, the exercise price for the Eighth Stock Option Incentive Scheme was revised from RMB81.41 to RMB79.74 per share.

#### **Overview of the Ninth Stock Option Incentive Scheme**

a. The Proposal on the Ninth Stock Option Incentive Scheme (Draft) of Midea Group Co., Ltd. and its Abstract was approved at the Seventh Meeting of the Fourth Board of Directors and the 2021 Annual General Meeting of Shareholders, and the awardee list for the Ninth Stock Option Incentive Scheme (Draft) was reviewed at the Fourth Meeting of the Fourth Supervisory Committee.

b. The Proposal for the Adjustments to the Exercise Price, Awardee List and Granted Number for the Ninth Stock Option Incentive Scheme was approved at the Ninth Meeting of the Fourth Board of

Directors. According to the arrangements in the 2021 Annual Profit Distribution, the exercise price for the Ninth Stock Option Incentive Scheme was revised from RMB56.28 to RMB54.61 per share. And it was agreed to adjust the awardee list and their stock options under the Ninth Stock Option Incentive Scheme due to the resignation of some awardees. Upon the adjustments, the number of awardees and the total stock options under the Ninth Stock Option Incentive Scheme were reduced from 2,849 to 2,815, and from 109,074,000 to 107,791,000, respectively.

c. On 8 June 2022, the Company granted 107,693,000 stock options to 2,813 awardees with the exercise price being RMB54.61 per share.

### **Overview of the 2018 Restricted Share Incentive Scheme**

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme was approved at the Third Meeting of the Fourth Board of Directors and the First Extraordinary General Meeting of Shareholders of 2022 on 14 January 2022. As such, it was agreed to repurchase and retire 386,250 restricted shares that had been granted to 13 awardees but were still in lockup, for the reasons of their resignation or being reassigned. The retirement of the said restricted shares was completed on 20 April 2022.

b. The Proposal for the Adjustments to the Repurchase Prices for the Restricted Share Incentive Schemes was approved at the Ninth Meeting of the Fourth Board of Directors. According to the 2021 Annual Profit Distribution Plan, the repurchase prices for the first grant under the 2018 Restricted Share Incentive Scheme was revised from RMB23.11 to RMB21.44 per share, and the repurchase price for the reserved restricted shares under the 2018 Restricted Share Incentive Scheme from RMB19.13 to RMB17.46 per share.

c. At the above-mentioned meeting, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme was approved. As such, it was agreed to repurchase and retire 767,551 restricted shares that had been granted to 54 awardees but were still in lockup, for the reasons of their resignation, being reassigned, violation of the Company's "Red Lines" or other factors. The retirement was completed on 24 October 2022.

d. At the above-mentioned meeting, the Proposal on the Satisfaction of the Conditions for the Third Unlocking Period for the First Grant under the 2018 Restricted Share Incentive Scheme was approved. A total of 189 awardees were eligible for this unlocking, with 2,791,699 restricted shares (0.0399% of the Company's total existing share capital) unlocked for public trading on 28 June 2022, of which 25,000 shares, 25,000 shares, 20,000 shares, and 25,000 shares were unlocked for senior management Guan Jinwei, Zhang Xiaoyi, Zhong Zheng, and Hu Ziqiang, respectively.

e. At the above-mentioned meeting, the Proposal on the Satisfaction of the Conditions for the Second Unlocking Period for the Reserved Restricted Shares under the 2018 Restricted Share Incentive Scheme was approved. A total of 21 awardees were eligible for this unlocking, with 377,083 restricted shares (0.0054% of the Company's total existing share capital) unlocked for public trading on 22 June 2022, of which 25,000 shares were unlocked for senior management Zhao Wenxin.

f. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme was approved at the 14th Meeting of the Fourth Board of Directors. As such, it was agreed to repurchase and retire 218,958 restricted shares that had been granted to 14 awardees but were still in lockup, for the reasons of their resignation, being reassigned, violation of the Company's "Red Lines" or other factors.

### **Overview of the 2019 Restricted Share Incentive Scheme**

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme was approved at the Third Meeting of the Fourth Board of Directors and the First Extraordinary General Meeting of Shareholders of 2022 on 14 January 2022. As such, it was agreed to repurchase and retire 771,042 restricted shares that had been granted to 18 awardees but were still in lockup, for the reasons of their resignation or being reassigned. The retirement of the said restricted shares was completed on 20 April 2022.

b. The Proposal for the Adjustments to the Repurchase Prices for the Restricted Share Incentive Schemes was approved at the Ninth Meeting of the Fourth Board of Directors. According to the 2021 Annual Profit Distribution Plan, the repurchase price for the granted restricted shares under the 2019

Restricted Share Incentive Scheme was revised from RMB22.63 to RMB20.96 per share.

c. At the above-mentioned meeting, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme was approved. As such, it was agreed to repurchase and retire 1,348,916 restricted shares that had been granted to 81 awardees but were still in lockup, for the reasons of their resignation, being reassigned, substandard individual or business unit performance, violation of the Company's "Red Lines" or other factors. The retirement was completed on 24 October 2022.

d. At the above-mentioned meeting, the Proposal on the Satisfaction of the Conditions for the Second Unlocking Period for the 2019 Restricted Share Incentive Scheme was approved. A total of 334 awardees were eligible for this unlocking, with 5,247,500 restricted shares (0.0750% of the Company's total existing share capital) unlocked for public trading on 11 July 2022, of which 25,000 shares, 30,000 shares and 25,000 shares were unlocked for senior management Zhao Wenxin, Wang Jinliang and Guan Jinwei, respectively.

e. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme was approved at the 14th Meeting of the Fourth Board of Directors. As such, it was agreed to repurchase and retire 431,250 restricted shares that had been granted to 14 awardees but were still in lockup, for the reasons of their resignation, being reassigned or other factors.

### **Overview of the 2020 Restricted Share Incentive Scheme**

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2020 Restricted Share Incentive Scheme was approved at the Third Meeting of the Fourth Board of Directors. As such, it was agreed to repurchase and retire 1,314,501 restricted shares that had been granted to 30 awardees but were still in lockup, for the reasons of their resignation, being reassigned, violation of the Company's "Red Lines" or other factors. The retirement of the said restricted shares was completed on 20 April 2022.

b. The Proposal for the Adjustments to the Repurchase Prices for the Restricted Share Incentive

Schemes was approved at the Ninth Meeting of the Fourth Board of Directors. As the 2021 Annual Profit Distribution Plan had been carried out, the repurchase price for the restricted shares granted under the 2020 Restricted Share Incentive Scheme was revised from RMB22.85 to RMB21.18 per share.

c. At the above-mentioned meeting, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2020 Restricted Share Incentive Scheme was approved. As such, it was agreed to repurchase and retire 1,914,495 restricted shares that had been granted to 154 awardees but were still in lockup, for the reasons of their resignation, being reassigned, violation of the Company's Red Lines or other factors. The retirement was completed on 24 October 2022.

d. At the above-mentioned meeting, the Proposal on the Satisfaction of the Conditions for the Second Unlocking Period for the 2020 Restricted Share Incentive Scheme was approved. A total of 443 awardees were eligible for this unlocking, with 7,899,587 restricted shares (0.1129% of the Company's total existing share capital) unlocked for public trading on 19 July 2022, of which 36,000 shares, 30,000 shares and 36,000 shares were unlocked for senior management Zhao Wenxin, Li Guolin and Wang Jinliang, respectively.

e. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2020 Restricted Share Incentive Scheme was approved at the 14th Meeting of the Fourth Board of Directors. As such, it was agreed to repurchase and retire 753,209 restricted shares that had been granted to 25 awardees but were still in lockup, for the reasons of their resignation, being reassigned, violation of the Company's "Red Lines" or other factors.

### **Overview of the 2021 Restricted Share Incentive Scheme**

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2021 Restricted Share Incentive Scheme was approved at the Third Meeting of the Fourth Board of Directors. As such, it was agreed to repurchase and retire 290,000 restricted shares that had been granted to 7 awardees but were still in lockup, for the reasons of their resignation, being reassigned, violation of the Company's "Red Lines" or other factors. The retirement of the said restricted shares

was completed on 20 April 2022.

b. The Proposal for the Adjustments to the Repurchase Prices for the Restricted Share Incentive Schemes was approved at the Ninth Meeting of the Fourth Board of Directors. According to the 2021 Annual Profit Distribution Plan, the repurchase price for the 2021 Restricted Share Incentive Scheme was revised from RMB39.92 to RMB38.25 per share.

c. At the above-mentioned meeting, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2021 Restricted Share Incentive Scheme was approved. As such, it was agreed to repurchase and retire 1,100,000 restricted shares that had been granted to 21 awardees but were still in lockup, for the reasons of their resignation, being reassigned, violation of the Company's "Red Lines" or other factors. The retirement was completed on 24 October 2022.

d. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2021 Restricted Share Incentive Scheme was approved at the 14th Meeting of the Fourth Board of Directors. As such, it was agreed to repurchase and retire 824,500 restricted shares that had been granted to 18 awardees but were still in lockup, for the reasons of their resignation, being reassigned or other factors.

### **Overview of the 2022 Restricted Share Incentive Scheme**

a. The 2022 Restricted Share Incentive Scheme (Draft) and its Abstract was approved at the Seventh Meeting of the Fourth Board of Directors. And the awardee list for the 2022 Restricted Share Incentive Scheme (Draft) was reviewed at the Fourth Meeting of the Fourth Supervisory Committee.

b. The Proposal for the Adjustments to the Grant Price, Awardee List and Granted Number for the 2022 Restricted Share Incentive Scheme was approved at the Ninth Meeting of the Fourth Board of Directors. According to the 2021 Annual Profit Distribution Plan, the repurchase price for the 2022 Restricted Share Incentive Scheme was revised from RMB28.14 to RMB26.47 per share. And it was agreed that the number of awardees and total restricted shares under the 2022 Restricted Share Incentive Scheme was revised from 199 to 197 awardees, and from 12,630,000 to 12,450,000 shares, respectively.

c. On 13 July 2022, the Company granted 12,152,500 restricted shares to 191 awardees with the grant price being RMB26.47 per share, of which senior management Wang Jinliang, Li Guolin, Jiang Peng and Zhao Wenxin were granted 80,000 shares each.

d. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2022 Restricted Share Incentive Scheme was approved at the 14th Meeting of the Fourth Board of Directors. As such, it was agreed to repurchase and retire 270,000 restricted shares that had been granted to 10 awardees but were still in lockup, for the reasons of their resignation, being reassigned or other factors.

Equity incentives for directors and senior management

Applicable N/A

Unit: share

Name	Office title	Restricted shares held at the beginning of the Reporting Period	Unlocked shares in the Reporting Period	Restricted shares granted in the Reporting Period	Grant price of the restricted shares (RMB/share)	Restricted shares held at the end of the Reporting Period
Zhang Xiaoyi	Vice President	50,000	25,000			25,000
Hu Ziqiang	Vice President	50,000	25,000			25,000
Wang Jinliang	Vice President	286,000	66,000	80,000	26.47	300,000
Li Guolin	Vice President	180,000	30,000	80,000	26.47	230,000
Guan Jinwei	Vice President	125,000	50,000			75,000
Zhong Zheng	Vice President, CFO and Director of Finance	40,000	20,000			20,000
Jiang Peng	Board Secretary	80,000		80,000	26.47	160,000
Zhao Wenxin	Chief People Officer	326,000	86,000	80,000	26.47	320,000
Total	--	1,137,000	302,000	320,000	--	1,155,000

Remark (if any)	<p>1. A total of 2,791,699 shares were allowed for public trading in the Third Unlocking Period for the First Grant of the 2018 Restricted Share Incentive Scheme on 28 June 2022, of which senior management Guan Jinwei, Zhang Xiaoyi, Zhong Zheng and Hu Ziqiang unlocked 25,000 shares, 25,000 shares, 20,000 shares and 25,000 shares, respectively.</p> <p>2. A total of 377,083 shares were allowed for public trading in the Second Unlocking Period for the Reserved Restricted Shares of the 2018 Restricted Share Incentive Scheme on 22 June 2022, of which senior management Zhao Wenxin unlocked 25,000 shares.</p> <p>3. A total of 5,247,500 shares were allowed for public trading in the Second Unlocking Period of the 2019 Restricted Share Incentive Scheme on 11 July 2022, of which senior management Zhao Wenxin, Wang Jinliang and Guan Jinwei unlocked 25,000 shares, 30,000 shares and 25,000 shares, respectively.</p> <p>4. A total of 7,899,587 shares were allowed for public trading in the Second Unlocking Period of the 2020 Restricted Share Incentive Scheme on 19 July 2022, of which senior management Zhao Wenxin, Li Guolin and Wang Jinliang unlocked 36,000 shares, 30,000 shares and 36,000 shares, respectively.</p> <p>5. A total of 12,152,500 shares were granted under the 2022 Restricted Share Incentive Scheme on 8 June 2022, of which senior management Wang Jinliang, Li Guolin, Jiang Peng and Zhao Wenxin were granted 80,000 shares each.</p>
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### Appraisal mechanism and incentives for senior management

With respect to remunerations for directors and supervisors, the Remuneration and Appraisal Committee under the Board of Directors formulates the relevant plan, which is submitted to the Board of Directors for approval and then to the meeting of shareholders for final approval. As for remunerations for senior management, the Remuneration and Appraisal Committee formulates the relevant plan, which is submitted to the Board of Directors for final approval.

### 11.2 Employee stock ownership schemes

Applicable N/A

Outstanding employee stock ownership schemes during the Reporting Period

Scope of employees	Number of employees	Total shares held	Change	As a percentage of the Company's total share capital	Funding source
Employees under the Fourth Global Partner Stock Ownership Scheme	20	3,318,540	N/A	0.0474%	Special fund for the scheme
Employees under the First Business Partner Stock Ownership Scheme	50	1,779,300	N/A	0.0254%	Special fund for the scheme and part of the performance bonuses for senior management
Employees under the Fifth Global Partner Stock Ownership Scheme	16	3,732,075	N/A	0.0533%	Special fund for the scheme
Employees under the Second Business Partner Stock Ownership Scheme	45	1,867,845	N/A	0.0267%	Special fund for the scheme and part of the performance bonuses for senior management

Employees under the Sixth Global Partner Stock Ownership Scheme	17	3,537,663	N/A	0.0506%	Special fund for the scheme
Employees under the Third Business Partner Stock Ownership Scheme	46	1,873,559	N/A	0.0268%	Special fund for the scheme and part of the performance bonuses for senior management
Employees under the Seventh Global Partner Stock Ownership Scheme	15	2,436,518	N/A	0.0348%	Special fund for the scheme
Employees under the Fourth Business Partner Stock Ownership Scheme	44	1,985,611	N/A	0.0284%	Special fund for the scheme and part of the performance bonuses for senior management
Employees under the Eighth Global Partner Stock Ownership Scheme	15	3,770,433	N/A	0.0539%	Special fund for the scheme
Employees under the Fifth Business Partner Stock Ownership Scheme	55	2,826,759	N/A	0.0404%	Special fund for the scheme and part of the performance bonuses for senior management

Shares held by directors, supervisors and senior management under employee stock ownership schemes during the Reporting Period

Name	Office title	Shares held at the beginning of the Reporting Period	Shares held at the end of the Reporting Period	As a percentage of the Company's total share capital
Fang Hongbo	Chairman of the Board and CEO	5,277,672	7,328,039	0.1047%
Gu Yanmin	Director and Vice President			
Wang Jianguo	Director and Vice President			
Zhang Xiaoyi	Vice President			
Hu Ziqiang	Vice President			
Wang Jinliang	Vice President			
Li Guolin	Vice President			
Fu Yongjun	Vice President			
Guan Jinwei	Vice President			
Bai Lin	Vice President			
Zhong Zheng	Vice President, CFO and Director of Finance			
Zhao Wenxin	Chief People Officer			
Jiang Peng	Board Secretary			

Change of asset management organizations during the Reporting Period

Applicable N/A

Equity changes incurred by disposal of shares by holders, etc. during the Reporting Period

Applicable N/A

Exercise of shareholder rights during the Reporting Period

During the Reporting Period, holders under employee stock ownership schemes exercised the shareholder rights to receive the cash dividends for 2021. Other than that, they did not exercise other shareholder rights such as voting in a meeting of shareholders.

Other information about employee stock ownership schemes during the Reporting Period

Applicable N/A

Changes in members of the management committees for employee stock ownership schemes

Applicable N/A

Financial impact of employee stock ownership schemes on the Company during the Reporting Period and the relevant accounting treatments

Applicable N/A

As per the Accounting Standard No. 11 for Business Enterprises—Share-based Payments, for equity-settled share-based payments in exchange for services from employee that are exercisable when services in the vesting period are completed or specified performance conditions are met, at every balance sheet date during the vesting period, the services obtained in the current period are included in the relevant costs/expenses and capital surplus at the fair value of the equity instruments at the grant date based on the best estimate of the number of exercisable equity instruments. The expense amortization of the Company's share-based payment incentive schemes stood at RMB198.02 million for 2022, which was included in the relevant expense items and capital surplus.

Termination of employee stock ownership schemes during the Reporting Period

Applicable N/A

### **11.3 Other incentive measures for employees**

Applicable N/A

## 12. Establishment and Implementation of the Internal Control System during the Reporting Period

### 12.1 Establishment and implementation of the internal control system

During the Reporting Period, in line with the Basic Code for Internal Control of Enterprises and other related regulations, the Company updated and improved the internal control system timely and established a set of internal control systems which was designed scientifically and operated effectively. Besides, an organization system for internal risk control and management comprising the Audit Committee and the internal audit department was set up to supervise and assess the Company's internal control management. Through the operation, analysis, and assessment of the internal control system, the Company effectively prevented the risks in operations management and promoted the realization of internal control objectives.

### 12.2 Serious internal control defects found in the Reporting Period

Yes No

## 13. The Company's Management and Control of Subsidiaries during the Reporting Period

Company name	Consolidation plan	Consolidation progress	Problems arising in consolidation	Solutions taken	Solution implementation progress	Subsequent solutions
N/A	N/A	N/A	N/A	N/A	N/A	N/A

## 14. Self-evaluation Report and Auditor's Report on Internal Control

### 14.1 Self-evaluation report on internal control

Disclosure date of the internal control self-evaluation report	29 April 2023	
Index to the disclosed internal control self-evaluation report	For details, please refer to the 2022 Self-Evaluation Report on Internal Control, which has been disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>	
Ratio of the total assets of the appraised entities to the consolidated total assets	70%	
Ratio of the operating revenue of the appraised entities to the consolidated operating revenue	70%	
Defect identification standards		
Type	Financial-report related	Non-financial-report related
Nature standard	For details, please refer to "(c) Basis for internal control evaluation and identification standards for internal control defects" under Section III of The 2022 Self-Evaluation Report on Internal Control	For details, please refer to "(c) Basis for internal control evaluation and identification standards for internal control defects" under Section III of The 2022 Self-Evaluation Report on Internal Control

	disclosed on www.cninfo.com.cn dated 29 April 2023.	disclosed on www.cninfo.com.cn dated 29 April 2023.
Quantitative standard	For details, please refer to “(c) Basis for internal control evaluation and identification standards for internal control defects” under Section III of The 2022 Self-Evaluation Report on Internal Control disclosed on www.cninfo.com.cn dated 29 April 2023.	For details, please refer to “(c) Basis for internal control evaluation and identification standards for internal control defects” under Section III of The 2022 Self-Evaluation Report on Internal Control disclosed on www.cninfo.com.cn dated 29 April 2023.
Number of serious financial-report-related defects	0	
Number of serious non-financial-report-related defects	0	
Number of important financial-report-related defects	0	
Number of important non-financial-report-related defects	0	

## 14.2 Auditor’s report on internal control

Applicable N/A

Opinion paragraph in the auditor’s report on internal control	
The internal control auditor holds the view that on 31 December 2022, Midea Group maintained an effective internal control of a financial report in all significant aspects based on the General Specifications of Company Internal Control and relevant specifications.	
Auditor’s report on internal control disclosed or not	Disclosed on www.cninfo.com.cn
Date of disclosing the full text of the auditor’s report on internal control	29 April 2023
Index to the disclosed full text of the auditor’s report on internal control	For details, please refer to the 2022 Auditor’s Report on Internal Control, which has been disclosed on www.cninfo.com.cn
Type of the auditor’s opinion	Standard & unqualified
Serious non-financial-report-related defects	No

Whether any modified opinions are expressed by the accounting firm in its auditor’s report on the Company’s internal control

Yes  No

Whether the auditor’s report on the Company’s internal control issued by the accounting firm is consistent with the self-evaluation report of the Board

Yes  No

## 15. Remediation of Problems Identified by Self-inspection in the Special Action on the Governance of Listed Companies

In accordance with the requirements of regulatory authorities, the Company launched a special self-inspection of the governance of listed companies that would last four months on 17 December 2020, which would review the corporate governance comprehensively from seven perspectives, namely the

basic information of the listed companies, the operation and decision-making of the organization, controlling shareholder/Actual Controller and related parties, the establishment of the system for standardizing the internal control, information disclosure and transparency, and institutional/overseas investors. In addition, it identified problems and deficiencies by referring to regulations, *Articles of Association*, and other normative documents, and saw the special self-inspection as an opportunity to improve the governance and protect the gains of investors.

This self-inspection found that the Company had no matters that had violated the national and CSRC regulations, and the corporate governance was in compliance with the laws and regulations, such as the Company Law, the Securities Law, the Guidelines on Standardized Operation of Listed Companies on Shenzhen Stock Exchange, and the Guidelines for Articles of Association of Listed Companies. Besides, the structure of the corporate governance was well-developed, and the operation was standard.

The Company will inspect and update the internal control system it has released in a timely manner in accordance with the existing laws and regulations and continuously establish and improve the internal control systems so that the systems can function effectively.

## Section V Environmental and Social Responsibility

### 1. Major Environmental Issues

Whether the Company or any of its subsidiaries is declared a heavily polluting business by the environmental protection authorities

Yes  No

Policies and industry standards for environmental protection

Administrative permits in relation to environmental protection

All subsidiaries strictly observe the laws and regulations governing environmental protection, and all construction projects are in compliance with the environmental effect requirements and other rules, with no misdeeds during the Reporting Period. Once a construction project is finished, a third-party testing institution is hired to examine indexes including waste water, waste gas and noise, and the compilation and approval of the environmental effect evaluation report is finished in time.

Industry standards for discharges and discharges of pollutants in production and operation activities

Name of the Company or subsidiary	Major pollutants	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Concentration of the discharge	Pollutant discharge standards	Total discharge (ton)	Approved total discharge (ton)	Excess discharge
Foshan Shunde Midea Washing Appliance	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The southern side of 2# plant in the Washing and Sterilizing Appliances Park	34 mg/L	Discharge Limits of Water Pollutants (DB44/26-2001) of Guangdong Province	0.00018	0.228	No
	SS				122.5 mg/L		0.00048	/	No
	BOD5				115.2 mg/L		0.0012	/	No
	Petroleum Ammonia-				0.06 mg/L		0.00045	/	No
					0.8205mg/L		0.00036	0.0576	No

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Manufacturing Co., Ltd. (the Washing and Sterilizing Appliances Park)	nitrogen								
	Benzene	High altitude discharge after being treated by waste gas treatment station	1	The southern side of 2# plant in the Washing and Sterilizing Appliances Park	0.025 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010)	0.0028	/	No
	Toluene and xylene				0.54 mg/m <sup>3</sup>		0.035	/	No
VOCS	4.48 mg/m <sup>3</sup>				0.57		/	No	
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	Western gate of the Wuhu plant	112 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	42.9	70.898	No
	Ammonia-nitrogen				1.11 mg/ L		1.05	2.496	No
	BOD <sub>5</sub>				34.1mg/ L		10.26	/	No
	Petroleum				1.43mg/ L		0.43	/	No
	Total phosphorus				2.16 mg/m <sup>3</sup>		0.52	/	No
	Fluoride				5.25 mg/m <sup>3</sup>		1.02	/	No
	Soot	15m high altitude discharge	45	Plants at each workshop	19.91 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Boiler (GB13271-2014)	7.64	/	No
	Sulfur dioxide				<3mg/m <sup>3</sup>		1.6	/	No
	Nitrogen oxide				18.2mg/m <sup>3</sup>		7.9	/	No
	Particles				71.15mg/m <sup>3</sup>		203	/	No
Xylene	High altitude discharge after being treated by waste gas treatment station			<0.01mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	0.002	/	No	
VOCS				5.22mg/m <sup>3</sup>		Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13-2322-2016)	9.3	/	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The eastern side of 1# plant	47.24mg/ L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and Integrated Wastewater Discharge Standard (GB8978-1996) Level 3	6.447	/	No
	Ammonia-nitrogen				5.885 mg/ L		0.350		
	BOD <sub>5</sub>				39.72mg/ L		2.3184		
	Total nitrogen (by N)				35.40mg/ L		1.246		
	Total phosphorus (by P)				0.897mg/ L		0.0531		
	Anionic				1.04mg/ L		0.06095		

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	surfactant								
	Suspended matters				54.83mg/ L		3.1398		
	Petroleum				0.44mg/ L		0.02733		
	pH value				8.02		/		
NMHC	RTO equipment		2	1 set at the northeastern side of 3# plant and 1 at the southwestern side of 4# plant	2.6mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants GB16297-1996 Level 2	0.33017	/	No
	Water spray + activated carbon equipment		3	2 sets at 1# plant and 1 set at 2# plant	3.27 mg/m <sup>3</sup>		0.320		
	Two-stage activated carbon equipment		9	3 at 1# plant, 2 at 2# plant, 1 at 3# plant, 2 at 4# plant and 1 cyclopentane	6.4275mg/m <sup>3</sup>		1.2727		
Particles	Filter cartridge dust collector		8	2 at 1# plant, 3 at 2# plant, 2 at 3# plant and 1 at 4# plant	0.81 mg/m <sup>3</sup>		1.156	/	No
Hefei Midea Laundry Appliance Co., Ltd. (monitored by the municipal government)	COD	Discharge after being treated by wastewater treatment station	1	The eastern side of wastewater treatment station	42mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and Integrated Wastewater Discharge Standard (GB8978-1996) Level 3	7.855	58.150	No
	Ammonia-nitrogen			The eastern side of wastewater treatment station	1.36 mg/L		0.91	/	No
	Particles	15m high altitude discharge after being treated by cyclone + filter cartridge dust collector	2	1 at 2# plant, 1 at 6# plant	<20 mg/m <sup>3</sup>	Table 5 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Special Emission Limit Requirements	0.28	/	No
	Particles	15m high altitude discharge after being treated by water spraying + dedusting+ UV photolysis + activated carbon	1	1 at 3# plant	<20 mg/m <sup>3</sup>		1.57	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	3	1 at 2# plant	1.91mg/m <sup>3</sup>		0.24	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	6	6 at 6# plant	0.89 mg/m <sup>3</sup>		0.27	/	No
	NMHC	15m high altitude discharge after being treated by low-temperature plasma	2	1 at 1# plant, 1 at 5# plant	1.52mg/m <sup>3</sup>		0.35	/	No
	NMHC	15m high altitude discharge after being treated by photocatalyst and activated carbon	2	2 at 3# plant	2.34 mg/m <sup>3</sup>		0.23	/	No
GD Midea Air-Conditioning	COD	Discharge after being treated by wastewater treatment station	1	The southeastern side of 4# plant	110 mg/L	The Discharge Standard of Water Pollutants for Electroplating (DB441597-2015) Chart 2 PRD	2.03	9.59	No
	Ammonia-nitrogen				15 mg/L		0.12	/	No
	SS				100 mg/L		1.13	/	No

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ning Equipme nt Co., Ltd.	Petroleum	Discharge after being treated by wastewater treatment station	1	The eastern side of 2# plan	8 mg/L	standard	0.085	/	No
	COD				85 mg/L		5.4	9.59	No
	SS				58.5 mg/L		3.65	/	No
	Ammonia- nitrogen				2.52 mg/L		0.169	/	No
	Petroleum				5.02 mg/L		0.33	/	No
	VOCs (dusting)	15m high altitude discharge after being treated by spray tower + activated carbon	3	4# plant	21.23mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814- 2010) the second time period	0.74	14	No
	VOCs (Screen Printing)	15m high altitude discharge after being treated by environmental protection equipment	4	1#, 5#, 9#, 11# plants	1.92 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)	0.66		No
VOCs (electronic)	15m high altitude discharge after being treated by environmental protection equipment	2	10# plants	25.21mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)	6.24	No		
NMHC (evaporator & condenser)	15m high altitude discharge after being treated by environmental protection equipment	5	2#, 5# plants	25 mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27- 2001) the second time period	4.39	No		
Wuhu Maty Air- Conditio ning Equipme nt Co., Ltd	COD	Discharge after being treated by wastewater treatment station	1	The northern side of the park	98mg/L	Integrated Wastewater Discharge Standard (GB8978-1996) chart 4 Level 3	6.709	7.5	No
	SS				46mg/L		2.85	/	No
	BOD				85.2mg/L		3.85	/	No
	Ammonia- nitrogen				10.2mg/L		0.651	0.675	No
	Petroleum				1.01mg/L		/	/	No
	Particles	15m high altitude discharge after being treated by environmental protection equipment	5	2# plant	10mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	8.43	/	No
	VOCs		8	2#, 3# plants	10.4mg/m <sup>3</sup>	Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13-2322- 2016)	0.066	/	No
NOx	3		3# plant	7.7mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	2.041	2.209	No	
SO2	3		3# plant	1.5mg/m <sup>3</sup>		0.61	/	No	

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Guangdong Meizhi Precision Manufacturing Co., Ltd	COD	Discharge after being treated by wastewater treatment station	1	Near the wastewater treatment station in the north side of the plant	34mg/L	Discharge Standard of Water Pollutants for Electroplating DB 44/1597-2015	15.27	16.28	No
	Suspended matters				6mg/L		2.93	/	No
	Petroleum				0.56mg/L		0.604	/	No
	Total phosphorus				0.22mg/L		0.23	/	No
	Total zinc				ND		0.031	/	No
	pH value				7.9mg/L		3.07	/	No
	Total nitrogen				1.3mg/L		1.05	/	No
	Ammonia-nitrogen				0.737mg/L		0.194	2.034	No
	Fluoride				0.44mg/L		0.106	/	No
	Guangdong Meizhi Precision Manufacturing Co., Ltd				Particles		15m high altitude discharge after being treated by environmental protection equipment	7	Roof of the plant
SO <sub>2</sub>		15m high altitude discharge after being treated by environmental protection equipment	4	Roof of the plant	1.5mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Boiler (DB44/765-2019)	0.305	0.436	No
NO <sub>x</sub>		15m high altitude discharge after being treated by environmental protection equipment	4	Roof of the plant	6.16mg/m <sup>3</sup>		1.914	2.039	No
VOCs		15m high altitude discharge after being treated by environmental protection equipment	10	Roof of the plant	3.6516mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Surface Coating of Automobile Manufacturing Industry (DB44/816-2010)	3.977	4.553	No
Benzene		15m high altitude discharge after being treated by environmental protection equipment	2	Roof of the plant	0.0299mg/m <sup>3</sup>		0.0144	/	No
Total toluene and xylene	15m high altitude discharge after being treated by environmental protection equipment	Roof of the plant		0.317mg/m <sup>3</sup>	0.168609		/	No	
Guangdong Meizhi Compressor Limited	COD	Discharge after being treated by wastewater treatment station	1	Near the wastewater treatment station in the north side of the plant	36mg/L	The Discharge Standard of Water Pollutants for Electroplating of Guangdong Province DB-441597-2015, before 1 September 2012	5.895	6.046	No
	Suspended matters				9.3mg/L		1.528	/	No
	Petroleum				0.81mg/L		0.134	/	No
	Total				0.44mg/L		0.072	/	No

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	phosphorus												
	Total zinc									0.0525mg/L	0.028	/	No
	pH value									7.25mg/L	/	/	No
	Total nitrogen									4.49mg/L	0.737	/	No
	Ammonia-nitrogen									2.309mg/L	0.378	0.756	No
	Fluoride									0.341mg/L	0.056	/	No
	Total nickel									ND	0.008	0.024	No
Particles	Over-15m high altitude discharge after being treated by environmental protection equipment	17	Roof of main plant and metal plate workshop	17.17mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27-2001) / Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB 9078-1996)	7.078	8.705	No					
SO <sub>2</sub>	Over-15m high altitude discharge after being treated by environmental protection equipment	11	Roof of main plant and metal plate workshop	0.75mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Boiler (DB44/765-2019)	0.484	0.799	No					
NO <sub>x</sub>	Over-15m high altitude discharge after being treated by environmental protection equipment	11	Roof of main plant and metal plate workshop	4.45mg/m <sup>3</sup>		4.64	7.814	No					
Benzene	Over-15m high altitude discharge after being treated by environmental protection equipment	2	Roof of main plant and metal plate workshop	0.117mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Surface Coating of Automobile Manufacturing Industry (DB44/816-2010)	0.053	/	No					
Total toluene and xylene	Over-15m high altitude discharge after being treated by environmental protection equipment	2	Roof of main plant and metal plate workshop	0.617mg/m <sup>3</sup>		0.282	/	No					
VOCs	Over-15m high altitude discharge after being treated by environmental protection equipment	7	Roof of main plant and metal plate workshop	2.63mg/m <sup>3</sup>		3.069	5.718	No					
Foshan Shunde Midea	COD <sub>Cr</sub>	Discharge after being treated by wastewater treatment system and reaching the standard	2	Waste water treatment stations 1 and 2 of 3# plant		Discharge Standard of Water Pollutants for Electroplating (DB44/1597-2015)	4.397	15.304	No				
	Petroleum						0.013	/	No				
	Ammonia-nitrogen						0.466	1.913	No				
Electrical Heating Appliances Manufacturing Co., Ltd.	Total toluene and xylene	High altitude discharge after being treated by waste gas treatment station	7	Waste gas sprayers 1 and 2 at 3# plant, outlets 1, 2 and 3 for waste gas from wave-soldering, painting and drying at 6# plant, outlets 1 and 2 for waste gas from reflow soldering at 6# plant	0.36311 mg/m <sup>3</sup>	Table 1 of the Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010): Discharge Limits for VOCs through Exhaust Funnel/for Time Period II	2.850	/	No				
	VOCs	High altitude discharge after being treated by waste gas treatment station		3.5992mg/m <sup>3</sup>	10.652		22.72	No					

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	NMHC	High altitude discharge after being treated by waste gas treatment station	2	Outlet of injection molding waste gas in the south side of 1# plant, outlet of injection molding waste gas in the south side of 9# plant	0.4038 mg/m <sup>3</sup>	Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Emission Limits of Air Pollutants	0.156	/	No
	Particles	Pulse bag dust collecting	4	Outlets 1 and 2 of sanding waste gas at 3# plant, outlets 1 and 2 of polishing waste gas at 3# plant	0.4231mg/m <sup>3</sup>	Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2	0.158	/	No
	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	2	Oxidation wire roof of 3# plant	4.75 mg/m <sup>3</sup>		0.095	3.8231	No
	Oxynitride			Drying furnace of 3# plant	3..31 mg/m <sup>3</sup>	0.881	13.132	No	
	Cooking fume	Discharge after being treated by waste gas treatment station	2	South and north section canteens	0.29 mg/m <sup>3</sup>	Emission Standard of Cooking Fume (Trial) (GB 18483-2001)	0.110	/	No
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	CODcr	Discharge after being treated by wastewater treatment system and reaching the standard	1	Sewage treatment station	28mg/L	Discharge Standard of Water Pollutants for Electroplating (DB44/1597-2015)	2.589	4.8	No
	Petroleum				0.06mg/L		0.00486	/	No
	SS				18.5mg/L		1.2250	/	No
	Ammonia-nitrogen				0.7885mg/L		0.375	0.96	No
	Benzene	High altitude discharge after being treated by waste gas treatment station	1	Spraying waste gas outlet at 1# plant	0.01 mg/m <sup>3</sup>	Table 1 of the Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010): Discharge Limits for VOCs through Exhaust Funnel/for Time Period II	0.000514	/	No
	Toluene	High altitude discharge after being treated by waste gas treatment station			0.09 mg/m <sup>3</sup>		0.00502	/	No
	Xylene	High altitude discharge after being treated by waste gas treatment station			1.08 mg/m <sup>3</sup>		0.0154	/	No
	Total toluene and xylene	High altitude discharge after being treated by waste gas treatment station			1.17 mg/m <sup>3</sup>		0.0204	/	No
	VOCs	High altitude discharge after being treated by waste gas treatment station			4.45 mg/m <sup>3</sup>		0.1764	0.61	No
	NMHC	High altitude discharge after being treated by waste gas treatment station	2	Injection molding waste gas outlet in the southern side of 2# plant, injection molding waste gas outlet in the northern side of 2# plant	0.5575 mg/m <sup>3</sup>	Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Emission Limits of Air Pollutants	0.10199	0.104	No
Particles	Pulse bag dust collecting	7	Sanding waste gas outlet of 1# plant Polishing waste gas outlet of 1# plant	0.45 mg/m <sup>3</sup>	Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2	0.0636	/	No	
Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	1	Drying furnace of 1# plant	<3 mg/m <sup>3</sup>		0.02325	0.028	No	

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	Oxynitride	High altitude discharge after being treated by waste gas treatment station			<3 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Boiler (DB44/765-2019)	0.0938	0.131	No
	Cooking fume	Discharge after being treated by waste gas treatment station	1	Canteen of 1# plant	0.575 mg/m <sup>3</sup>	Emission Standard of Cooking Fume (GB 18483-2001)	0.01425	/	No
Anhui Meizhi Compressor Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The western side of the comprehensive wastewater treatment station	16 mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and Integrated Wastewater Discharge Standard (GB8978-1996) Level 3	6.80	/	No
	Ammonia-nitrogen				0.207 mg/L		0.12	/	No
	Particles	Collected by gas trap hood+15m high exhaust cylinder	13	No. 1 workshop welding soot discharge outlet for waste gas	7.0mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	10.61	65.45	No
				No. 3 workshop discharge outlet for the welding waste gas	5.2 mg/m <sup>3</sup>				
				Waste gas outlet of 1# heat-treating furnace at No. 2 workshop	7.1 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB9078-1996)			
				Waste gas outlet of 2# heat-treating furnace at No. 2 workshop	6.4 mg/m <sup>3</sup>				
				Waste gas outlet for die casting at No. 2 workshop	7.5 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)			
				Waste gas outlet for die casting at No. 4 workshop	4.6 mg/m <sup>3</sup>				
				Waste gas outlet of 1# heat-treating furnace at No. 4 workshop	6.6 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB9078-1996)			
				Waste gas outlet of 2# heat-treating furnace at No. 4 workshop	5.2 mg/m <sup>3</sup>				
Waste gas outlet for electrophoresis and drying at No. 1 workshop	7.3 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)							
Waste gas outlet for electrophoresis and drying	6.4 mg/m <sup>3</sup>		Integrated Emission Standards for Atmospheric						



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				Die casting at No. 4 workshop	0.86 mg/m <sup>3</sup>				
Guangdong Welling Motor Manufacturing Co., Ltd.	Benzene	Zeolite drum + RTO	1	Waste gas outlet around plant C	0 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	0.00	/	No
	Total toluene and xylene	Zeolite drum + RTO	1	Waste gas outlet around plant C	0.255 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	1.32	/	No
	Total VOCs	Zeolite drum + RTO	1	Waste gas outlet around plant C	3.17mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	1.74	17.09	No
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	COD	Discharge to the municipal sewage system after being treated by wastewater treatment system	1	The eastern side of wastewater treatment station in Malong base	38 mg/L	The Discharge Limits of Water Pollutants in Guangdong DB-44/26-2001	9.50	22.77	No
	Ammonia-nitrogen				0.439 mg/L		0.077	4.554	No
	Particles	20m high altitude discharge after being treated by waste gas treatment equipment and reaching the standard	112	26 outlets at A1 plant, 47 outlets at A2 plant, 21 outlets at B2 plant, 9 outlets at C2 plant, 2 outlets at C3 plant, 1 outlet at wastewater treatment station and 6 outlets at canteen	0.52 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010)/Emission Standard of Volatile Organic Compounds for Surface Coating of Automobile Manufacturing Industry (DB44/816-2010)/Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015)/Guangdong Province Emission Limits of Air Pollutants (DB44/27-2001)/Emission Standard	1.376	/	No
	Sulfur dioxide				7 mg/m <sup>3</sup>		0.763	1.055	No
	Oxynitride				9 mg/m <sup>3</sup>		4.21	10.314	No
	Benzene				ND		0.079	/	No
	Total toluene and xylene				0.45 mg/m <sup>3</sup>		3.42	/	No
	VOCs				6.07 mg/m <sup>3</sup>		17.8	35.051	No
	NMHC				3.99 mg/m <sup>3</sup>		0.28	/	No
	Styrene				3.847mg/m <sup>3</sup>		0.931	/	No
Fume	15m high altitude discharge after being treated by oil fume purification facility and reaching the standard			0.05 mg/m <sup>3</sup>		0.0322	/	No	

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						of Volatile Organic Compounds for Printing Industry (DB44/815-2010)/Emission Standard of Cooking Fume (on Trial) (GB18483-2001)			
Welling (Wuhu) Motor Manufacturing Co., Ltd.	Particles	Collected by gas trap hood + dust collector + activated carbon +15m high exhaust cylinder	3	Exhaust funnels 1-3 for mold injection	20 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	3.029	/	No
	VOCs	Collected by gas trap hood+15m high exhaust cylinder	1	Die casting waste gas outlet	0.91 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB9078-1996)	4.6152	/	No
	VOCs	Adsorption and desorption catalytic combustion treatment equipment + 15m high exhaust cylinder	1	Exhaust funnels for dip coating	0.98mg/m <sup>3</sup>	Hebei Province Standard DB13/2322-2016 The Concentration Limits at Emission Reference Point for Coating Operations	2.064	/	No
	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	General wastewater outlet	40mg/m <sup>3</sup>	Integrated Wastewater Discharge Standard (GB8978-1996) chart 4 Level 3	1.8144	/	No
	Ammonia-nitrogen				20 mg/m <sup>3</sup>		0.5184	/	No
	BOD				7.4 mg/m <sup>3</sup>		1.2926	/	No
	SS				9 mg/m <sup>3</sup>		0.4686	/	No
Petroleum	0.45 mg/m <sup>3</sup>				0.1201		/	No	
Anhui Meizhi Precision Manufacturing Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The south side of Building 6 for night shift at the north side of the plant area	116.4mg/L	Integrated Wastewater Discharge Standard (GB8978-1996) chart 4 Level 3	87.8	/	No
	Ammonia-nitrogen				16.1mg/L		12.1	/	No
	BOD				41.1mg/L		31.0	/	No
	SS				15.6mg/L		11.7	/	No
	Petroleum				0.58 mg/L		0.44	/	No
	Particles	Collected by gas trap hood +21m high exhaust cylinder	10	Welding waste gas outlet 1#	11.6 mg/m <sup>3</sup>	Requirements in Table 1 of Integrated Emission Standards of Air Pollutants of Shanghai (DB31/933-2015)	13.04	/	No
				Welding waste gas outlet 2#	9.4 mg/m <sup>3</sup>				
		Collected by gas trap hood +21m high exhaust cylinder	Heat-treating furnace 1#	12.4mg/m <sup>3</sup>	Integrated emission standards for atmospheric pollutants GB16297-1996, chart 2, Level 2				
			Heat-treating furnace 2#	13.8 mg/m <sup>3</sup>					
			Heat-treating furnace 3#	15.0 mg/m <sup>3</sup>					
Heat-treating furnace			13.2mg/m <sup>3</sup>						
Drying waste gas outlet 1#			5.6mg/m <sup>3</sup>						
Drying waste gas outlet 2#	8.1mg/m <sup>3</sup>								
Drying waste gas outlet 3#	8.5 mg/m <sup>3</sup>								

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	Sulfur dioxide	Collected by gas trap hood +21m high exhaust cylinder	8	Drying waste gas outlet 4#	9.4mg/m <sup>3</sup>	Emission limit standards for other industrial furnaces and kilns in the Comprehensive Control Plan for Air Pollution of Industrial Furnaces (H.D.Q.[2019] NO.56)	2.31	/	No
				Heat-treating furnace 1#	3.8 mg/m <sup>3</sup>				
				Heat-treating furnace 2#	3.6 mg/m <sup>3</sup>				
				Heat-treating furnace 3#	3.4mg/m <sup>3</sup>				
				Heat-treating furnace	2.9 mg/m <sup>3</sup>				
				Drying waste gas outlet 1#	3.0mg/m <sup>3</sup>				
				Drying waste gas outlet 2#	2.6 mg/m <sup>3</sup>				
				Drying waste gas outlet 3#	3.6mg/m <sup>3</sup>				
	Oxynitride	Collected by gas trap hood +21m high exhaust cylinder	8	Heat-treating furnace 1#	11.8mg/m <sup>3</sup>	NMHC emissions meet the relevant standard limit requirements in Table 1 of Shanghai Integrated Emission Standards for Atmospheric Pollutants (DB31/933-2015)	4.07	/	No
				Heat-treating furnace 2#	4.6mg/m <sup>3</sup>				
				Heat-treating furnace 3#	1.5 mg/m <sup>3</sup>				
				Heat-treating furnace	11.25 mg/m <sup>3</sup>				
				Drying waste gas outlet 1#	10.6 mg/m <sup>3</sup>				
				Drying waste gas outlet 2#	1.5 mg/m <sup>3</sup>				
				Drying waste gas outlet 3#	7 mg/m <sup>3</sup>				
VOCs	Direct-fired waste gas incinerator+21m high exhaust cylinder	2	Drying waste gas outlet 1#	8.1 mg/m <sup>3</sup>		6.88	/	No	
			Drying waste gas outlet 2#	12.3mg/m <sup>3</sup>					
	Adsorption and desorption catalytic combustion +21m high exhaust cylinder	2	Drying waste gas outlet 3#	11.5 mg/m <sup>3</sup>					
			Drying waste gas outlet 4#	11.1 mg/m <sup>3</sup>					
GD Midea Environment Appliances Mfg. Co.,Ltd.	VOCs	Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	2	During the screen printing process	2.28 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)	0.888	/	No
		Dry filtering + direct combustion of natural gas +15m high altitude discharge	2	Outlet for waste gas from dip coating, drying and hardening	26.02mg/m <sup>3</sup>	Emission Standards for Odor Pollutants GB14554-93	2.651	3.42	No
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	1	During the manual welding process	4.33mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2	0.121	/	No
	NMHC	Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude	6	Exhaust funnel for waste gas from the baking and	3.45 mg/m <sup>3</sup>	Emission Standards of Industrial Pollutants in the	5.354	/	No

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		discharge		injection molding processes		Synthetic Resin Industry (BG 31572-2015)			
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	3	Metal plate dusting waste gas exhaust cylinder	4.62 mg/m <sup>3</sup>	Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (BG 31572-2015)	1.699	/	No
	Particles	Gas trap hood + water spraying + dry filtering + UV + activated carbon + 15m high altitude discharge	1	Dusting waste gas	1.53mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2	0.201	/	No
	Cooking fume	Fume hood + electrostatic range hood + 15m high altitude discharge	7	Cooking fume outlet at canteen	0.47 mg/m <sup>3</sup>	Emission Standard of Cooking Fume GB18483-2001	0.116	/	No
	Suspended matters	Oil separation and slugging - hydrolysis and acidification - contact oxidation - MRB	1	Domestic wastewater treatment station	6.67 mg/L	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant GB18918-2002	0.211		
	COD				19.12 mg/L		0.558	/	No
	Animal and vegetable oil				0.19 mg/L		0.016	/	No
	Ammonia-nitrogen (NH <sub>3</sub> -N)				0.093 mg/L		0.9121	/	No
	pH value				7.16 mg/L		/	/	No
	Five-day BOD				7.05mg/L		0.223	/	No
	Total zinc				Coagulation and sedimentation + hydrolysis and acidification + aeration + biological tank + MBR + water reuse		1	Domestic wastewater treatment station	0.0079 mg/L
	COD	8.49 mg/L	0.655	/		No			
	Suspended matters	5 mg/L	0.408	/		No			
	pH value	7.67 mg/L	/	/		No			
	Total phosphorus (by P)	0.01 mg/L	0.4121	/		No			
	Ammonia-nitrogen (NH <sub>3</sub> -N)	0.28mg/L	0.0207	1.724		No			
	Petroleum	0.03 mg/L	0.00245	/		No			
	Total aluminum	0.13 mg/L	0.0106	/		No			
	Total iron	0.051mg/L	0.00416	/		No			
Wuxi Little Swan Electric Co., Ltd.	COD	Discharge to municipal sewage network	1	Exit at the middle gate of the plant		176.75 mg/L			Integrated Wastewater Discharge Standard (GB8978-1996)
	SS				59 mg/L	33.31	87.2473	No	
	Animal and vegetable				1.54mg/L	2.27	10.7034	No	

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	oil												
	Total phosphorus									1.8mg/L	0.75	1.0701	No
	Total nitrogen									25.13mg/L	9.14	11.2612	No
	Ammonia-nitrogen									20.1mg/L	6.38	6.6906	No
	Particles									1.65mg/m <sup>3</sup>	0.3814	2.0696	No
	VOCS									12.11mg/m <sup>3</sup>	0.9011	1.2218	No
	Sulfur dioxide									22.5mg/m <sup>3</sup>	0.42	0.624	No
	Oxynitride									Activated carbon + 20m high altitude discharge Water spraying + UV + activated carbon + Filter cartridge dust collector +15m high altitude discharge Grade 2 activated carbon+15m high altitude discharge Dry Filtering + electrostatic degreasing + 15m high altitude discharge Pulse dust collecting +15m high altitude discharge	11	1. Injection molding workshop of Building C 2. Buildings A and D 3. Painting workshop 4. Injection molding workshop of Building C 5. Crushing workshop of Building C	30.5mg/m <sup>3</sup>
Huaian Welling Motor Manufacturing Co., Ltd.	Particles	5#: Grade 3 filtering + honeycomb zeolite + CO 8#: Grade 3 filtering + Grade 2 activated carbon	2	5# waste gas outlet: outside the inductor dip coating room 8# waste gas outlet: outside the reactor dip coating room	2.4 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	0.1565	2.697	No				
	NMHC									4.6mg/m <sup>3</sup>	0.8038	1.3853	No
	Styrene									ND	0.002	0.032	No
Midea Group Wuhan Refrigeration Equipment Co.,Ltd.	pH value	Discharge after being treated by wastewater treatment station and reaching the standard	1	West Gate 2 of 4# plant on the west side of plant areas	7.2 mg/L	Integrated Wastewater Discharge Standard GB8978-1996	7.2	/	No				
	COD									108 mg/L	7.07	19.60	No
	Ammonia-nitrogen									0.638 mg/L	0.0105	1.764	No
	Suspended matters									27 mg/L	1.464	/	No
	Petroleum									4.05 mg/L	0.1515	/	No
	Total phosphorus									0.39 mg/L	0.0059	/	No

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	Fluoride	Discharge after being treated by environmental protection equipment	21	1# plant, 3# plant, 4# plant, 5# plant	7.08 mg/L	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	0.145	/	No				
	Total zinc				0.25 mg/L		0.0467	/	No				
	BOD5				22.6 mg/L		1.618	/	No				
	Particles				9.8 mg/m <sup>3</sup>		3.64	6.09	No				
	Sulfur dioxide				4 mg/m <sup>3</sup>		0.94	1.56	No				
	Oxynitride				12 mg/m <sup>3</sup>		3.57	5.9	No				
	Tin and its compounds				3		3# plant	5.92*10 <sup>-4</sup> mg/m <sup>3</sup>	0.00041	/	No		
	Acrylonitrile				3			0 mg/m <sup>3</sup>	0	/	No		
	Styrene				3			0.098 mg/m <sup>3</sup>	0.0554	/	No		
VOCs	10	1# plant	18.5 mg/m <sup>3</sup>	2.708	/	No							
Handan Midea Air-Conditioning Equipment Co.,Ltd.	NMHC	15m high altitude discharge after being treated by environmental protection equipment	9	1#, 2# plants	5.72 mg/m <sup>3</sup>	1) NMHC: Implementation of the emission concentration limits on organic chemicals in Table 1 of Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13/2322-2016) 2) Sulfur dioxide/nitrogen oxides/particles: Implementation of the new furnace standards in Table 1 and Table 2 of Emission Standard of Air Pollutants for Industrial Kiln and Furnace (DB13/1640-2012) 3) Tin and its compounds: Implementation of the requirements of Level 2 in the Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	5.6	/	No				
	Particles				7		1#, 2#, 3# plants	1.98 mg/m <sup>3</sup>	1.29	/	No		
	Oxynitride				7		1#, 2#, 3# plants	7.67 mg/m <sup>3</sup>	4.75	0.42	No		
	Sulfur dioxide				7		1#, 2#, 3# plants	< 3 mg/m <sup>3</sup>	1.77	3.241	No		
	Tin and its compounds				4		2# plant	<3*10-6mg/m <sup>3</sup>	1.5*10-6	/	No		
	COD				Discharge after being treated by wastewater treatment system and reaching the standard		1	North side of the power house	43.67 mg/L	Requirements for inflow water quality of wastewater treatment plant in Handan Economic and Technological Development Zone Integrated Wastewater Discharge Standard (GB8978-1996) chart 4	0.7559	8.97	No
	Ammonia-nitrogen								4.33mg/L		0.075	0.7	No
	pH								7.34		/	/	No
	Suspended matters								9mg/L		0.1558	/	No
	Petroleum								0.44mg/L		0.0076	/	No
Fluoride	1.04 mg/L	0.018	/	No									

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Level 3									
Wuxi Filin Electronics Co., Ltd.	COD	Discharged to the municipal sewage network	1	Exit at the southeast gate of the plant	4 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	0.084	0.09462	No
	SS				4 mg/L		0.084	0.09462	No
	Animal and vegetable oils				0.06mg/L		0.00126	0.001419	No
	Total phosphorus				0.01mg/L		0.00021	0.000237	No
	Total nitrogen				0.05mg/L		0.00105	0.001185	No
	Ammonia nitrogen				0.025mg/L		0.000525	0.000592	No
	Particles	Fabric bag + activated carbon treatment + 20m high altitude discharge Activated carbon treatment + 33m high altitude discharge	4	1 and 2 at Building A 3 and 4 at Building B	0 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996) for particles and chemical compounds, and Tianjin Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB12/524-2014) for VOCs	0	0.2879	No
VOCs	20 mg/m <sup>3</sup>				3.25		3.57	No	
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	pH value	Treatment by waste water treatment station and reaching the standard	1	West gate	7.7 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996) chart 4 Level 3	/	/	No
	COD				293 mg/L		3.736	76.63	No
	SS				9 mg/L		0.712	/	No
	NH3-N				20.5 mg/L		0.2614	5.32	No
	Petroleum				0.24 mg/L		0.005	/	No
	Fluoride				11.5 mg/L		0.13	/	No
	BOD5				121 mg/L		1.4	/	No
	LAS				0.105 mg/L		0.002	/	No
	Total zinc				0.03 mg/L		0.0008	/	No
	Animal and vegetable oil				0.43 mg/L		0.004	/	No
	Particles	After treatment by environmental	11	East, west, south and	9.9 mg/m <sup>3</sup>	Integrated Emission	15.06	/	No

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	SO2	protection and treatment facilities and reaching the standard, 25m high altitude discharge		north corners of the plant	5 mg/m <sup>3</sup>	Standards for Atmospheric Pollutants DB 50/418-2016 Table 1 Central Downtown	1.595	/	No
	NOX			14 mg/m <sup>3</sup>	3.942		/	No	
	Tin and its compounds			0.27 mg/m <sup>3</sup>	0.342		/	No	
	NMHC			2.5 mg/m <sup>3</sup>	5.66		/	No	
Chongqing Midea General Refrigeration Equipment Co., Ltd.	PH	Discharge to municipal wastewater treatment plant after being treated by the wastewater treatment system	1	General sewage discharge exit of plant areas	7.97 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996) Chart 4 Level 3	/	/	No
	Suspended matters				13.5mg/L		1.659	/	No
	COD				160.25mg/L		19.696	/	No
	Ammonia-nitrogen (NH3-N)				6.01mg/L		0.739	/	No
	Animal and vegetable oil				1.2mg/L		0.148	/	No
	Petroleum				0.46mg/L		0.057	/	No
	Five-day BOD				63.6mg/L		7.817	/	No
	Anionic surfactant				0.25mg/L		0.031	/	No
	Phosphate				0.09mg/L		0.011	/	No
	Fluoride				2.96mg/L		0.364	/	No
	Particles	High altitude discharge after being treated by waste gas treatment station	4	2 sets for paint waste gas of 1# and 4# plants each	12.464mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants DB 50/418-2016 Table 1 Central Downtown	3.702	/	No
	Toluene				0.224mg/m <sup>3</sup>		0.055	/	No
	Xylene				0.044mg/m <sup>3</sup>		0.013	/	No
	NMHC				2.401mg/m <sup>3</sup>		0.662	/	No
	Particles	Filter cartridge dust collector	9	5 sets for 1# plant and 4 sets for 4# plant	12.6 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants DB 50/418-2016 Table 1 Central Downtown	3.285	/	No
		Direct discharge	2	Brazing waste gas outlets for 2# and 4# plants					
	Sulfuric acid mist	Lye spray tower	2	Acid pickling waste gas outlets for 1# and 4# plants	0.772 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants DB 50/418-2016 Table 1 Central Downtown	0.0083	/	No
	Hydrogen Chloride				6.086 mg/m <sup>3</sup>		0.0690	/	No
	Particles	1 set of RTO	2	Volatile oil drying waste gas outlet	15.925 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants DB 50/418-2016 Table 1 Central Downtown	0.134	/	No
	Sulfur dioxide				7.75 mg/m <sup>3</sup>		0.066	/	No
Oxynitride	28.75 mg/m <sup>3</sup>				0.234		/	No	
NMHC	4.38 mg/m <sup>3</sup>				0.052		/	No	

Hefei branch of Hefei Hualing Co., Ltd.	COD	After deep treatment by industrial waste water treatment station, discharge to municipal sewage network with domestic sewage	1	Freezer waste water outlet	15mg/L	Takeover standards of the Western Group wastewater treatment plant	6.85	9.53	No
	Ammonia-nitrogen				0.3mg/L		2.8	/	No
	BOD				2.8mg/L		15	/	No
	SS				5mg/L		8.21	/	No
	Petroleum				/		2.05	/	No
	Phosphate				0.08mg/L		1.02	/	No
	Total zinc				0.35mg/L		0.65	/	No
	Fluoride				1.3mg/L		1.52	/	No
	pH				7.1 mg/L		/	/	No
	NMHC				After photo-catalytic oxidation + activated carbon, 15m high altitude discharge		1	Screen printing waster gas outlet	6.1mg/m <sup>3</sup>
NMHC	1	5# plastic uptake/foaming waster gas outlet	2.4mg/m <sup>3</sup>	0.16		/	No		
Particles	After filter cartridge dust collector + activated carbon, 15m high altitude discharge	2	Welding waste gas outlets of 7# and 8# plants	12mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (DB31/933-2015)	0.38	/	No	
Particles	After filter cartridge dust collector, 15m high altitude discharge	1	Crushing waste gas outlet	9.8mg/m <sup>3</sup>		0.35	/	No	
NMHC	After Grade 2 activated carbon, 15m high altitude discharge	2	Foaming waste gas outlets of 7# and 8# plants	34mg/m <sup>3</sup>	Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB31572-2015)	1.86	/	No	
Odor concentration				549mg/m <sup>3</sup>	Emission Standards for Odor Pollutants (GB14554-93) Table 1	/	/	No	
NMHC	After Grade 2 activated carbon, 15m high altitude discharge	1	7# plastic uptake waster gas outlet	7.3mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (DB31/933-2015) Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB31572-2015)	0.75	/	No	
	After dry filtering + photo-catalytic oxidation + activated carbon, 15m high altitude discharge	1	8# plastic uptake waster gas outlet	11mg/m <sup>3</sup>		0.96	/	No	
	After spray tower + demister + photo-catalytic oxidation + activated carbon, 15m high altitude discharge	1	Spraying waste gas outlet	7.1mg/m <sup>3</sup>		0.56	/	No	
Guangzhou Hualing Refrigeration	Waste mineral oil, waste oil-containing	treatment entrusted to third-party qualified enterprise	N/A	N/A	N/A	N/A	164.636	185.523	No

ting Equipme nt Co.,ltd.	liquid, waste packaging, waste activated carbon, waste lead battery, waste filter cotton, waste circuit board, etc								
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**Treatment of pollutants**

During the Reporting Period, all subsidiaries have strictly abided by the laws and regulations related to environment protection, and no major environmental pollution incidents occurred. All subsidiaries have set up reliable waste water and gas treatment systems. Through regular monitoring, supervision and inspection mechanisms, as well as third-party testing, it is ensured that the discharge of waste water, waste gas and solid waste during the production and operation process meets the national and local laws and regulations. There is no excessive discharge by any subsidiary, which is in compliance with the relevant requirements of the environment administrations.

**Environment self-monitoring plans**

All the subsidiaries have formulated their own environment self-monitoring plans according to China's relevant laws and regulations, which include: 1) Waste gas pollution source monitoring: Sampling points are set at various discharge ports of waste gas for monitoring on a quarterly basis. Major discharge points are equipped with an online pollution discharge monitoring system for stationary pollution sources to produce and upload real-time data to Midea Environmental Protection Online Monitoring Platform; 2) Waste water pollution source monitoring: Samples are fetched at intake and outlet ports of waste water treatment stations to monitor changes of pollution source of waste water and up-to-standard emission of waste water after

being treated at the waste water treatment stations. Monitoring items include COD<sub>Cr</sub>, SS and petroleum, etc. The data is uploaded to the governmental monitoring authority online and the government authority conducts real-time monitoring; 3) Noise monitoring: Noise monitoring points are set at noise sensitive points and on the border of factories. Noise is monitored once in spring and summer respectively and at daytime and at nighttime respectively each time; 4) Solid waste pollution source monitoring: Hazardous waste produced from the subsidiaries is handed over to the units with qualifications for treatment, monitoring systems are established, and related management forms and accounts are set up.

### **Contingency plans for environmental accidents**

All subsidiaries have finished the compilation and approval of their contingency plans for environmental accidents. Emergency mechanisms for environmental pollution accidents have been established and improved, and the subsidiaries' ability to deal with environmental pollution accidents has been enhanced, so as to maintain social stability, protect the lives, health and properties of the public, protect the environment, and promote a comprehensive, coordinated and sustainable development of the society.

According to the accident levels, subsidiaries have formulated rules covering working principles, contingency plans, risk prevention measures, commanding departments, responsibilities and labor division, and have filed these contingency plans with the government.

### **Spending on environmental management and protection and payment of environmental protection tax**

The Company played an active role in environmental management and protection during the Reporting Period, with total spending of approximately RMB256.39 million in this respect for the year.

### **Measures taken to reduce carbon emissions during the Reporting Period and the results**

Applicable  N/A

a. The Group's manufacturing plants combined have an installed capacity of 187MW of distributed PV, with 87MW under construction. Approximately 210 million kWh of PV power was generated in 2022, reducing carbon emissions by about 168,000 tons of CO<sub>2</sub>.

b. All manufacturing plants kept improving their energy management systems and carried out work related to ISO 50001 (GB23331) certification. As of December 2022, 35 plants have been certified. The certification of the energy management systems has greatly improved the energy management level of these plants. By carrying out energy saving diagnosis, these plants are able to enhance leakage identification and the closed-loop management.

c. Greater efforts have been made in the research and development of green and low-carbon technologies, as well as the implementation of the related projects. Energy saving and emission reduction projects are promoted from eight major scenarios such as injection moulding, sheet metal, electronics, compressed air, central air conditioning, optical storage, labs, and energy management platform. As confirmed by the relevant plants' financial departments, the energy saving and emission reduction projects produced an income of over RMB100 million.

**Administrative penalties received during the Reporting Period due to environmental issues**

Applicable  N/A

**Other environment-related information that should be made public**

None

### **Other environment-related information**

None

## **2. Corporate Social Responsibility (CSR)**

The Company has voluntarily disclosed its CSR activities. Attaching great importance to protecting the legal rights and interests of its shareholders, employees, consumers and business partners, as well as the government, the community and other stakeholders, the Company sticks to harmonious common growth with them, honors its commitments, abides by law and moral principles, and continue to contribute to the sustainable development of the society and the environment. For further information, see the Company's ESG Report 2022 released on [www.cninfo.com.cn](http://www.cninfo.com.cn).

## **3. Efforts in Poverty Alleviation and Rural Revitalization**

### **3.1 Support for rural revitalization**

In 2022, Midea Group actively responded to the call for rural revitalization and implemented the East China and West China coordination policy by donating RMB10 million to Qiandongnan Prefecture in Guizhou Province, which was used to help the students and teachers in the region for better educational development.

Besides the existing support projects, Midea Group continued its efforts in this regard and spent a total of over RMB2 million to help revitalise the countryside and consolidate the results of poverty alleviation. In particular, RMB550,000 was used for the renovation of a farming and cultural tourism demonstration base in Sansui County, Qiandongnan Prefecture, Guizhou Province, as well as for the renovation of a bridge in Xuedong Town, helping to improve the efficiency of the local agricultural production and facilitate the local people.

### **3.2 Support for educational development**

Midea has been donating RMB100,000 to the Dandelion School (specialized school for the children of rural migrant workers) in Beijing for three consecutive years from 2021 to 2023. The donated money would be used to improve education in the school and the living conditions of the students and teachers of the school, support teacher cultivation plans, fund and cultivate volunteers for the school, etc. With the support from Midea and various caring individuals and organisations, the school officially opened in 2006 and 92 students graduated in the class of 2022, all of whom chose to continue their education. 61 of them went on to high school and the rest 31 to vocational high school. This has helped solve the problem of education for the children of migrant workers.

### **3.3 Subsequent plans**

In 2023, Midea will focus on rural revitalisation, helping to do a good job in the economic development of the rural areas while collaborating with local governments to fully explore the local ecological, social and cultural values based on local conditions, mobilising local farmers to actively participate in rural reform and accelerating the modernisation of agriculture and rural areas.

## Section VI Significant Events

### 1. Performance of Undertakings

#### 1.1 Undertakings of the Company's actual controller, shareholders, related parties and acquirer, as well as the Company and other commitment makers fulfilled in the Reporting Period or ongoing at the period-end

√ Applicable □ N/A

Undertaking	Undertaking giver	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking made in offering documents or shareholding alternation documents	Controlling shareholder and actual controller	Maintenance of independence	1. Midea Holding and He Xiangjian have undertaken as follows: He Xiangjian, Midea Holding and their controlled enterprises will remain independent from Midea Group in respect of personnel, finance, assets, business and institutions, 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.	28 March 2013	Long-standing	<b>1. There has been no violation of this undertaking.</b>
	Controlling shareholder and actual controller	Avoiding competition within the industry	2. 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, Midea Holding and He Xiangjian have undertaken as follows:  (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 be engaged 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;  (2) If Midea Group and its controlled companies expand their	28 March 2013	Long-standing	<b>2. There has been no violation of this undertaking.</b>

		<p>business on the basis of the existing ones to those where the above mentioned related entities or individuals are already performing such production and operations, 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 competitive business to 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 Midea Holding is identified as the controlling shareholder of Midea Group, and He Xiangjian the actual controller, they will not change or terminate this undertaking.</p> <p>(5) Midea Holding and He Xiangjian 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>Controlling shareholder and actual controller</p>	<p>Regulation of related transactions</p> <p>3. 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, Midea Holding and He Xiangjian 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</p>	<p>28 March 2013</p>	<p>Long-standing</p>	<p><b>3. There has been no violation of this undertaking.</b></p>

		<p>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 the funds or profits from Midea Group, or damage the interests of its shareholders at their advantages during the related transactions.</p> <p>(2) They shall fulfill the obligation of withdrawing from voting that involves the above mentioned related transactions at the general meeting of Midea Group;</p> <p>(3) The related subject mentioned above shall not require Midea Group to offer more favorable conditions than those to any independent third party in any fair market transactions.</p> <p>(4) In accordance with effective laws, regulations or other regulatory documents of People's Republic of China, as long as Midea Holding is identified as the controlling shareholder of Midea Group, and He Xiangjian the actual controller, they shall not change or terminate this undertaking.</p> <p>(5) Midea Holding and He Xiangjian 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>			
Controlling shareholder and actual controller	On Midea Trade Union Committee transferring its limited equity of Midea Group	<p>4. On 4 January 2001, the Midea Trade Union Committee signed the "Equity Transfer Contract" with five people, namely He Xiangjian, Chen Dajiang, Feng Jingmei, Chen Kangning and Liang Jieyin, where it transferred all its limited equity of Midea Group (22.85%) respectively to those five people. According to the confirmation letter issued by members of the Midea Trade Union Committee at that time, the equity transfer price was determined after mutual discussion on the basis of their true opinions, therefore there was no dispute or potential dispute.</p> <p>On 28 June 2013, Foshan Shunde Beijiao General Union, superior department of Midea Trade Union Committee, issued a confirmation letter to the fact that the Midea Trade Union Committee funded the establishment of Midea Group Co., Ltd. In addition the letter also confirmed that the council of Midea</p>	28 March 2013	Long-standing	<p><b>4. 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>

		<p>Trade Union Committee is entitled to dispose any property of the committee, and such property disposal does not need any 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 to 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>			
Controlling shareholder and actual controller	<p>Issues about Payment of the Staff Social Insurance and the Housing Provident Fund involved in Midea Group's Overall Listing</p>	<p>5. Midea Holding and He Xiangjian have undertaken to be liable for (1) paying such expenses and related expenses on time based on the requirements of relevant state departments if Midea Group is required to be liable for the payment of staff social insurance, 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 when Midea Group and its subsidiaries are required to pay them in advance.</p>	28 March 2013	Long-standing	<p><b>5. 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 undertaking.</b></p>
Controlling shareholder and actual controller	<p>Issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries</p>	<p>6. Undertakings on issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries</p> <p>Midea Holding and He Xiangjian have undertaken as follows:</p> <p>(1) Midea Holding will do its utmost to assist and urge Midea Group (including its subsidiaries) to complete renaming procedures of related assets, such as land, housing, 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 housing or property declared in related files of this merger.</p> <p>(3) Midea Holding shall assist Midea Group (including its</p>	28 March 2013	Long-standing	<p><b>6. So far, the issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries have not brought about any controversy or potential disputes. There has been no violation of this undertaking. And Midea Holding shall honor this undertaking before its expiration.</b></p>

		<p>subsidiaries) to re-apply for corresponding construction procedures and apply for their ownership certificates for houses without complete procedures, as happened in the past, to apply for the ownership certificate. If the competent authorities requires Midea Group to dismantle buildings that cannot acquire the re-application for real estate registration procedures, 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 from no longer using these properties or presently using the land or house above due to failing to obtain or collect in time the ownership certificates of the land or house above or any losses caused by any 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 in penalties subjected to from competent authorities or through claims from any other third party.</p> <p>(5) Based on issues of defective house leasing declared in related files of this merger, Midea Holding shall provide sufficient compensations for all economic losses incurred by Midea Group (including its subsidiaries) where the leasehold relations above become invalid or other disputes occur, which are caused by rights claims from a third party or by means of an administrative authority exercising a right and therefore results in any economic losses due to eviction from rental houses, or any penalties subjected to by competent government departments or any recourse from related parties.</p> <p>(6) Based on the issues of defective land leasing declared in related files of this merger, when leasehold relations become invalid caused by defects of land leasing or when other disputes occur, resulting in any economic losses to Midea Group (including its subsidiaries) or through any penalties administered by competent government departments. Likewise if the lessor cannot 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 has further undertaken that where a violation of guarantees and undertakings referred to previously occurs or such guarantees and undertakings are not consistent with the reality and Midea Group has suffered any loss therefrom,</p>			
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		Midea Holding shall compensate in cash or make up for Midea Group's loss upon Midea Group's notice in writing within 30 days when the loss occurs and the loss amount is definite.			
Whether the undertaking is fulfilled on time	Yes				
Specific reasons for failing to fulfill any undertaking and plan for the next step	N/A				

**1.2 Where any earnings forecast was made for any of the Company's assets or projects and the Reporting Period is still within the forecast period, the Company shall explain whether the performance of the asset or project reaches the earnings forecast and why**

Applicable N/A

## **2. Occupation of the Company's Capital by the Controlling Shareholder or Its Related Parties for Non-Operating Purposes**

Applicable N/A

No such cases in the Reporting Period.

## **3. Illegal Provision of Guarantees for External Parties**

Applicable  N/A

No such cases in the Reporting Period.

## **4. Explanation of the Board of Directors Regarding the Last "Non-standard Audit Opinion"**

Applicable  N/A

## **5. Explanation of the Board of Directors, the Supervisory Committee and Independent Directors (If Any) Regarding the "Non-standard Audit Opinion" for the Reporting Period**

Applicable N/A

## **6. Changes in Accounting Policies and Accounting Estimates as Compared to the Financial Report for the Prior Year, as well as Correction of Material Accounting Errors**

Applicable N/A

## **7. Reason for Changes in Scope of the Consolidated Financial Statements as Compared to the Financial Report for the Prior Year**

Applicable  N/A

The detailed information of major subsidiaries included in the consolidation scope in the current period is set out in Notes 5 and 6. Entities newly included in the consolidation scope in the current period through acquisition mainly include Midea Capital Co., Ltd. and its subsidiaries (inclusive of structured entities), WuHan TTium Motor Technology Co., Ltd. and its subsidiaries, as well as KONG Smart Environment (Xi'an) Co., Ltd. (formerly known as "Shaanxi Construction Investment Group Co., Ltd.") (please refer to Note 5(1)(a)), while details of those through incorporation can be found in Note 5(2)(a). The detailed information of subsidiaries no longer included in the consolidation scope in the current period is set out in Note 5(2)(b).

## 8. Engagement and Disengagement of CPA Firm

CPA firm at present

Name of the domestic CPA firm	PricewaterhouseCoopers Zhong Tian LLP
The Company's payment to the domestic CPA firm	RMB8.975 million
Consecutive years of the audit service provided by the domestic CPA firm	Eight years
Names of the certified public accountants from the domestic CPA firm	Yao Wenping and Wu Fangfang
Consecutive years of the audit service provided by the certified public accountants from the domestic CPA firm	Three years and two years respectively

Whether the CPA firm was changed in the current period

Yes  No

Engagement of any CPA firm for internal control audit, financial advisor or sponsor

Applicable  N/A

During the year, the Company engaged PricewaterhouseCoopers Zhong Tian LLP as the auditor of the Company's internal control for the year 2022.

## 9. Possibility of Delisting after Disclosure of this Report

Applicable  N/A

## 10. Bankruptcy and Reorganization

Applicable  N/A

No such cases in the Reporting Period.

## 11. Material Litigation and Arbitration

Applicable  N/A

No such cases in the Reporting Period.

## 12. Punishments and Rectifications

Applicable  N/A

No such cases in the Reporting Period.

## 13. Credit Conditions of the Company as well as Its Controlling Shareholder and Actual Controller

Applicable  N/A

## 14. Significant Related Transactions

### 14.1 Continuing related transactions

Applicable N/A

Related transaction party	Relation	Type of the transaction	Contents of the transaction	Pricing principle	Transaction price	Transaction amount (RMB'000)	Proportion in the total amounts of transactions of the same kind (%)	Approved transaction line (RMB'000)	Over approved line	Mode of settlement	Obtainable market price for the transaction of the same kind	Disclosure date	Index to the disclosed information
Orinko Advanced Plastics Co., Ltd.	Controlled by family member of Company's actual controller	Procurement	Procurement of goods	Market price	-	1,399,675	0.57%	1,900,000	No	Payment after delivery	-	30 April 2022	www.cninfo.com.cn
Midea Real Estate Holding Limited	Controlled by Company's actual controller	Sale	Sale of goods	Market price	-	225,887	0.07%	576,430	No	Payment after delivery	-	30 April 2022	www.cninfo.com.cn
Details of any sales return of a large amount				Zero									
Give the actual situation in the Reporting Period (if any) where a forecast had been made for the total amounts of continuing related-party transactions by type to occur in the current period				The line for continuing related transactions between the Company and the related parties and their subsidiaries did not exceed the total amount of continuing related transactions estimated by the Company by type.									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				N/A									

### 14.2 Related transactions regarding purchase or sales of assets or equity interests

Applicable N/A

No such cases in the Reporting Period.

### 14.3 Related transactions arising from joint investments in external parties

Applicable N/A

No such cases in the Reporting Period.

#### **14.4 Credits and liabilities with related parties**

Applicable N/A

No such cases in the Reporting Period.

#### **14.5 Transactions with related finance companies**

Applicable N/A

The Company did not make deposits in, receive loans or credit from and was not involved in any other finance business with any related finance company or any of its related parties.

#### **14.6 Transactions between finance companies controlled by the Company and related parties**

Applicable N/A

No related parties made deposits in, received loans or credit from or was involved in any other finance business with any finance company controlled by the Company.

#### **14.7 Other significant related transactions**

Applicable N/A

No such cases in the Reporting Period.

### **15. Significant Contracts and Their Execution**

#### **15.1 Trusteeship, contracting and leasing**

##### **15.1.1 Trusteeship**

Applicable N/A

No such cases in the Reporting Period.

##### **15.1.2 Contracting**

Applicable N/A

No such cases in the Reporting Period.

##### **15.1.3 Leasing**

Applicable N/A

No such cases in the Reporting Period.

#### **15.2 Major guarantees**

Applicable N/A

Guarantees provided by the Company and its subsidiaries for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
No such cases								
Total external guarantee line approved during the Reporting Period (A1)				0	Total actual external guarantee amount during the Reporting Period (A2)			0
Total approved external guarantee line at the end of the Reporting Period (A3)				0	Total actual external guarantee balance at the end of the Reporting Period (A4)			0
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Midea Group Finance Co., Ltd.	2022/4/30	8,000,000		-	Joint liability	One year	No	No
GD Midea Air-Conditioning Equipment Co., Ltd.	2022/4/30	15,430,000	2022-1-1	6,665,030	Joint liability	One year	No	No
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	2022/4/30	1,350,000	2022-1-4	122,310	Joint liability	One year	No	No
Foshan Midea Carrier Air-Conditioning Equipment Co., Ltd.	2022/4/30	360,000	2022-2-23	2,760	Joint liability	One year	No	No
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	2022/4/30	2,800,000		-	Joint liability	One year	No	No
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	2022/4/30	380,000	2022-1-1	36,240	Joint liability	One year	No	No
Guangdong Midea Precision Molding Technology Co., Ltd.	2022/4/30	10,000		-	Joint liability	One year	No	No
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	2022/4/30	550,000		-	Joint liability	One year	No	No
Hainan Midea United Materials Supply Co. Ltd.	2022/4/30	10,000		-	Joint liability	One year	No	No
Handan Midea Air-Conditioning Equipment Co., Ltd.	2022/4/30	100,000		-	Joint liability	One year	No	No
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	2022/4/30	1,200,000		-	Joint liability	One year	No	No
Midea Group (Shanghai) Co., Ltd.	2022/4/30	1,000		-	Joint liability	One year	No	No
Midea Group Wuhan Heating & Ventilating Equipment Co., Ltd.	2022/4/30	258,000		-	Joint liability	One year	No	No
Meizhisheng Technology Co., Ltd.	2022/4/30	1,000		-	Joint liability	One year	No	No
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	2022/4/30	7,032,000	2022-1-1	1,727,500	Joint liability	One year	No	No
Guangdong Witol Vacuum Electronic	2022/4/3	100,000	2022-1-5	280	Joint liability	One	No	No

Manufacture Co., Ltd	0					year		
Wuhu Midea Kitchen Appliances Manufacturing Co., Ltd.	2022/4/30	2,520,000	2022-1-18	1,000,000	Joint liability	One year	No	No
Jiangsu Midea Cleaning Appliances Co., Ltd	2022/4/30	640,000	2022-1-1	9,430	Joint liability	One year	No	No
Maytech Technology Co., LTD.	2022/4/30	75,000		-	Joint liability	One year	No	No
Hainan Meizhi Canghai E-commerce Service Co., Ltd.	2022/4/30	22,000		-	Joint liability	One year	No	No
Hainan Meizhi Hangjian Electric Appliance Co., Ltd.	2022/4/30	22,000		-	Joint liability	One year	No	No
Eureka Technology Co., Ltd.	2022/4/30	22,000		-	Joint liability	One year	No	No
GD Midea Heating & Ventilating Equipment Co., Ltd.	2022/4/30	3,110,000	2022-1-1	166,270	Joint liability	One year	No	No
Guangdong Midea-SIIX Electronics Co., Ltd.	2022/4/30	10,000	2022-3-9	130	Joint liability	One year	No	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	2022/4/30	40,000		-	Joint liability	One year	No	No
Hefei Midea-SIIX Electronics Co., Ltd.	2022/4/30	5,000		-	Joint liability	One year	No	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	2022/4/30	30,000	2022-1-1	9,170	Joint liability	One year	No	No
Meitong Energy Technology (Chongqing) Co., Ltd.	2022/4/30	80,000		-	Joint liability	One year	No	No
Guangdong MeiKong Intelligent Building Co., Ltd.	2022/4/30	60,000		-	Joint liability	One year	No	No
Shanghai M-BMS Intelligent Construction Co., Ltd.	2022/4/30	40,000		-	Joint liability	One year	No	No
Winone Elevator Company Limited	2022/4/30	410,000	2022-1-1	65,610	Joint liability	One year	No	No
Guangdong Lingmei Technology Co., Ltd.	2022/4/30	60,000		-	Joint liability	One year	No	No
Hubei Midea Building Technology Co., Ltd.	2022/4/30	10,000		-	Joint liability	One year	No	No
Guangdong Meizhi Compressor Limited	2022/4/30	290,000	2022-1-1	37,870	Joint liability	One year	No	No
Guangdong Meizhi Precision-Manufacturing Co., Ltd	2022/4/30	55,000		-	Joint liability	One year	No	No
Guangdong Welling Motor Manufacturing Co., Ltd.	2022/4/30	250,000	2022-1-1	22,890	Joint liability	One year	No	No
Foshan Welling Washer Motor Manufacturing Co., Ltd.	2022/4/30	310,000	2022-1-1	18,490	Joint liability	One year	No	No
Guangdong Midea Environmental Technologies Co., Ltd.	2022/4/30	20,000		-	Joint liability	One year	No	No
Huaian Welling Motor Manufacturing Co., Ltd.	2022/4/30	10,000		-	Joint liability	One year	No	No
Guangdong Midea Intelligent Technologies Co., Ltd.	2022/4/30	20,000		-	Joint liability	One year	No	No
Zhejiang Meizhi Compressor Co., Ltd.	2022/4/30	4,000,000	2022-3-31	602,000	Joint liability	One year	No	No
Anhui Meizhi Compressor Co., Ltd.	2022/4/30	40,000	2022-1-1	7,660	Joint liability	One year	No	No
Anhui Meizhi Precision Manufacturing Co., Ltd.	2022/4/30	60,000	2022-1-24	310	Joint liability	One year	No	No

Welling (Wuhu) Motor Manufacturing Co., Ltd.	2022/4/30	10,000	2022-1-17	800	Joint liability	One year	No	No
Wuhu Welling Motor Sales Co., Ltd.	2022/4/30	1,865,000			- Joint liability	One year	No	No
Anhui Welling Auto Parts Co., Ltd.	2022/4/30	130,000	2022-5-9		- Joint liability	One year	No	No
Dorna Technology Co., Ltd.	2022/4/30	55,000			- Joint liability	One year	No	No
Guangdong Midea Electromechanical Technology Co., Ltd.	2022/4/30	60,000			- Joint liability	One year	No	No
MiSiliconn Semiconductor Technologies Co., Ltd.	2022/4/30	67,000			- Joint liability	One year	No	No
Guangdong Jiya Precision Machinery Technology Co., Ltd.	2022/4/30	60,000			- Joint liability	One year	No	No
Anqing Welling Auto Parts Co., Ltd.	2022/4/30	50,000			- Joint liability	One year	No	No
Servotronix Motion Technology Development (Shenzhen) Ltd.	2022/4/30	30,000			- Joint liability	One year	No	No
Ningbo Midea United Materials Supply Co. Ltd.	2022/4/30	2,000,000	2022-1-12	40,990	Joint liability	One year	No	No
Guangzhou Kaizhao Commercial and Trading Co., Ltd	2022/4/30	60,000			- Joint liability	One year	No	No
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	2022/4/30	185,000	2022-1-1	2,630	Joint liability	One year	No	No
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	2022/4/30	1,665,000	2022-1-1	192,320	Joint liability	One year	No	No
GD Midea Environment Appliances Mfg. Co.,Ltd.	2022/4/30	1,400,000	2022-1-1	11,700	Joint liability	One year	No	No
Guangdong Midea Cuchen Company Ltd.	2022/4/30	6,000			- Joint liability	One year	No	No
GD Midea Caffitaly Coffee Machine Manufacturing Co., Ltd.	2022/4/30	10,000			- Joint liability	One year	No	No
Wuhu Midea Life Appliances Mfg Co., Ltd.	2022/4/30	2,200,000	2022-6-6	810,000	Joint liability	One year	No	No
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	2022/4/30	2,750,000	2022-1-1	244,760	Joint liability	One year	No	No
Guangdong Midea Kitchen & Bath Appliances Manufacturing Co., Ltd.	2022/4/30	400,000			- Joint liability	One year	No	No
Foshan Shunde Midea Water Dispenser Manufacturing Company Limited	2022/4/30	855,000	2022-1-1	14,910	Joint liability	One year	No	No
Foshan Midea Chungho Water Purification Equipment. Co., Ltd.	2022/4/30	230,000	2022-1-20	12,970	Joint liability	One year	No	No
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	2022/4/30	2,600,000	2022-1-1	4,520	Joint liability	One year	No	No
Wuxi Little Swan Electric Co., Ltd.	2022/4/30	3,395,000	2022-1-1	1,135,290	Joint liability	One year	No	No
Hefei Midea Laundry Appliance Co., Ltd.	2022/4/30	2,880,000	2022-1-1	12,440	Joint liability	One year	No	No
Wuxi Filin Electronics Co., Ltd.	2022/4/30	100,000			- Joint liability	One year	No	No
Hubei Midea Laundry Appliance Co., Ltd.	2022/4/30	100,000			- Joint liability	One year	No	No
Hainan Midea Refrigerator & Washer Sales Co., Ltd.	2022/4/30	50,000			- Joint liability	One year	No	No
Hefei Hualing Co., Ltd.	2022/4/30	700,000	2022-1-1	99,790	Joint liability	One	No	No

	0					year		
Hubei Midea Refrigerator Co., Ltd.	2022/4/30	260,000			- Joint liability	One year	No	No
Hefei Midea Refrigerator Co., Ltd.	2022/4/30	3,000,000			- Joint liability	One year	No	No
Guangzhou Midea Hualing Refrigerator Co., Ltd.	2022/4/30	700,000	2022-1-6	9,880	Joint liability	One year	No	No
Toshiba Home Appliances Manufacturing (Nanhai) Co., Ltd	2022/4/30	100,000	2022-3-10		- Joint liability	One year	No	No
Little Swan (Jing Zhou) Sanjin Electronic Appliances Limited	2022/4/30	10,000			- Joint liability	One year	No	No
Midea Group E-Commerce Co., Ltd.	2022/4/30	100,000			- Joint liability	One year	No	No
Guangdong Midea Smart Link Technologies Co., Ltd.	2022/4/30	91,200	2022-1-1	4,130	Joint liability	One year	No	No
Reis Robotics (Kunshan) Co., Ltd.	2022/4/30	70,000	2022-1-1	1,880	Joint liability	One year	No	No
KUKA Systems (China) CO., Ltd.	2022/4/30	500,000	2022-1-1	56,670	Joint liability	One year	No	No
KUKA Robotics Manufacturing China Co.,Ltd	2022/4/30	50,000	2022-1-19	22,700	Joint liability	One year	No	No
KUKA Robotics Guangdong Co., Ltd	2022/4/30	150,000	2022-2-24	61,140	Joint liability	One year	No	No
KUKA Robotics (Shanghai) Co.,Ltd.	2022/4/30	450,000	2022-1-1	32,790	Joint liability	One year	No	No
Shanghai Swisslog Healthcare Co., Ltd.	2022/4/30	10,000			- Joint liability	One year	No	No
Guangdong Swisslog Technology Co., Ltd.	2022/4/30	50,000	2022-2-23	550	Joint liability	One year	No	No
Shanghai Swisslog Technology Co., Ltd.	2022/4/30	230,000	2022-1-1	48,140	Joint liability	One year	No	No
Swisslog (Shanghai) Co., Ltd.	2022/4/30	80,000			- Joint liability	One year	No	No
Meicloud Technology Co., Ltd.	2022/4/30	40,000			- Joint liability	One year	No	No
Foshan Meicloud Technology Co., Ltd.	2022/4/30	10,000			- Joint liability	One year	No	No
Guangdong Yueyun Industrial Internet Innovative Technology Co., Ltd.	2022/4/30	10,000			- Joint liability	One year	No	No
Wuhan Meicloud Technology Co., Ltd.	2022/4/30	10,000			- Joint liability	One year	No	No
Suzhou Meicloud Technology Co., Ltd.	2022/4/30	10,000			- Joint liability	One year	No	No
Midea International Corporation Company Limited	2022/4/30	12,330,000	2022-1-1	9,867,720	Joint liability	One year	No	No
Midea Investment Development Company Limited	2021/12/27	8,053,680	2022-2-24	3,020,130	Joint liability	One year	No	No
Midea International Trading Company Limited	2022/4/30	650,000	2022-1-5	4,230	Joint liability	One year	No	No
Welling International Hong Kong Ltd	2022/4/30	310,000			- Joint liability	One year	No	No
Midea Electric Trading (Singapore) Co.,Pte. Ltd.	2022/4/30	3,000,000	2022-3-15	367,200	Joint liability	One year	No	No
Orient Household Appliances Ltd.	2022/4/30	33,500			- Joint liability	One year	No	No

Midea Consumer Electric (Vietnam) Co., Ltd.	2022/4/30	6,700			-	Joint liability	One year	No	No
Concepcion Midea Inc.	2022/4/30	6,700	2022-1-1		-	Joint liability	One year	No	No
Midea Italia S.R.L.	2022/4/30	120,000			-	Joint liability	One year	No	No
Midea Mexico, S. DE R.L. DE C.V.	2022/4/30	100,000			-	Joint liability	One year	No	No
Midea Electric Trading (Thailand) Co., Ltd.	2022/4/30	13,400			-	Joint liability	One year	No	No
Midea America Corp.	2022/4/30	150,000	2022-1-1	64,350		Joint liability	One year	No	No
PT. Midea Planet Indonesia	2022/4/30	247,000			-	Joint liability	One year	No	No
Midea Europe GmbH	2022/4/30	400,000			-	Joint liability	One year	No	No
Midea America (Canada) Corp.	2022/4/30	102,900	2022-1-1		-	Joint liability	One year	No	No
Midea Consumer Appliances DMCC	2022/4/30	175,000			-	Joint liability	One year	No	No
Midea Middle East	2022/4/30	70,000			-	Joint liability	One year	No	No
Meco Innovations Technology, LLC	2022/4/30	80,000			-	Joint liability	One year	No	No
Toshiba Lifestyle Products & Services Corporation	2022/4/30	2,055,390	2022-1-1	8,250		Joint liability	One year	No	No
Midea Electric Netherlands (I) B.V.	2022/4/30	52,260,000	2022-1-1	28,856,400		Joint liability	One year	No	No
Midea Electrics Netherlands B.V.	2022/4/30	1,000,000			-	Joint liability	One year	No	No
Clivet S.p.A.	2022/4/30	90,000	2022-1-1	76,150		Joint liability	One year	No	No
Servotronix Motion Control Ltd.	2022/4/30	940			-	Joint liability	One year	No	No
Midea Austria GmbH	2022/4/30	5,000			-	Joint liability	One year	No	No
Midea (Egypt) Kitchen & water heater appliances Co. ,Ltd	2022/4/30	70,000			-	Joint liability	One year	No	No
Total guarantee line for subsidiaries approved during the Reporting Period (B1)			160,967,410			Total actual guarantee amount for subsidiaries during the Reporting Period (B2)		57,807,670	
Total approved guarantee line for subsidiaries at the end of the Reporting Period (B3)			160,967,410			Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)		55,579,380	
Guarantees between subsidiaries									
Guaranteed party	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not	
Guangdong Midea Electric Co., Ltd.	2022/2/23	2,803,360	2022-4-26	1,177,410	Joint liability	One year	No	No	

Wuhu Midea Annto Logistics Co., Ltd.	2022/4/30	1,450,000	2022-1-1	296,340	Joint liability	One year	No	No
Ningbo Annto Logistics Co., Ltd.	2022/4/30	950,000		-	Joint liability	One year	No	No
Hainan Annto Zhilian Supply Chain Management Co., Ltd.	2022/4/30	100,000		-	Joint liability	One year	No	No
Total line for guarantees between subsidiaries approved during the Reporting Period (C1)		5,303,360		Total actual guarantee amount between subsidiaries during the Reporting Period (C2)		1,596,480		
Total approved line for guarantees between subsidiaries at the end of the Reporting Period (C3)		5,303,360		Total actual guarantee balance between subsidiaries at the end of the Reporting Period (C4)		1,473,750		
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the Reporting Period (A1+B1+C1)		166,270,770		Total actual guarantee amount during the Reporting Period (A2+B2+C2)		59,404,150		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		166,270,770		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		57,053,130		
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company				39.92%				
Of which:								
Amount of guarantees provided for shareholders, the actual controller and their related parties (D)				0				
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)				52,602,990				
Portion of the total guarantee amount in excess of 50% of net assets (F)				0				
Total amount of the three kinds of guarantees above (D+E+F)				52,602,990				
Joint responsibilities possibly borne for undue guarantees (if any)				N/A				
Provision of external guarantees in breach of the prescribed procedures (if any)				N/A				

### 15.3 Entrusted cash management

#### 15.3.1 Entrusted asset management

Applicable  N/A

No such cases in the Reporting Period.

#### 15.3.2 Entrusted loans

Applicable  N/A

No such cases in the Reporting Period.

### 15.4 Other significant contracts

Applicable  N/A

No such cases in the Reporting Period.

## **16. Other Significant Events**

Applicable  N/A

There were no other significant events in the Reporting Period that require disclosure.

## **17. Significant Events of Subsidiaries**

Applicable  N/A

# Section VII Changes in Shares and Information about Shareholders

## 1. Changes in Shares

### 1.1 Changes in shares

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)			After	
	Shares	Percentage (%)	New issue	Others	Subtotal	Shares	Percentage (%)
1. Restricted shares	156,538,881	2.24		-12,923,865	-12,923,865	143,615,016	2.05
1.1 Shares held by the state							
1.2 Shares held by state-owned corporations							
1.3 Shares held by other domestic investors	153,773,081	2.20		-12,641,607	-12,641,607	141,131,474	2.02
Among which: Shares held by domestic corporations	2,363,601	0.03			0	2,363,601	0.03
Shares held by domestic individuals	151,409,480	2.17		-12,641,607	-12,641,607	138,767,873	1.98
1.4 Shares held by foreign investors	2,765,800	0.04		-282,258	-282,258	2,483,542	0.04
Among which: Shares held by foreign corporations							
Shares held by foreign individuals	2,765,800	0.04		-282,258	-282,258	2,483,542	0.04
2. Non-restricted shares	6,830,024,963	97.76	18,601,987	5,031,110	23,633,097	6,853,658,060	97.95
2.1 RMB common shares	6,830,024,963	97.76	18,601,987	5,031,110	23,633,097	6,853,658,060	97.95
2.2 Domestically listed foreign shares							
2.3 Overseas listed foreign shares							
2.4 Other							
3. Total shares	6,986,563,844	100.00	18,601,987	-7,892,755	10,709,232	6,997,273,076	100.00

Reasons for the changes in shares

√Applicable □N/A

- a. The 377,083 restricted shares of a total of 21 eligible awardees for the second unlocking period of the reserved restricted shares under the 2018 Restricted Share Incentive Scheme were unlocked on 22 June 2022.
- b. The 2,791,699 restricted shares of a total of 189 eligible awardees for the third unlocking period of the first grant under the 2018 Restricted Share Incentive Scheme were unlocked on 28 June 2022, including 182,250 restricted shares of foreign employees.
- c. The 5,247,500 restricted shares of a total of 334 eligible awardees (inclusive of 144,750 such shares of foreign awardees) for the second unlocking period of the 2019 Restricted Share Incentive Scheme were unlocked on 11 July 2022.
- d. The 7,899,587 restricted shares of a total of 443 eligible awardees (inclusive of 345,750 such shares of foreign awardees) for the second unlocking period of the 2020 Restricted Share Incentive Scheme were unlocked on 19 July 2022.
- e. For the reasons of certain awardees' resignation, violation of the Company's "Red Lines", being reassigned or other factors, on 20 April 2022, the Company repurchased and retired 248,333 shares of nine awardees with respect to the first grant under the 2018 Restricted Share Incentive Scheme, 137,917 shares of four awardees with respect to the reserved restricted shares under the 2018 Restricted Share Incentive Scheme, 771,042 shares of 18 awardees under the 2019 Restricted Share Incentive Scheme, 1,314,501 shares of 30 awardees under the 2020 Restricted Share Incentive Scheme, and 290,000 shares of seven awardees under the 2021 Restricted Share Incentive Scheme, totaling 2,761,793 restricted shares.
- f. For the reasons of certain awardees' resignation, violation of the Company's "Red Lines", being reassigned or other factors, on 24 October 2022, the Company repurchased and retired 700,051 shares of 52 awardees with respect to the first grant under the 2018 Restricted Share Incentive Scheme, 67,500 shares of two awardees with respect to the reserved restricted shares under the 2018 Restricted Share Incentive Scheme, 1,348,916 shares of 81 awardees under the 2019 Restricted Share Incentive Scheme, 1,914,495 shares of 154 awardees under the 2020 Restricted Share Incentive Scheme, and 1,100,000 shares of 21 awardees under the 2021 Restricted Share Incentive Scheme, totaling 5,130,962 restricted shares.
- g. In the Reporting Period, the awardees of stock options chose to exercise 18,601,987 shares, which have been registered into the Company's share capital.
- h. In the Reporting Period, locked-up shares held by senior management decreased by 867,741 shares.

#### Approval of share changes

Applicable  N/A

Transfer of share ownership

Applicable  N/A

Effects of changes in shares on basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the last year and the last Reporting Period

Applicable  N/A

Other contents that the Company considers necessary or is required by the securities regulatory authorities to disclose

Applicable  N/A

## 1.2 Changes in restricted shares

Applicable  N/A

Unit: share

Name of shareholder	Opening restricted shares	Unlocked in current period	Increased in current period	Repurchased and retired	Closing restricted shares	Reason for change	Date of unlocking
Awardees of the first grant of 2018 Restricted Share Incentive Scheme	6,687,750	2,791,699	0	948,384	2,947,667	Locked up according to the Scheme	28 June 2022
Awardees of reserved restricted shares under 2018 Restricted Share Incentive Scheme	1,297,500	377,083	0	205,417	715,000	Locked up according to the Scheme	22 June 2022
Awardees of 2019 Restricted Share Incentive Scheme	18,668,625	5,247,500	0	2,119,958	11,301,167	Locked up according to the Scheme	11 July 2022
Awardees of 2020 Restricted Share Incentive Scheme	25,672,500	7,899,587	0	3,228,996	14,543,917	Locked up according to the Scheme	19 July 2022
Awardees of 2021 Restricted Share Incentive Scheme	9,940,000	0	0	1,390,000	8,550,000	Locked up according to the Scheme	-
Awardees of 2022 Restricted Share Incentive Scheme	0	0	12,152,500	0	12,152,500	Locked up according to the Scheme	-
Zhu Fengtao	780,300	780,300	0	0	0	Locked up for senior management	-
Xiao Mingguang	353,750	353,750	0	0	0	Locked up for senior management	-
Zhang Xiaoyi	337,431	0	25,000	0	362,431	Locked up for senior management	-
Jiang Peng	268,950	20,000	0	0	248,950	Locked up for	-

						senior management	
Hu Ziqiang	250,000	0	25,000	0	275,000	Locked up for senior management	-
Guan Jinwei	276,250	0	50,000	0	326,250	Locked up for senior management	-
Bai Lin	0	0	71,309	0	71,309	Locked up for senior management	-
Zhong Zheng	167,114	0	20,000	0	187,114	Locked up for senior management	-
Zhao Weinxi	0	0	60,000	0	60,000	Locked up for senior management	-
Wang Jinliang	0	0	35,000	0	35,000	Locked up for senior management	-
<b>Total</b>	<b>64,700,170</b>	<b>17,469,919</b>	<b>12,438,809</b>	<b>7,892,755</b>	<b>51,776,305</b>	<b>--</b>	<b>--</b>

## 2. Issuance and Listing of Securities

### 2.1 Securities (excluding preference shares) issued in the Reporting Period

Applicable N/A

### 2.2 Changes in total shares of the Company and the shareholder structure, as well as the asset and liability structures

Applicable N/A

### 2.3 Existing staff-held shares

Applicable N/A

## 3. Shareholders and Actual Controller

### 3.1 Total number of shareholders and their shareholdings

Unit: share

Total number of common shareholders at the period-end		404,913		Total number of common shareholders at the prior month-end before the disclosure date of the annual report		404,380		
5% or greater common shareholders or top 10 common shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total common shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted common shares held	Number of non-restricted common shares held	Shares in pledge or frozen	
							Status	Shares

Midea Holding Co., Ltd.	Domestic non-state-owned corporation	31.00%	2,169,178,713	-	0	2,169,178,713	In pledge	100,000,000
Hong Kong Securities Clearing Company Limited	Foreign corporation	20.48%	1,432,714,576	182,898,645	0	1,432,714,576		
China Securities Finance Co., Ltd.	Domestic non-state-owned corporation	2.83%	198,145,134	-	0	198,145,134		
Fang Hongbo	Domestic individual	1.67%	116,990,492	-	87,742,869	29,247,623		
Central Huijin Asset Management Ltd.	State-owned corporation	1.26%	88,260,460	-	0	88,260,460		
Huang Jian	Domestic individual	1.23%	86,140,000	-	0	86,140,000		
Canada Pension Plan Investment Board— own funds (stock exchange)	Foreign corporation	0.88%	61,913,903	-	0	61,913,903		
Li Jianwei	Foreign individual	0.66%	46,264,545	-	0	46,264,545		
Yuan Liqun	Domestic individual	0.56%	39,214,919	-418,678	0	39,214,919		
Merrill Lynch International	Foreign corporation	0.56%	39,213,698	658,821	0	39,213,698		
Strategic investors or general corporations becoming top-ten common shareholders due to placing of new shares	N/A							
Related-parties or acting-in-concert parties among the shareholders above	N/A							
Explain if any of the shareholders above was involved in entrusting/being entrusted with voting rights or waiving voting rights	N/A							
Special account for repurchased shares among the top 10 shareholders	146,638,028 shares (or 2.10% of the Company's total share capital) were held in the special account for repurchased shares of Midea Group Co., Ltd. at the end of the Reporting Period.							
Top 10 non-restricted common shareholders								
Name of shareholder	Number of non-restricted common shares held at the period-end	Type of shares						
		Type	Shares					
Midea Holding Co., Ltd.	2,169,178,713	RMB common stock	2,169,178,713					
Hong Kong Securities Clearing Company Limited	1,432,714,576	RMB common stock	1,432,714,576					

China Securities Finance Co., Ltd.	198,145,134	RMB common stock	198,145,134
Central Huijin Asset Management Ltd.	88,260,460	RMB common stock	88,260,460
Huang Jian	86,140,000	RMB common stock	86,140,000
Canada Pension Plan Investment Board— own funds (stock exchange)	61,913,903	RMB common stock	61,913,903
Li Jianwei	46,264,545	RMB common stock	46,264,545
Yuan Liqun	39,214,919	RMB common stock	39,214,919
Merrill Lynch International	39,213,698	RMB common stock	39,213,698
Huang Xiaoxiang	37,835,332	RMB common stock	37,835,332
Related-parties or acting-in-concert parties among the top ten non-restricted common shareholders and between the top ten non-restricted common shareholders and the top ten common shareholders	N/A		
Explanation on the top 10 common shareholders participating in securities margin trading	<p>The Company's shareholder Yuan Liqun holds 560,000 shares in the Company through her common securities account and 38,654,919 shares in the Company through her account of collateral securities for margin trading, representing a total holding of 39,214,919 shares in the Company.</p> <p>The Company's shareholder Huang Xiaoxiang holds 29,435,332 shares in the Company through his common securities account and 8,400,000 shares in the Company through his account of collateral securities for margin trading, representing a total holding of 37,835,332 shares in the Company.</p>		

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

Yes  No

### 3.2 Controlling shareholder

Nature of the controlling shareholder: Controlled by individual

Type of the controlling shareholder: Corporation

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Main business scope
Midea Holding Co., Ltd.	He Xiangjian	5 August 2002	914406067429989733	Manufacture and commerce investment; domestic commerce and materials supply and marketing industry (excluding state-designated monopoly); CP software and hardware development; industrial product design; information technology consulting services, providing investment consultant and consulting services; installation, maintenance and after-sales service of electric appliances; real estate intermediary service and forwarding agent service.
Shareholdings of the controlling shareholder in other controlled or	Apart from a direct control over the Company, Midea Holding does not directly control or have shares in other listed companies at home or abroad.			

non-controlled listed companies at home or abroad during the Reporting Period	
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Change of the controlling shareholder during the Reporting Period

Applicable N/A

No such cases in the Reporting Period.

### 3.3 Actual controller and acting-in-concert parties thereof

Nature of the actual controller: Domestic individual

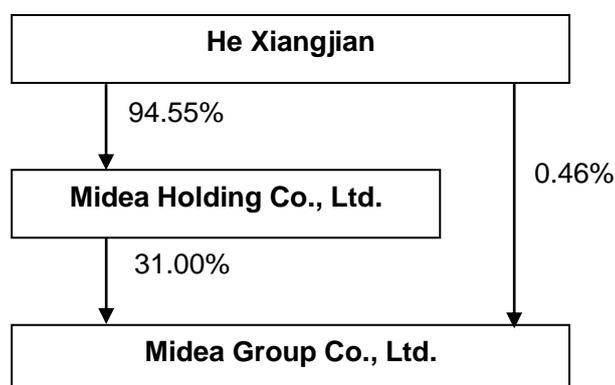
Type of the actual controller: Individual

Name of the actual controller	Relationship with the actual controller	Nationality	Right of residence in other countries or regions
He Xiangjian	Actual controller himself	The People's Republic of China	No
Main occupation and duty	Incumbent board chairman of Midea Holding Co., Ltd.		
Domestically and overseas listed companies controlled in the last 10 years	Midea Group (000333.SZ), Hiconics (300048.SZ), WDM (600055.SH), Midea Real Estate (3990.HK), KUKA (KU2.DE) (delisted in 2022), Little Swan (A: 000418.SZ; B: 200418) (delisted in 2019), and Welling Holding (00382.HK) (delisted in 2018)		

Change of the actual controller during the Reporting Period

Applicable N/A

Ownership and control relations between the actual controller and the Company



The actual controller controls the Company via trust or other ways of asset management

Applicable N/A

### 3.4 Indicate whether the cumulative shares of the controlling shareholder or the largest shareholder and their acting-in-concert parties that are in pledge account for 80% or greater of their shareholdings in the Company

Applicable N/A

### 3.5 Other corporate shareholders with a shareholding percentage above 10%

Applicable N/A

**3.6 Limits on the Company's shares held by its controlling shareholder, actual controller, reorganizer and other commitment subjects**

Applicable N/A

**4. Share Repurchases during the Reporting Period**

Progress of any share repurchase

Applicable  N/A

Disclosure date of the scheme	Number of shares to be repurchased	As a percentage of the total share capital	Amount to be used	Repurchase period	Purpose	Number of shares repurchased	Shares repurchased as a percentage of the total target number of the equity incentive scheme (if any)
2022.03.12	No more than 71,428,571 shares and no less than 35,714,285 shares based on the repurchase price ceiling of RMB70/share	No more than 1.0208% and no less than 0.5104% based on the repurchase price ceiling of RMB70/share	No more than RMB5 billion and no less than RMB2.5 billion	2022.03.10-2023.03.10	For use in equity incentive and/or employee stock ownership schemes	48,558,888	-

Progress of any repurchased share reduction through centralized price bidding

Applicable  N/A

## Section VIII Preference Shares

Applicable  N/A

No such cases in the Reporting Period.

## Section IX Bonds

√ Applicable □ N/A

### 1. Enterprise Bonds

□ Applicable √ N/A

No such cases in the Reporting Period.

### 2. Corporate Bonds

√ Applicable □ N/A

#### 2.1 General information on corporate bonds

Bond name	Abbr.	Bond code	Date of issuance	Value date	Maturity	Outstanding balance	Interest rate	Way of principal repayment and interest payment	Place of trading
Midea Investment Development Company Limited 2.88% Secured Notes 2027	MIDEAZ 2.88% 02/24/2027	ISIN XS2432130453	2022-02-16	2022-02-24	2027-02-24	USD450 million	2.88%	Interest payable on a half-year basis, with the principal repayable in full upon maturity	The Stock Exchange of Hong Kong
Investor eligibility arrangements (if any)	N/A								
Trading system applicable	N/A								
Risk of termination of listing and trading (if any) and countermeasures	No such risk								

Overdue bonds

□ Applicable √ N/A

#### 2.2 Triggering and execution of issuer or investor option clauses and investor protection clauses

□ Applicable √ N/A

## 2.3 Intermediary agencies

Bond name	Intermediary agency	Office address	Accountant writing signatures	Contact person	Tel.
Midea Investment Development Company Limited 2.88% Secured Notes 2027	Bank of America Securities	55/F, Cheung Kong Centre, 2 Queen's Road Central, Hong Kong	-	Lin Yin	+852 3508 7994
	Standard Chartered Bank	15/F, Two International Finance Centre, Central, Hong Kong	-	Chen Junda	+852 3983 0769
	Crédit Agricole Corporate and Investment Bank	30/F, Two Pacific Place, 88 Queensway, Hong Kong	-	Fang Lei	+852 2826 7396
	Bank of China	22/F, Bank of China Tower, 4 Battery Road, Singapore	-	He Fan	+65 6412 9815
	China Construction Bank (Asia)	28/F, China Construction Bank Building, 3 Connaught Road Central, Hong Kong	-	Huang Hai	+852 3918 6312
	Development Bank of Singapore	10/F, The Center, 99 Queen's Road Central, Hong Kong	-	Lin Huixin	+852 3668 9137
	Industrial and Commercial Bank of China (Asia)	28/F, ICBC Tower, 3 Garden Road, Central, Hong Kong	-	Chen Jiaqi	+852 3510 3522
	Linklaters LLP	11/F, Alexandra House, Chater Road, Hong Kong	-	Liu Kecheng	+852 2901 5257
	Fangda Partners	27/F, Beijing Kerry Center North Tower, 1 Guanghua Road, Chaoyang District, Beijing, China	-	Jiang Xueyan	+86 10 5769 5627
	Clifford Chance LLP	27/F, Jardine House, 1 Connaught Place, Central, Hong Kong	-	Wang Yanlin	+852 2826 2457

	Jingtian & Gongcheng LLP	34/F, Office Building No. 3, Huamao Center, 77 Jianguo Road, Chaoyang District, Beijing	-	Ling Tezhi	+86 10 5809 1279
	OBC Law Firm	11/F, Central Tower, 28 Queen's Road Central, Hong Kong	-	Huang Ying	+852 3656 6073
	Fitch Ratings	19/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong	-	Guo Shu / Wang Sai	+852 2263 9608
	S&P Global Ratings Hong Kong Limited	3/F and 4/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong	-	Shen Xi / Xie Manqi	+852 2263 9992

Change of the agencies in the table above during the Reporting Period

Yes  No

## 2.4 Use of raised funds

Bond name	Total amount raised	Amount used	Amount unused	Status of the special account for raised funds (if any)	Rectification for any irregularity (if any) in the use of raised funds	In compliance with the purpose, use plan and other information stated in the prospectus
Midea Investment Development Company Limited 2.88% Secured Notes 2027	USD450 million	USD450 million	0	The raised funds account has been established to ensure the funds will be used as stated.	No irregularities	Yes

Use of raised funds in construction projects

Applicable  N/A

Indicate whether the raised funds were re-purposed during the Reporting Period

Applicable  N/A

## 2.5 Changes in credit ratings in the Reporting Period

Applicable  N/A

**2.6 Execution and changes with respect to guarantees, repayment plans and other repayment-ensuring measures in the Reporting Period, as well as the impact on the interests of debt instrument holders**

Applicable  N/A

**3. Debt Instruments as a Non-financial Enterprise**

Applicable  N/A

**3.1 General information on debt instruments as a non-financial enterprise**

Unit: RMB

Name of debt instrument	Abbr.	Code of debt instrument	Date of issuance	Value date	Maturity	Outstanding balance	Interest rate	Way of principal repayment and interest payment	Place of trading
Super-short-term Commercial Papers of Midea Group Co., Ltd. (Tranche 1, 2022)	22 Midea SCP001	012281718	From 27 April 2022 to 28 April 2022	29 April 2022	26 October 2022	0	2.2300%	Principal and interest repayable in full upon maturity	Inter-bank market
Investor eligibility arrangements (if any)	N/A								
Trading system applicable	N/A								
Risk of termination of listing and trading (if any) and countermeasures	No such risk								

**Overdue debt instruments**

Applicable  N/A

**3.2 Triggering and execution of issuer or investor option clauses and investor protection clauses**

Applicable  N/A

**3.3 Intermediary agencies**

Name of debt instrument	Intermediary agency	Office address	Accountant writing signatures	Contact person	Tel.
Super-short-term Commercial Papers of Midea Group Co., Ltd. (Tranche 1,	Industrial and Commercial Bank of China Limited	55 Fuxingmennei Street, Xicheng District, Beijing	/	Dai Ying	010-66109649
	Industrial Bank	15 Industrial	/	Zhao Xinle	010-89926570

2022)	Co., Ltd.	Bank Plaza, 20 Chaoyangmen Street North, Chaoyang District, Beijing			
	Beijing Jiayuan Law Firm	F408, Yuanyang Plaza, 158 Fuxingmennei Street, Xicheng District, Beijing	/	Liu Xing	010-66413377
	S&P Credit Rating (China) Co., Ltd.	Room 06, 40/F, Tower 5, East Third Ring Middle Road, Chaoyang District, Beijing	/	Ren Yingxue	010-65166037

Change of the agencies in the table above during the Reporting Period

Yes  No

### 3.4 Use of raised funds

Unit: RMB

Name of debt instrument	Total amount raised	Amount used	Amount unused	Status of the special account for raised funds (if any)	Rectification for any irregularity (if any) in the use of raised funds	In compliance with the purpose, use plan and other information stated in the prospectus
Super-short-term Commercial Papers of Midea Group Co., Ltd. (Tranche 1, 2022)	RMB4 billion	RMB4 billion	0	The raised funds account has been established to ensure the funds will be used as stated.	No irregularities	Yes

Use of raised funds in construction projects

Applicable  N/A

Indicate whether the raised funds were re-purposed during the Reporting Period

Applicable  N/A

### 3.5 Changes in credit ratings in the Reporting Period

Applicable  N/A

### 3.6 Execution and changes with respect to guarantees, repayment plans and other repayment-ensuring measures in the Reporting Period, as well as the impact on the interests of debt instrument holders

Applicable  N/A

#### 4. Convertible Corporate Bonds

Applicable  N/A

No such cases in the Reporting Period.

#### 5. Consolidated Loss of the Reporting Period Over 10% of Net Assets as at the End of Last Year

Applicable  N/A

#### 6. Interest-bearing Liabilities Other than Bonds that Were Overdue at the End of the Reporting Period

Applicable  N/A

#### 7. Irregularities during the Reporting Period

Yes  No

#### 8. Key Financial Information of the Company in the Past Two Years

Unit: RMB'000

Item	31 December 2022	31 December 2021	Change
Current ratio	126.54%	111.67%	14.87%
Debt/asset ratio	64.05%	65.25%	-1.20%
Quick ratio	98.38%	86.92%	11.46%
	2022	2021	Change
Net profit before non-recurring gains and losses	28,801,052	26,257,754	9.69%
EBITDA/debt ratio	46.38%	46.70%	-0.32%
Interest cover (times)	20.09	25.84	-22.25%
Cash-to-interest cover (times)	23.06	28.35	-18.66%
EBITDA-to-interest cover (times)	23.65	30.39	-22.18%
Loan repayment ratio (%)	100.00%	100.00%	0.00%
Interest payment ratio (%)	100.00%	100.00%	0.00%

# Section X Financial Report

## 1. Auditor's report

Type of the auditor's opinion	Unqualified opinion
Signing date of the auditor's report	27 April 2023
Name of the auditor	PricewaterhouseCoopers Zhong Tian LLP
No. of the auditor's report	PwC ZT Shen Zi (2023) No. 10017
Names of certified public accountants	Yao Wenping and Wu Fangfang

PwC ZT Shen Zi (2023) No. 10017  
(Page 1 of 6)

To the Shareholders of Midea Group Co., Ltd.,

### **Opinion**

#### *What we have audited*

We have audited the accompanying financial statements of Midea Group Co., Ltd. (hereinafter "the Group"), which comprise:

- the consolidated and company balance sheets as at 31 December 2022;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

#### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Group as at 31 December 2022, and their financial performance and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises ("CASs").

### **Basis for Opinion**

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of heating & ventilation and as well as air-conditioner (hereinafter referred to as "HVAC") and consumer appliances
- Impairment assessment of goodwill

**Key Audit Matters (Cont'd)**

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>Revenue recognition of HVAC and consumer appliances</b></p> <p>Refer to Note 2(25)(a) of accounting policy of “Revenue - sales of goods” and Note 4(49) “Operating revenue and cost of sales” to the financial statements.</p> <p>The Group recognises relevant revenue at the amount of the consideration which the Group is expected to receive when the customer obtains control over relevant goods or services. In 2022, the Group’s consolidated operating revenue was approximately RMB 343,917,531,000 and the revenue from HVAC and consumer appliances was approximately RMB 275,919,323,000.</p> <p>We identified this as a key audit matter due to the large size of both domestic and overseas customer base and high volume of sales through various distribution channels, the amount of revenue recognised from HVAC and consumer appliances is material to the financial statements, completing the necessary audit procedures required our focuses and substantial audit resources.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ol style="list-style-type: none"> <li>1. Interviewed management to understand the necessary details of sales processes of all distribution channels and evaluate the internal control of processes relating to the revenue from sales of HVAC and consumer appliances designed by management and tested the operating effectiveness of key controls;</li> <li>2. Reviewed household appliance sales contract template entered into by and between the Group and the clients from all distribution channels, and analysed and evaluated the appropriateness of the Group’s accounting policies on the revenue from sales of HVAC and consumer appliances based on our interview with management, understanding of the Group’s business operation and audit experience;</li> <li>3. Performed fluctuation analysis of monthly sales and gross margin by product;</li> <li>4. Reviewed the consistency between book records of product sales revenue and supporting documents relevant to revenue recognition on a sample basis, including sales contracts, orders, rebate agreement, sales invoices, shipping orders, acknowledgement of goods receipts signed by customers, billing agreements with customers, etc.;</li> <li>5. Validated the revenue from sales of products by external confirmation on a sampling basis;</li> <li>6. Evaluated whether or not the sales of products occurred near year end was recorded in the proper period by reconciling the book records of product sales revenue to the supporting documents which include records of revenue from sales of products, acknowledgement of goods receipts signed by customers, billing agreements with customers or other supporting documents.</li> </ol> <p>Based on the work performed, the Group’s revenue recognition of HVAC and consumer appliances were supported by the available evidence.</p>

**Key Audit Matters (Cont'd)**

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>Impairment assessment of goodwill</b></p> <p>Refer to Note 2(18) of accounting policy of “Impairment of long-term assets”, Note 2(30)(i) “Critical accounting estimates and judgements - Provision for impairment of goodwill” and Note 4(21) “Goodwill” to the financial statements.</p> <p>As at 31 December 2022, the carrying amount of goodwill of the Group amounted to approximately RMB 28,548,653,000, including goodwill of RMB 21,122,932,000 and RMB 2,437,914,000 arising from business acquisition of KUKA Aktiengesellschaft and its subsidiaries (“KUKA Group”) and Toshiba Lifestyle Products &amp; Services Corporation (“TLSC”), respectively.</p> <p>Management performs the goodwill impairment assessment in accordance with the accounting policy stated in Note 2(18) to the financial statements. The recoverable amount of the goodwill is determined based on fair value less costs of disposal or value-in-use calculations (whichever is the higher). The assessment result indicated that the recoverable amount of the cash generating unit and cash generating units, to which the goodwill was allocated, exceeded its carrying value and therefore no impairment was recorded. The recoverable amount of cash generating unit and cash generating units was determined based on value-in-use using cash flow projections. The key assumptions used in the goodwill impairment assessment included estimated revenue growth rate, EBITDA margin, perpetual annual growth rate and discount rate.</p> <p>We identified this as a key audit matter due to the significance of the goodwill balance arising from the business acquisition of KUKA Group and TLSC, and the significant accounting estimates and judgements in key assumptions used in the impairment assessment.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ol style="list-style-type: none"> <li>1. Understood the internal controls and evaluation process relating to goodwill impairment assessment, and assessed the inherent risks of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management’s bias and fraud;</li> <li>2. Evaluated and tested the operating effectiveness of key controls relevant to the goodwill impairment assessment, including review and approval of key assumptions applied and internal control over calculating recoverable amounts of the cash generating unit and cash generating units;</li> <li>3. Assessed the reasonableness of the identification of the cash generating unit and cash generating units;</li> <li>4. Compared the historical actual results to prior year budgets and forecasts to assess whether there are management bias in the process and reasonableness;</li> <li>5. Evaluated the key assumptions used in the impairment assessment, including estimated revenue growth rate, EBITDA margin, perpetual annual growth rate and discount rate by considering the Company’s historical operating performance, future operation plan and market developments;</li> <li>6. Tested the mathematical accuracy of the calculation process of the impairment assessment;</li> <li>7. Evaluated the appropriateness of the goodwill impairment assessment model and discount rate by involving our internal valuation experts.</li> </ol> <p>Based on the work performed, the management’s judgements as adopted in the goodwill impairment assessment of KUKA Group and TLSC were supported by the available evidence.</p>

### **Other Information**

Management of the Group is responsible for the other information. The other information comprises all of the information included in 2022 annual report of the Group other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management of the Group is responsible for the preparation and fair presentation of these financial statements in accordance with the CASS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**Auditor’s Responsibilities for the Audit of the Financial Statements (Cont’d)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA

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Yao Wenping  
(Engagement Partner)

Shanghai, the People’s Republic of China  
27 April 2023

Signing CPA

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Wu Fangfang

**MIDEA GROUP CO., LTD.**

**CONSOLIDATED AND COMPANY BALANCE SHEETS  
AS AT 31 DECEMBER 2022**

(All amounts in RMB '000 Yuan unless otherwise stated)  
[English translation for reference only]

ASSETS	Note	31 December 2022 Consolidated	31 December 2021 Consolidated	31 December 2022 Company	31 December 2021 Company
<b>Current assets</b>					
Cash at bank and on hand	4(1)	55,270,099	71,875,556	28,492,401	48,153,997
Financial assets held for trading	4(2)	3,284,593	5,879,202	274,120	3,442,317
Derivative financial assets		665,484	545,865	-	157,501
Notes receivable	4(3)	4,758,129	4,784,914	-	-
Accounts receivable	4(4)	28,237,973	24,636,440	-	-
Receivables financing	4(6)	13,526,540	10,273,552	-	-
Advances to suppliers	4(7)	4,367,211	4,352,807	34,724	106,838
Contract assets	4(8)	4,498,956	3,823,476	-	-
Loans and advances	4(9)	14,138,756	20,656,600	-	-
Other receivables	4(5), 18(1)	2,211,177	3,104,065	26,175,101	31,447,849
Inventories	4(10)	46,044,897	45,924,439	-	-
Current portion of non-current assets	4(11)	37,553,078	19,851,577	33,168,421	19,095,262
Other current assets	4(12)	46,542,378	33,156,012	33,476,601	11,713,182
<b>Total current assets</b>		<b>261,099,271</b>	<b>248,864,505</b>	<b>121,621,368</b>	<b>114,116,946</b>
<b>Non-current assets</b>					
Other debt investments	4(13)	11,094,259	7,893,935	7,215,301	6,034,563
Long-term receivables	4(14)	614,598	871,356	-	-
Loans and advances	4(9)	693,294	851,927	-	-
Long-term equity investments	4(15), 18(2)	5,188,817	3,796,705	73,103,569	66,805,691
Investments in other equity instruments		41,359	45,747	-	-
Other non-current financial assets	4(16)	10,625,244	5,912,873	347,698	537,214
Investment properties		809,936	859,195	386,435	428,460
Fixed assets	4(17)	26,082,992	22,852,848	1,223,553	661,692
Construction in progress	4(18)	3,843,777	2,690,930	504,757	800,243
Right-of-use assets	4(19)	2,339,878	2,297,354	8,040	2,585
Intangible assets	4(20)	16,908,915	17,173,072	653,320	669,158
Goodwill	4(21)	28,548,653	27,874,752	-	-
Long-term prepaid expenses	4(22)	1,579,899	1,394,240	85,109	79,799
Deferred tax assets	4(23)	10,244,296	8,192,309	327,251	289,964
Other non-current assets	4(24)	42,840,079	36,374,356	35,423,939	33,023,304
<b>Total non-current assets</b>		<b>161,455,996</b>	<b>139,081,599</b>	<b>119,278,972</b>	<b>109,332,673</b>
<b>TOTAL ASSETS</b>		<b>422,555,267</b>	<b>387,946,104</b>	<b>240,900,340</b>	<b>223,449,619</b>

**MIDEA GROUP CO., LTD.**

**CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D)  
AS AT 31 DECEMBER 2022**

(All amounts in RMB '000 Yuan unless otherwise stated)  
[English translation for reference only]

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>Note</b>	<b>31 December 2022 Consolidated</b>	<b>31 December 2021 Consolidated</b>	<b>31 December 2022 Company</b>	<b>31 December 2021 Company</b>
<b>Current liabilities</b>					
Short-term borrowings	4(27)	5,169,480	5,381,623	-	-
Borrowings from the Central Bank		-	178,878	-	-
Customer deposits and deposits from banks and other financial institutions		77,469	78,180	-	-
Financial liabilities held for trading	4(28)	1,580,771	-	-	-
Derivative financial liabilities		234,606	157,602	-	-
Notes payable	4(29)	25,572,421	32,752,007	-	-
Accounts payable	4(30)	64,233,225	65,983,559	-	-
Contract liabilities	4(31)	27,960,038	23,916,595	-	-
Employee benefits payable	4(32)	7,152,217	7,535,168	173,824	420,536
Taxes payable	4(33)	4,955,335	5,404,267	718,181	1,184,813
Other payables	4(34)	4,322,025	4,288,104	159,953,351	151,450,555
Current portion of non-current liabilities	4(35)	7,240,626	28,947,540	5,896,701	92,647
Other current liabilities	4(36)	57,843,528	48,227,953	77,066	35,932
<b>Total current liabilities</b>		<b>206,341,741</b>	<b>222,851,476</b>	<b>166,819,123</b>	<b>153,184,483</b>
<b>Non-current liabilities</b>					
Long-term borrowings	4(37)	50,685,948	19,734,020	15,619,900	12,509,900
Debentures payable	4(38)	3,163,616	-	-	-
Lease liabilities	4(39)	1,507,480	1,533,552	2,350	-
Provisions		394,977	310,571	-	-
Deferred income	4(40)	1,721,092	1,228,459	152,548	154,015
Long-term employee benefits payable	4(41)	1,488,456	1,825,016	-	-
Deferred tax liabilities	4(23)	4,647,673	4,950,245	-	17,028
Other non-current liabilities	4(42)	680,482	687,689	-	-
<b>Total non-current liabilities</b>		<b>64,289,724</b>	<b>30,269,552</b>	<b>15,774,798</b>	<b>12,680,943</b>
<b>Total liabilities</b>		<b>270,631,465</b>	<b>253,121,028</b>	<b>182,593,921</b>	<b>165,865,426</b>
<b>Shareholders' equity</b>					
Share capital	4(43)	6,997,273	6,986,564	6,997,273	6,986,564
Capital surplus	4(45)	19,693,139	20,516,930	27,826,208	27,105,153
Less: Treasury stock	4(44)	(14,933,944)	(14,044,550)	(14,933,944)	(14,044,550)
Other comprehensive income	4(46)	108,289	(1,758,948)	(5,679)	(7,295)
General risk reserve		671,999	719,922	-	-
Special reserve		16,350	15,542	-	-
Surplus reserve	4(47)	10,702,928	9,449,901	10,702,928	9,449,901
Undistributed profits	4(48)	119,679,202	102,982,763	27,719,633	28,094,420
Total equity attributable to shareholders of the Company		142,935,236	124,868,124	58,306,419	57,584,193
Minority interests		8,988,566	9,956,952	-	-
<b>Total shareholders' equity</b>		<b>151,923,802</b>	<b>134,825,076</b>	<b>58,306,419</b>	<b>57,584,193</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>422,555,267</b>	<b>387,946,104</b>	<b>240,900,340</b>	<b>223,449,619</b>

The accompanying notes form an integral part of these financial statements.

Legal representative:                      Principal in charge of accounting:                      Head of accounting department:

**MIDEA GROUP CO., LTD.**

**CONSOLIDATED AND COMPANY INCOME STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB '000 Yuan unless otherwise stated)  
[English translation for reference only]

Item	Note	2022 Consolidated	2021 Consolidated	2022 Company	2021 Company
<b>Total revenue</b>		345,708,706	343,360,825	1,385,528	1,865,278
Including: Operating revenue	4(49), 18(3)	343,917,531	341,233,208	1,385,528	1,865,278
Interest income	4(50)	1,790,454	2,127,043	-	-
Fee and commission income		721	574	-	-
Less: Cost of sales	4(49)	(260,538,701)	(264,525,999)	(42,071)	(58,510)
Interest costs	4(50)	(49,461)	(87,066)	-	-
Fee and commission expenses		(7,681)	(13,015)	-	-
Taxes and surcharges	4(51)	(1,565,884)	(1,609,384)	(32,814)	(48,126)
Selling and distribution expenses	4(52)	(28,716,121)	(28,647,344)	-	-
General and administrative expenses	4(53)	(11,582,664)	(10,266,283)	(1,125,438)	(684,794)
Research and development expenses	4(54)	(12,618,506)	(12,014,907)	-	-
Financial income	4(55)	3,387,491	4,386,111	2,204,154	2,107,914
Including: Interest expenses		1,830,915	1,357,564	2,645,223	2,257,440
Interest income		5,837,713	5,181,658	4,859,955	4,397,266
Add: Other income	4(61)	1,896,113	1,307,504	26,642	280,318
Investment income	4(59), 18(4)	208,054	2,365,773	10,917,956	12,462,103
Including: Investment income from associates		608,278	560,679	260,651	265,491
Losses on changes in fair value	4(58)	(251,171)	(166,406)	(512,502)	(203,057)
(Losses on)/Reversal of credit impairment	4(57)	(513,686)	(383,451)	9,884	(127,693)
Asset impairment losses	4(56)	(533,363)	(483,420)	-	-
(Losses)/Gains on disposal of assets	4(60)	(59,854)	58,257	(276)	(272)
<b>Operating profit</b>		34,763,272	33,281,195	12,831,063	15,593,161
Add: Non-operating income		395,406	624,744	34,465	31,358
Less: Non-operating expenses		(202,747)	(188,395)	(10,490)	(48,783)
<b>Total profit</b>		34,955,931	33,717,544	12,855,038	15,575,736
Less: Income tax expenses	4(62)	(5,145,700)	(4,702,168)	(324,773)	(740,348)
<b>Net profit</b>		29,810,231	29,015,376	12,530,265	14,835,388
(1) Classified by continuity of operations					
Net profit from continuing operations		29,810,231	29,015,376	12,530,265	14,835,388
Net profit from discontinued operations		-	-	-	-
(2) Classified by ownership of the equity					
Attributable to shareholders of the Company		29,553,507	28,573,650	12,530,265	14,835,388
Minority interests		256,724	441,726	-	-

**MIDEA GROUP CO., LTD.**

**CONSOLIDATED AND COMPANY INCOME STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB '000 Yuan unless otherwise stated)  
[English translation for reference only]

Item	Note	2022 Consolidated	2021 Consolidated	2022 Company	2021 Company
<b>Other comprehensive income, net of tax</b>		1,892,922	(237,306)	1,616	8,714
Other comprehensive income attributable to shareholders of the Company, net of tax		1,865,886	(207,079)	1,616	8,714
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss		207,457	(6,748)	-	-
1) Changes arising from remeasurement of defined benefit plan		208,349	(7,172)	-	-
2) Changes in fair value of investments in other equity instruments		(892)	424	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss		1,658,429	(200,331)	1,616	8,714
1) Other comprehensive income that will be transferred subsequently to profit or loss under the equity method		17,391	(3,032)	1,616	8,714
2) Cash flow hedging reserve		395,617	(6,997)	-	-
3) Differences on translation of foreign currency financial statements		1,175,539	(190,302)	-	-
4) Others		69,882	-	-	-
Other comprehensive income attributable to minority shareholders, net of tax		27,036	(30,227)	-	-
<b>Total comprehensive income</b>		<b>31,703,153</b>	<b>28,778,070</b>	<b>12,531,881</b>	<b>14,844,102</b>
Attributable to shareholders of the Company		31,419,393	28,366,571	12,531,881	14,844,102
Minority interests		283,760	411,499	-	-
<b>Earnings per share</b>					
Basic earnings per share (in RMB Yuan)	4(63)	4.34	4.17	Not applicable	Not applicable
Diluted earnings per share (in RMB Yuan)	4(63)	4.33	4.14	Not applicable	Not applicable

The accompanying notes form an integral part of these financial statements.

Legal representative:      Principal in charge of accounting:      Head of accounting department:

**MIDEA GROUP CO., LTD.**

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB '000 Yuan unless otherwise stated)  
[English translation for reference only]

Item	Note	2022 Consolidated	2021 Consolidated	2022 Company	2021 Company
<b>1. Cash flows from operating activities</b>					
Cash received from sales of goods or rendering of services		316,997,825	310,489,824	-	-
Net decrease in loans and advances		6,660,035	-	-	-
Net decrease in deposits with the Central Bank		91,309	1,287,927	-	-
Net increase in borrowings from the Central Bank		-	178,878	-	-
Cash received from interest, fee and commission		1,788,062	1,889,716	-	-
Refund of taxes and surcharges		10,934,799	9,968,330	-	-
Cash received relating to other operating activities	4(64)(a)	7,295,957	6,600,822	18,834,797	31,451,132
<b>Sub-total of cash inflows</b>		<b>343,767,987</b>	<b>330,415,497</b>	<b>18,834,797</b>	<b>31,451,132</b>
Cash paid for goods and services		(221,345,706)	(209,216,044)	-	-
Net increase in loans and advances		-	(4,062,432)	-	-
Net decrease in customer deposits and deposits from banks and other financial institutions		(711)	(9,355)	-	-
Net decrease in borrowings from the Central Bank		(178,878)	-	-	-
Cash paid for interest, fee and commission		(57,141)	(101,110)	-	-
Cash paid to and on behalf of employees		(35,674,963)	(32,095,846)	(549,897)	(32,879)
Payments of taxes and surcharges		(17,387,253)	(15,613,276)	(379,098)	(453,861)
Cash paid relating to other operating activities	4(64)(b)	(34,465,507)	(34,225,730)	(2,959,364)	(3,996,431)
<b>Sub-total of cash outflows</b>		<b>(309,110,159)</b>	<b>(295,323,793)</b>	<b>(3,888,359)</b>	<b>(4,483,171)</b>
<b>Net cash flows from operating activities</b>	4(64)(c)	<b>34,657,828</b>	<b>35,091,704</b>	<b>14,946,438</b>	<b>26,967,961</b>
<b>2. Cash flows (used in)/from investing activities</b>					
Cash received from disposal of investments		98,564,716	121,628,148	58,600,000	59,767,847
Cash received from returns on investments		3,800,095	5,648,277	13,491,657	14,887,506
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		239,226	336,186	53	86
Net cash received from disposal of subsidiaries and other business units		14,829	188,490	422,024	8,326
Cash received relating to other investing activities		335,082	-	-	-
<b>Sub-total of cash inflows</b>		<b>102,953,948</b>	<b>127,801,101</b>	<b>72,513,734</b>	<b>74,663,765</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(7,352,115)	(6,825,357)	(518,305)	(752,937)
Cash paid to acquire investments		(108,149,195)	(105,347,246)	(73,645,090)	(68,932,311)
Net cash paid to acquire subsidiaries and other business units		(962,148)	(2,028,912)	-	-
<b>Sub-total of cash outflows</b>		<b>(116,463,458)</b>	<b>(114,201,515)</b>	<b>(74,163,395)</b>	<b>(69,685,248)</b>
<b>Net cash flows (used in)/from investing activities</b>		<b>(13,509,510)</b>	<b>13,599,586</b>	<b>(1,649,661)</b>	<b>4,978,517</b>
<b>3. Cash flows used in financing activities</b>					
Cash received from capital contributions		1,348,283	1,550,951	1,321,468	1,487,792
Including: Cash received from capital contributions by minority shareholders of subsidiaries		26,815	63,159	-	-
Cash received from borrowings		46,476,320	16,033,803	9,000,000	6,800,000
Cash received from issuance of debentures		2,845,196	-	-	-
Cash received from issuance of short-term financing bonds		3,999,500	2,999,629	3,999,500	2,999,629
Cash received relating to other financing activities		70,163	560,838	-	-
<b>Sub-total of cash inflows</b>		<b>54,739,462</b>	<b>21,145,221</b>	<b>14,320,968</b>	<b>11,287,421</b>
Cash repayments of borrowings		(40,920,787)	(18,225,351)	(90,000)	(4,799,414)
Cash payments for redemption of short-term financing bonds		(4,000,000)	(6,000,000)	(4,000,000)	(6,000,000)
Cash payments for interest expenses and distribution of dividends or profits		(13,740,037)	(12,894,125)	(14,753,066)	(13,261,677)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(279,216)	(426,947)	-	-
Cash payments relating to other financing activities	4(64)(d)	(6,933,519)	(15,230,284)	(2,827,492)	(13,810,829)
<b>Sub-total of cash outflows</b>		<b>(65,594,343)</b>	<b>(52,349,760)</b>	<b>(21,670,558)</b>	<b>(37,871,920)</b>
<b>Net cash flows used in financing activities</b>		<b>(10,854,881)</b>	<b>(31,204,539)</b>	<b>(7,349,590)</b>	<b>(26,584,499)</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>288,492</b>	<b>(485,220)</b>	<b>-</b>	<b>-</b>
<b>5. Net increase in cash and cash equivalents</b>	4(64)(c)	<b>10,581,929</b>	<b>17,001,531</b>	<b>5,947,187</b>	<b>5,361,979</b>
Add: Cash and cash equivalents at the beginning of the year		40,550,039	23,548,508	21,957,042	16,595,063
<b>6. Cash and cash equivalents at the end of the year</b>	4(64)(e)	<b>51,131,968</b>	<b>40,550,039</b>	<b>27,904,229</b>	<b>21,957,042</b>

The accompanying notes form an integral part of these financial statements.

Legal representative:      Principal in charge of accounting:      Head of accounting department:

**MIDEA GROUP CO., LTD.**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB '000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Attributable to shareholders of the Company								Minority interests	Total shareholders' equity
	Share capital (Note 4(43))	Capital surplus (Note 4(45))	Less: Treasury stock (Note 4(44))	Other comprehensive income (Note 4(46))	General risk reserve	Special reserve	Surplus reserve (Note 4(47))	Undistributed profits (Note 4(48))		
<b>Balance at 1 January 2021</b>	7,029,976	22,488,105	(6,094,347)	(1,549,003)	587,984	12,730	7,966,362	87,074,453	6,720,840	124,237,100
<b>Movements for the year ended 31 December 2021</b>										
Total comprehensive income										
Net profit	-	-	-	-	-	-	-	28,573,650	441,726	29,015,376
Other comprehensive income, net of tax	-	-	-	(207,079)	-	-	-	-	(30,227)	(237,306)
Total comprehensive income	-	-	-	(207,079)	-	-	-	28,573,650	411,499	28,778,070
Capital contribution and withdrawal by shareholders										
Ordinary shares invested by shareholders	34,437	1,495,004	-	-	-	-	-	-	587,480	2,116,921
Business combinations	-	-	-	-	-	-	-	-	3,189,892	3,189,892
Share-based payment included in shareholders' equity	-	1,190,124	-	-	-	-	-	-	62,031	1,252,155
Others	(77,849)	(5,178,730)	(7,950,203)	-	-	-	-	-	(449,682)	(13,656,464)
Profit distribution										
Appropriation to general risk reserve	-	-	-	-	131,938	-	-	(131,938)	-	-
Appropriation to surplus reserve	-	-	-	-	-	-	1,483,539	(1,483,539)	-	-
Profit distribution to shareholders	-	-	-	-	-	-	-	(11,052,729)	(401,397)	(11,454,126)
Special reserve										
Appropriation in the current period	-	-	-	-	-	2,812	-	-	703	3,515
Use in the current period	-	-	-	-	-	-	-	-	-	-
Others	-	522,427	-	(2,866)	-	-	-	2,866	(164,414)	358,013
<b>Balance at 31 December 2021</b>	<b>6,986,564</b>	<b>20,516,930</b>	<b>(14,044,550)</b>	<b>(1,758,948)</b>	<b>719,922</b>	<b>15,542</b>	<b>9,449,901</b>	<b>102,982,763</b>	<b>9,956,952</b>	<b>134,825,076</b>

**MIDEA GROUP CO., LTD.**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB '000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Attributable to shareholders of the Company								Minority interests	Total shareholders' equity
	Share capital (Note 4(43))	Capital surplus (Note 4(45))	Less: Treasury stock (Note 4(44))	Other	General risk reserve	Special reserve	Surplus reserve (Note 4(47))	Undistributed profits (Note 4(48))		
				comprehensive income (Note 4(46))						
<b>Balance at 1 January 2022</b>	6,986,564	20,516,930	(14,044,550)	(1,758,948)	719,922	15,542	9,449,901	102,982,763	9,956,952	134,825,076
<b>Movements for the year ended 31 December 2022</b>										
Total comprehensive income										
Net profit	-	-	-	-	-	-	-	29,553,507	256,724	29,810,231
Other comprehensive income, net of tax	-	-	-	1,865,886	-	-	-	-	27,036	1,892,922
Total comprehensive income	-	-	-	1,865,886	-	-	-	29,553,507	283,760	31,703,153
Capital contribution and withdrawal by shareholders										
Ordinary shares invested by shareholders	18,602	1,123,649	-	-	-	-	-	-	26,815	1,169,066
Business combinations	-	-	-	-	-	-	-	-	89,520	89,520
Share-based payment included in shareholders' equity	-	765,914	-	-	-	-	-	-	45,583	811,497
Others	(7,893)	(1,209,146)	(889,394)	-	-	-	-	-	(1,131,616)	(3,238,049)
Profit distribution										
Reversal of general risk reserve	-	-	-	-	(47,923)	-	-	47,923	-	-
Appropriation to surplus reserve	-	-	-	-	-	-	1,253,027	(1,253,027)	-	-
Profit distribution to shareholders	-	-	-	-	-	-	-	(11,652,025)	(291,638)	(11,943,663)
Special reserve										
Appropriation in the current period	-	-	-	-	-	3,313	-	-	828	4,141
Use in the current period	-	-	-	-	-	(2,505)	-	-	(626)	(3,131)
Others	-	(1,504,208)	-	1,351	-	-	-	61	8,988	(1,493,808)
<b>Balance at 31 December 2022</b>	<b>6,997,273</b>	<b>19,693,139</b>	<b>(14,933,944)</b>	<b>108,289</b>	<b>671,999</b>	<b>16,350</b>	<b>10,702,928</b>	<b>119,679,202</b>	<b>8,988,566</b>	<b>151,923,802</b>

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

**MIDEA GROUP CO., LTD.**

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB '000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
<b>Balance at 1 January 2021</b>	7,029,976	29,123,547	(6,094,347)	(16,009)	7,966,362	25,795,300	63,804,829
<b>Movements for the year ended 31 December 2021</b>							
Total comprehensive income							
Net profit	-	-	-	-	-	14,835,388	14,835,388
Other comprehensive income, net of tax	-	-	-	8,714	-	-	8,714
Total comprehensive income	-	-	-	8,714	-	14,835,388	14,844,102
Capital contribution and withdrawal by shareholders							
Ordinary shares invested by shareholders	34,437	1,495,004	-	-	-	-	1,529,441
Share-based payment included in shareholders' equity	-	1,231,289	-	-	-	-	1,231,289
Others	(77,849)	(5,178,730)	(7,950,203)	-	-	-	(13,206,782)
Profit distribution							
Appropriation to surplus reserve	-	-	-	-	1,483,539	(1,483,539)	-
Profit distribution to shareholders	-	-	-	-	-	(11,052,729)	(11,052,729)
Others	-	434,043	-	-	-	-	434,043
<b>Balance at 31 December 2021</b>	<b>6,986,564</b>	<b>27,105,153</b>	<b>(14,044,550)</b>	<b>(7,295)</b>	<b>9,449,901</b>	<b>28,094,420</b>	<b>57,584,193</b>

**MIDEA GROUP CO., LTD.**

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB '000 Yuan unless otherwise stated)

[English translation for reference only]

Item	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
<b>Balance at 1 January 2022</b>	6,986,564	27,105,153	(14,044,550)	(7,295)	9,449,901	28,094,420	57,584,193
<b>Movements for the year ended 31 December 2022</b>							
Total comprehensive income							
Net profit	-	-	-	-	-	12,530,265	12,530,265
Other comprehensive income, net of tax	-	-	-	1,616	-	-	1,616
Total comprehensive income	-	-	-	1,616	-	12,530,265	12,531,881
Capital contribution and withdrawal by shareholders							
Ordinary shares invested by shareholders	18,602	1,123,649	-	-	-	-	1,142,251
Share-based payment included in shareholders' equity	-	789,849	-	-	-	-	789,849
Others	(7,893)	(1,209,146)	(889,394)	-	-	-	(2,106,433)
Profit distribution							
Appropriation to surplus reserve	-	-	-	-	1,253,027	(1,253,027)	-
Profit distribution to shareholders	-	-	-	-	-	(11,652,025)	(11,652,025)
Others	-	16,703	-	-	-	-	16,703
<b>Balance at 31 December 2022</b>	<b>6,997,273</b>	<b>27,826,208</b>	<b>(14,933,944)</b>	<b>(5,679)</b>	<b>10,702,928</b>	<b>27,719,633</b>	<b>58,306,419</b>

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

## **MIDEA GROUP CO., LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

#### **1 General information**

The principal business activities of Midea Group Co., Ltd. (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) include residential air-conditioner, central air-conditioner, heating and ventilation systems, kitchen appliances, refrigerators, washing machines and various small appliances, robotics and automation system. Other services include the smart supply chain; sale, wholesale and processing of raw materials of household electrical appliances; and financial business involving customer deposits, interbank lendings and borrowings, consumption credits, buyer’s credits and finance leases.

The Company was set up by the Council of Trade Unions of GD Midea Group Co., Ltd. and was registered in Market Safety Supervision Bureau of Shunde District, Foshan on 7 April 2000, with its headquarters located in Foshan, Guangdong. On 30 August 2012, the Company was transformed into a limited liability company. On 29 July 2013, the Company was approved to merge and acquire Guangdong Midea Electric Co., Ltd., which was listed on Shenzhen Stock Exchange. On 18 September 2013, the Company’s shares were listed on Shenzhen Stock Exchange.

As at 31 December 2022, the Company’s share capital was RMB 6,997,273,076, and the total number of shares in issue was 6,997,273,076, of which 143,615,016 shares were restricted tradable A shares and 6,853,658,060 shares were unrestricted tradable A shares.

The detailed information of major subsidiaries included in the consolidation scope in the current year is set out in Note 5 and Note 6. Subsidiaries newly included in the consolidation scope via acquisition in the current year mainly include Midea Capital Corporation Limited. and its subsidiaries (including structured entities), Wuhan TTium Motor Technology Co., Ltd. and its subsidiaries and KONG Intelligent Environment (Xi’an) Co., LTD (formerly known as Shaanxi Construction Investment Co., Ltd.), and are detailed in Note 5(1)(a); subsidiaries newly included in the consolidation scope via establishment in the current year are detailed in Note 5(2)(a); subsidiaries no longer included in the consolidation scope in the current year are detailed in Note 5(2)(b).

These financial statements were authorised for issue by the Company’s Board of Directors on 27 April 2023.

#### **2 Summary of significant accounting policies and accounting estimates**

The Group determines specific accounting policies and accounting estimates based on the features of production and operation, mainly including the measurement of expected credit loss (“ECL”) on receivables and contract assets (Note 2(9)(a)), valuation method of inventory (Note 2(10)), depreciation of fixed assets, amortisation of intangible assets and right-of-use assets (Note 2(13), (16), (28)), impairment of long-term assets (Note 2(18)), and recognition and measurement of revenue (Note 2(25)).

Key judgements and critical accounting estimates and key assumptions applied by the Group on the determination of significant accounting policies are set out in Note 2(30).

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises" or "CASs") and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting* issued by the China Securities Regulatory Commission ("CSRC").

The financial statements are prepared on a going concern basis.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2022 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company's financial position of the Company as at 31 December 2022 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Functional currency

The functional currency of the Company is Renminbi ("RMB"). The subsidiaries determine their functional currency based on the primary economic environment in which the business is operated, mainly including EUR, JPY, USD and HKD. The financial statements are presented in RMB.

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. If the absorbed party was bought by the ultimate controller from a third party in prior years, the value of its assets and liabilities (including goodwill generated due to the combination) are based on the carrying amount in the ultimate controller's consolidated financial statements. The difference between the carrying amount of the net assets obtained by the Group and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

##### (5) Business combinations (Cont'd)

##### (b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

For business combinations achieved by stages involving enterprises not under common control, previously-held equity in the acquiree is remeasured at its fair value at the acquisition dates. For the equity interest held in the acquiree before the acquisition date under equity method, the difference between its fair value and carrying amount is recognised as investment income for the current period; for the other comprehensive income under the equity method and shareholders' equity changes other than those arising from the net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other shareholders' equity changes are transferred into profit or loss for the current period to which the acquisition dates belong, excluding those arising from changes in the investee's remeasurements of net liability or net asset related to the defined benefit plan, and those arising from accumulative changes in fair value of investments in equity instruments not held for trading that are held by investees and designated as at fair value through other comprehensive income. For previously-held equity in the acquiree categorised as financial assets at fair value through profit or loss, the difference between its fair value and carrying amount is transferred to investment income under the cost method; for previously-held equity in the acquiree categorised as investments in equity instruments not held for trading at fair value through other comprehensive income, its accumulative changes in fair value that are originally recognised in other comprehensive income are directly reclassified to retained earnings. The excess of the sum of fair value of the previously-held equity and fair value of the consideration paid at the acquisition date over share of fair value of identifiable net assets acquired from the subsidiary is recognised as goodwill.

##### (6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(6) Preparation of consolidated financial statements (Cont'd)**

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit attributable to minority interests and total comprehensive income attributed to minority interests and presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. Where the loss for the current period attributable to the minority shareholders of the subsidiaries exceeds the share of the minority interests in the opening balance of owners' equity, the excess is deducted against minority interests. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the parent company. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the parent company and net profit attributable to minority interests in accordance with the allocation proportion of the parent company in the subsidiary. Unrealised profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the parent company and net profit attributable to minority interests in accordance with the allocation proportion of the parent company in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

**(7) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

##### (8) Foreign currency translation

###### (a) Foreign currency transactions

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into functional currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

###### (b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the equity items, the items other than undistributed profits are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are recognised in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

##### (9) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

###### (a) Financial assets

###### (i) Classification and measurement

Based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

The financial assets are measured at fair value at initial recognition. Related transaction costs that are attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are recognised directly in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

- (9) Financial instruments (Cont'd)
  - (a) Financial assets (Cont'd)
    - (i) Classification and measurement (Cont'd)
      - (i-1) Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three ways:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly comprise cash at bank and on hand, loans and advances, notes receivable, accounts receivable, other receivables, other current assets, debt investments, long-term receivables and other non-current assets, etc. Debt investments and long-term receivables that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets; debt investments with maturities of no more than one year (inclusive) at the time of acquisition are included in other current assets.

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets to both collect the contractual cash flows and sell such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. Such financial assets mainly include receivables financing, other debt investments, etc. Other debt investments of the Group that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets; other debt investments with maturities no more than one year (inclusive) at the time of acquisition are included in other current assets.

Measured at fair value through profit or loss:

Debt instruments held by the Group that are not divided into those at amortised cost, or those measured at fair value through other comprehensive income, are measured at fair value through profit or loss. At initial recognition, the Group designates a portion of financial assets as at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. Financial assets that are due over one year as from the balance sheet date and are expected to be held over one year are included in other non-current financial assets. Others are included in financial assets held for trading.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

(i-2) Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading; investments in equity instruments expected to be held over one year as from the balance sheet date are included in other non-current financial assets.

In addition, at initial recognition, a portion of certain investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under investments in other equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

(i-3) Derivative financial instruments

The derivative financial instruments held by the Group are mainly used in controlling risk exposures. Derivative financial instruments are initially recognised at fair value on the day when derivatives transaction contract was signed, and subsequently measured at fair value. The derivative financial instruments are recorded as assets when they have a positive fair value and as liabilities when they have a negative fair value.

The method for recognising changes in fair value of the derivative financial instrument depends on whether the derivative financial instrument is designated as a hedging instrument and meets the requirement for it, and if so, the nature of the item being hedged. For derivative financial instruments that are not designated as hedging instruments and fail to meet requirements on hedging instruments, including those held for the purpose of providing hedging against specific risks in interest rate and foreign exchange but not conforming with requirements of hedge accounting, the changes in fair value are recorded in gains or losses on changes in fair value in the consolidated income statement.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

- (9) Financial instruments (Cont'd)
  - (a) Financial assets (Cont'd)
    - (i) Classification and measurement (Cont'd)
      - (i-3) Derivative financial instruments (Cont'd)

##### Cash flow hedge

At the inception of the hedge, the Group has completed relevant hedge documents, including the relationship between hedged items and hedging instruments, and risk management objectives and strategies corresponding to various hedging transactions. At the inception of the hedge and in subsequent periods, the Group continuously records whether the hedge is effectively evaluated, that is, whether the hedging instruments can largely offset the changes in the fair value or cash flows of hedged items.

The effective portion of changes in fair value on hedging instruments is recognised in other comprehensive income as cash flow hedging reserve, while the gains or losses related to the ineffective portion of the hedge are recognised in profit or loss for the current period. Where the hedge is a forecast transaction which subsequently results in the recognition of a non-financial asset or liability, the amount originally recognised in other comprehensive income is transferred and included in the initially recognised amount of the asset or liability. For cash flow hedge beyond the foregoing scope, the amount originally recognised in other comprehensive income is transferred and included in profit or loss for the current period during the same time in which the profit or loss is influenced by the hedged expected cash flow. However, if all or part of net loss recognised directly in other comprehensive income will not be recovered in future accounting periods, the amount not expected to be recovered should be transferred to profit or loss for the current period. When the Group revokes the designation of a hedge, a hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, the Group will discontinue the hedge accounting treatments prospectively. Where the Group discontinues the hedge accounting treatment for cash flow hedging, for hedged future cash flows that will still happen, the accumulated gains or losses that have been recognised in other comprehensive income are retained and subject to accounting treatment under the subsequent treatment method of aforesaid cash flow hedging reserve; for hedged future cash flows that the forecast transaction will never happen, the accumulated gains or losses that have been recognised in other comprehensive income are transferred immediately and included in profit or loss for the current period.

- (ii) Impairment

Loss provision for financial assets at amortised cost, investments in debt instruments at fair value through other comprehensive income, as well as contract assets and lease receivables is recognised on the basis of ECL.

Giving consideration to reasonable and supportable information on past events, current conditions, forecasts of future economic conditions that is available without undue cost or effort at the balance sheet date, and weighted by the risk of default, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

##### (9) Financial instruments (Cont'd)

##### (a) Financial assets (Cont'd)

##### (ii) Impairment (Cont'd)

For notes receivable, accounts receivable, receivables financing, lease receivables and contract assets arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group recognises the lifetime ECL provision regardless of whether there exists a significant financing component. Since contract assets are mainly related to work on the stage of completion without invoice, essentially, their credit risk characteristics are similar to the accounts receivable for the same kind of contracts. Therefore, the ECL rate of the contract assets is an approximation to that of accounts receivable.

Except for the above notes receivable, accounts receivable, receivables financing, lease receivables and contract assets, at each balance sheet date, the ECL of financial instruments at different stages are measured respectively. 12-month ECL provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime ECL provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime ECL provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

For the financial instruments with lower credit risk on the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition. The Group treats them as financial instruments in Stage 1 and recognises a 12-month ECL.

For the financial instruments in Stage 1 and Stage 2, the Group calculates the interest income by applying the effective interest rate to the book balance (before deduction of the impairment provision). For the financial instruments in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (after deduction of the impairment provision from the book balance).

In case the ECL of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group divides the receivables and contract assets into certain groupings based on credit risk characteristics, then pursuant to which, calculates the ECL. Basis and provision method for determining groupings are as follows:

Grouping of notes receivable 1	Bank acceptance notes grouping
Grouping of notes receivable 2	Trade acceptance notes grouping
Grouping of accounts receivable 1	Overseas business grouping
Grouping of accounts receivable 2	Domestic business grouping
Grouping of contract assets 1	Overseas business grouping
Grouping of contract assets 2	Domestic business grouping
Grouping of other receivables 1	Security deposit and guarantee receivables grouping
Grouping of other receivables 2	Receivables from related parties grouping
Grouping of other receivables 3	Other receivables grouping
Grouping of long-term receivables	Finance lease receivables grouping
Grouping of loans and advances	Loans business grouping

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

#### **2 Summary of significant accounting policies and accounting estimates (Cont'd)**

##### (9) Financial instruments (Cont'd)

##### (a) Financial assets (Cont'd)

##### (ii) Impairment (Cont'd)

The Group, on the basis of the exposure at default and the lifetime ECL rate, calculates the ECL of notes receivable and receivables financing that are classified into groupings with consideration to historical credit losses experience, current conditions and forecasts of future economic conditions.

With consideration to historical credit loss experience, current conditions and forecasts of future economic conditions, the Group prepares the cross-reference between the number of overdue days of accounts receivable and the lifetime ECL rate, and calculates the ECL of accounts receivable that are classified into groupings.

The Group, on the basis of the exposure at default and the 12-month or lifetime ECL rate, calculates the ECL of other receivables, loans and advances that are classified into groupings with consideration to historical credit losses experience, the current conditions and forecasts of future economic conditions.

The Group recognises the loss provision made or reversed into profit or loss for the current period. For debt instruments held at fair value through other comprehensive income, the Group adjusts other comprehensive income while the impairment loss or gain is recognised in profit or loss for the current period.

##### (iii) Derecognition of financial assets

A financial asset is derecognised when: (1) the contractual rights to the cash flows from the financial asset expire, (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When a financial asset is derecognised, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that are previously recognised directly in other comprehensive income is recognised in profit or loss for the current period, except for those as investments in other equity instruments, the difference aforementioned is recognised in retained earnings instead.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(9) Financial instruments (Cont'd)

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including notes payable, accounts payable, other payables, borrowings, debentures payable and short-term financing bonds payable in other current liabilities, customer deposits and deposits from banks and other financial institutions, borrowings from the Central Bank, and long-term payables. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

(10) Inventories

(a) Classification of inventories

Inventories, including finished goods, raw materials, work in progress, consigned processing materials and low value consumables, are measured at the lower of cost and net realisable value.

(b) Costing of inventories

Cost is determined using the first-in, first-out method when issued. The cost of finished goods and work in progress comprises raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(10) Inventories (Cont'd)

- (c) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories.

Inventories are initially measured at cost. The cost of inventories comprises purchase cost, processing cost and other expenditures to bring the inventories to current site and condition.

On the balance sheet date, inventories are measured at the lower of cost and net realisable value.

Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated contract fulfilment costs and costs necessary to make the sale and related taxes.

Provision for decline in the value of inventories is determined at the excess amount of the cost as calculated based on the classification of inventories over their net realisable value, and are recognised in profit or loss for the current period.

- (d) Inventory system

The Group adopts the perpetual inventory system.

- (e) Amortisation methods of low value consumables and packaging materials

Low value consumables are expensed in full when issued and recognised in cost of related assets or in profit or loss for the current period.

- (11) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its associates and joint ventures.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is an investee that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(11) Long-term equity investments (Cont'd)

(a) Determination of investment cost

For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For business combinations achieved by stages involving enterprises not under common control, the initial investment cost accounted for using the cost method is the sum of carrying amount of previously-held equity investment and additional investment cost. For previously-held equity investments accounted for using the equity method, the accounting treatment of related other comprehensive income from disposal of the equity is carried out on a same basis with the investee's direct disposal of related assets or liabilities. Owners' equity, which is recognised due to changes in investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, is accordingly transferred into profit or loss for the period in which the investment is disposed.

For the investments in previously-held equity without significant influence or common control that previously recognised as financial assets at fair value through profit or loss, the difference between the fair value and carrying amount is transferred to investment income for the current period under cost method; for the investments previously recognised as investments in equity instruments not held for trading at fair value through other comprehensive income, the difference between the fair value and carrying amount and accumulated changes in fair value previously recognised in other comprehensive income are directly transferred to retained earnings.

For long-term equity investments acquired not through a business combination, the long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and recognition methods of gains and losses

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss for the current period.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

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#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

##### (11) Long-term equity investments (Cont'd)

##### (b) Subsequent measurement and recognition methods of gains and losses (Cont'd)

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of the net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The changes of the Group's share in investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution are recognised in capital surplus with a corresponding adjustment to the carrying amount of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. The unrealised profits or losses arising from the transactions between the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, based on which the investment gain or losses are recognised. Any losses resulting from transactions between the Group and its investees attributable to asset impairment losses are not eliminated.

##### (c) Basis for determining existence of control, joint control, significant influence over investees

Control is the power to govern an investee and obtain variable returns from participating the investee's activities, and the ability to utilise the power of an investee to affect its returns.

Joint control is the contractually agreed sharing of control over an arrangement, and relevant economic activity can be arranged upon the unanimous approval of the Group and other participants sharing of control rights.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

##### (d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(18)).

##### (12) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

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#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

##### (12) Investment properties (Cont'd)

The Group adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation (amortisation) rates of investment properties are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation (amortisation) rates
Buildings	20 to 40 years	5%	2.38% to 4.75%
Land use rights	30 to 50 years	-	2% to 3.33%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at the date of the transfer. At the time of transfer, the property is recognised based on the carrying amount before transfer.

The investment properties' estimated useful lives, the estimated net residual values and the depreciation (amortisation) methods applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of an investment property is reduced to the recoverable amount if the recoverable amount is below the carrying amount.

##### (13) Fixed assets

###### (a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, overseas land, machinery and equipment, motor vehicles, electronic equipment and others.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the cost can be reliably measured. The initial cost of purchased fixed assets include purchase price, related taxes and expenditures that are attributable to the assets incurred before the assets are ready for their intended use. The initial cost of self-constructed fixed assets is determined based on Note 2(14).

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(13) Fixed assets (Cont'd)

(b) Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated net residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of the Group's fixed assets are as follows:

Categories	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	15 to 50 years	0% to 10%	6.7% to 1.8%
Machinery and equipment	2 to 25 years	0% to 10%	50% to 3.6%
Motor vehicles	2 to 20 years	0% to 10%	50% to 4.5%
Electronic equipment and others	2 to 20 years	0% to 10%	50% to 4.5%
Overseas land	Permanent	Not applicable	Not applicable

The estimated useful lives and the estimated net residual values of the Group's fixed assets and the depreciation methods applied to the assets are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(18)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(14) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below its carrying amount (Note 2(18)).

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(15) Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by actual interest expenses deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of general borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

(16) Intangible assets

Intangible assets include land use rights, patents and non-patent technologies, trademark rights, trademark use rights and others, are measured at cost.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 30 to 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Patents and non-patent technologies

Patents are amortised on a straight-line basis over the statutory period of validity, the period as stipulated by contracts or the beneficial period.

(c) Trademark rights

The trademark rights are measured at cost when acquired and are amortised over the estimated useful life of 4 to 30 years. The cost of trademark rights obtained in the business combinations involving enterprises not under common control is measured at fair value. As some of the trademarks are expected to attract net cash inflows injected into the Group, management considers that these trademarks have an indefinite useful life and are presented based upon the carrying amount after deducting the provision for impairment (Note 4(20)).

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(16) Intangible assets (Cont'd)

(d) Trademark use rights

The trademark use rights are measured at cost when acquired. The cost of trademark use rights obtained in the business combinations involving enterprises not under common control is measured at fair value, and is amortised over the estimated useful life of 40 years.

(e) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(f) Research and development (R&D)

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the planned investigation, evaluation and selection for the research of production processes or products is categorised as expenditure on the research phase, and it is recognised in profit or loss when it is incurred. Expenditure on design and test for the final application of the development of production processes or products before mass production is categorised as expenditure on the development phase, which is capitalised only if all of the following conditions are satisfied:

- The development of production processes or products has been fully justified by technical team;
- The budget on the development of production processes or products has been approved by management;
- There is market research analysis that demonstrates the product produced by the production process or product has the ability of marketing;
- There are sufficient technical and financial resources to support the development of production processes or products and subsequent mass production; and
- Expenditure attributable to the development of production processes or products can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(g) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(18)).

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(17) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to right-of-use assets, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(18) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. Intangible assets not ready for their intended use, intangible assets with infinite useful lives and overseas land are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(19) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

##### (19) Employee benefits (Cont'd)

###### (a) Short-term employee benefits

Short-term employee benefits include wages and salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance, maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences, etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

###### (b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's defined contribution plans mainly include basic pensions and unemployment insurance, while the defined benefit plans are Toshiba Lifestyle Products & Services Corporation ("TLSC") and its subsidiaries ("TLSC Group") and KUKA Aktiengesellschaft ("KUKA") and its subsidiaries ("KUKA Group"), etc. provide supplemental retirement benefits beyond the national regulatory insurance system.

###### Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

###### Supplementary retirement benefits

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligations less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method at the interest rate of treasury bonds with similar obligation term and currency. The charges related to supplementary retirement benefits (including current service costs, historical service costs and gains or losses on settlement) and net interest are recognised in profit or loss for the current period or included in the cost of an asset, and the changes arising from remeasurement in net liabilities or net assets of defined benefit plans are recognised in other comprehensive income.

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#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

##### (19) Employee benefits (Cont'd)

##### (c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

##### Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by management. The Group pays early retirement benefits to those early retired employees from the early retirement date until the normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment for termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period in which they occur.

The termination benefits expected to be settled within one year since the balance sheet date are classified as current liabilities.

##### (20) General risk reserve

General risk reserve is the reserve appropriated from undistributed profits to cover part of unidentified potential losses, on the basis of the estimated potential risk value of risk assets assessed by the standardised approach, which is deducted from recognised provision for impairment losses on loans. Risk assets include loans and advances, long-term equity investments, deposits with banks and other financial institutions and other receivables of subsidiaries engaged in financial business.

##### (21) Dividend distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

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#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

##### (22) Provisions

Provisions for product warranties, onerous contracts, etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expenses.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

##### (23) Share-based payment

###### (a) Type of share-based payment

Share-based payment is a transaction in which the entity acquires services from employees as consideration for equity instruments of the entity or by incurring liabilities for amounts based on the equity instruments. Equity instruments include equity instruments of the Company, its parent company or other accounting entities of the Group. Share-based payments are divided into equity-settled and cash-settled payments. The Group's share-based payments are equity-settled payments.

###### Equity-settled share-based payment

The Group's equity-settled share-based payment contains share option incentive plan, restricted share plan and employee stock ownership plan. These plans are measured at the fair value of the equity instruments at grant date and the equity instruments are tradable or exercisable when services in vesting period are completed or specified performance conditions are met. In the vesting period, the services obtained in the current period are included in relevant cost and expenses at the fair value of the equity instruments at grant date based on the best estimate of the number of tradable or exercisable equity instruments, and capital surplus is increased accordingly. If the subsequent information indicates the number of tradable or exercisable equity instruments differs from the previous estimate, an adjustment is made and, on the exercise date, the estimate is revised to equal to the number of actual vested equity instruments.

###### (b) Determination of fair value of equity instruments

The Group determines the fair value of share options using option pricing model, which is Black-Scholes option pricing model.

The fair value of other equity instruments is based on the share prices, which exclude the price that incentive objects pay, and the number of the shares on the grant date, taking into account the effects of clause of the Group's relevant plans.

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#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

##### (23) Share-based payment (Cont'd)

##### (c) Basis for determining best estimate of tradable or exercisable equity instruments

As at each balance sheet date in the vesting period, the Group would make best estimate in accordance with the newly acquired information such as changes in the number of employees entitled with exercisable or tradable equity instruments, and amend the estimated number of exercisable or tradable equity instruments. On the exercise or deactivation date, the final number of estimated exercisable or tradable equity instruments is consistent with the actual number of exercisable or tradable equity instruments.

##### (24) Treasury stock

The Group's treasury stock mainly comes from the repurchase of equity instruments and the issuance of restricted shares, etc.

Consideration and transaction costs paid by the Group for repurchasing equity instruments are deducted from owners' equity and not recognised as financial assets. The considerations paid by the Group for repurchasing equity instruments are presented as treasury stock, and the related transaction costs are recognised in owners' equity.

On the deregistration day of shares, relevant share capital and treasury stock are reversed with the difference included in capital surplus (share premium) based on actual deregistration results.

On the grant day of restricted shares, the Group recognises bank deposits when receiving subscription from the employees and measures the repurchase obligation as liability. On the day of release of restricted shares, relevant treasury stocks, liabilities and capital surplus recognised in the vesting period are reversed based on the actual vesting results.

##### (25) Revenue

The Group recognises revenue at the amount of the consideration which the Group is expected to receive when the customer obtains control over relevant goods or services. Revenue is stated net of discounts, rebates and returns.

When any of the following conditions is met, the Group is subject to performance obligations within a period of time; otherwise, at a point in time:

- (1) Customers obtain and consume economic benefits coming from the Group's performance of contract while the Group performs the contract.
- (2) Customers can control goods under construction during the Group's performance of contract.
- (3) Goods produced during the Group's performance of contract are irreplaceable. During the whole contract period, the Group is entitled to collect payments for those which have been accumulated up to now.

For a contract obligation within a period of time, the Group recognises the revenue based on the progress of the obligation fulfilment within that period of time, except where the progress of the obligation fulfilment cannot be determined reasonably.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

##### (25) Revenue (Cont'd)

Where the status of completion cannot be reasonably determined, revenue is recognised at the amount of cost incurred if it is predicted that the cost can be compensated till the progress of the obligation fulfilment can be reasonably determined.

For a contract obligation at a point in time, the Group recognises the revenue when a customer is in control of the underlying goods.

##### (a) Sales of goods

The Group are principally engaged in the manufacturing of heating & ventilation, as well as air-conditioner (hereinafter referred to as "HVAC") (mainly comprises residential air conditioner, central air-conditioner, heating and ventilation systems, etc.) and consumer appliances (mainly comprise kitchen appliances, refrigerators, washing machines and various small appliances, etc.), and robotics and automation system and sales of products and materials to buyers.

Revenue from domestic sales of HVAC and consumer appliances is recognised when the Group has delivered products to the location specified in the sales contract and the buyer has confirmed the acceptance of the products, and the delivery order is signed by both parties. Upon confirming the acceptance, the buyer has the right to sell the products at its discretion and takes the risks of any price fluctuations and obsolescence and loss of the products.

Revenue from overseas sales of HVAC and consumer appliances is recognised when the products have been declared to the customs and shipped out of the port in accordance with the sales contract.

Revenue from sales of robotics and automation system is recognised when the Group has delivered products to the location specified in the sales contract and the buyer has confirmed the acceptance of the products, and the delivery order is signed by both parties.

Revenue from sales of materials is recognised when the buyer has accepted the materials as contracted and the delivery order is signed by both parties.

The credit period granted to distributors by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component. Generally, the retail customers of the Group are entitled to return the products within 7 days after the confirmation of receipt.

The Group provides distributors with sales discount, and the relevant revenue is recognised at contract consideration net of the discount amount estimated.

The periods and terms of product quality warranty are provided in accordance with the laws and regulations related to the products. The Group has not provided any additional services or product quality warranty, so the product quality warranty does not constitute a separate performance obligation.

The rights to receive considerations for transferring goods to the customer (and such rights depend on factors other than the passage of time) are recognised as contract assets. The Group's obligation to transfer products to customers for consideration received or receivable is presented as contract liabilities.

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#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

##### (25) Revenue (Cont'd)

##### (b) Rendering of services

The Group provides robotics and automation system construction service, intelligent logistics integration solution, storage services, delivery services, installation services and transportation service, which are recognised in a certain period of time based on the stage of completion. On the balance sheet date, the Group re-estimates the stage of completion to reflect the actual status of contract performance.

When the Group recognises revenue based on the stage of completion, the amount with unconditional collection right obtained by the Group is recognised as accounts receivable, and the rest is recognised as contract assets. Meanwhile, loss provision for accounts receivable and contract assets are recognised on the basis of ECL (Note 2(9)). If the contract price received or receivable exceeds the amount for the completed service, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Contract costs include contract performance costs and contract acquisition costs. The costs incurred by the Group for the provision of services are recognised as contract performance costs. The recognised revenue is carried forward to the cost of sales from main operations based on the stage of completion. Incremental costs incurred by the Group for the acquisition of contract are recognised as the costs to obtain a contract. For the costs to obtain a contract with the amortisation period within one year, the costs are charged to profit or loss when incurred. For the costs to obtain a contract with the amortisation period beyond one year, the costs are charged in the current profit or loss on the same basis as aforesaid revenue of rendering of services recognised under the relevant contract. If the carrying amount of the contract costs is higher than the remaining consideration expected to be obtained by rendering of the service net of the estimated cost to be incurred, the Group makes provision for impairment on the excess portion and recognises it as asset impairment losses. As at the balance sheet date, based on whether the amortisation period of the costs to fulfil a contract is more than one year when initially recognised, the amount of the Group's costs to fulfil a contract net of related provision for asset impairment is presented as inventories or other non-current assets. For costs to obtain a contract with amortisation period beyond one year at the initial recognition, the amount net of related provision for asset impairment is presented as other non-current assets.

##### (c) Interest income

Interest income from financial instruments is calculated by effective interest method and recognised in profit or loss for the current period. Interest income comprises premiums or discounts, or the amortisation based on effective rates of other difference between the initial carrying amount and the due amount of interest-earning assets.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and the interest income or interest costs based on effective rates. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the financial instruments or applicable shorter period are discounted to the current carrying amount of the financial instruments. When calculating the effective interest rate, the Group estimates cash flows by considering all contractual terms of the financial instrument (e.g., early repayment options, similar options, etc.), but without considering future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

**MIDEA GROUP CO., LTD.**

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(All amounts in RMB'000 Yuan unless otherwise stated)  
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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(25) Revenue (Cont'd)

(c) Interest income (Cont'd)

Interest income from impaired financial assets is calculated at the interest rate that is used for discounting estimated future cash flow when measuring the impairment loss.

(d) Dividend income

Dividend income is recognised when the right to receive dividend payment is established.

(e) Rental income

Rental income from investment prosperities is recognised in the income statement on a straight-line basis over the lease period.

(f) Fee and commission income

Fee and commission income is recognised in profit or loss for the current period when the service is provided. The Group defers the initial charge income or commitment fee income arising from the forming or acquisition of financial assets as the adjustment to effective interest rate. If the loans are not lent when the loan commitment period is expired, related charges are recognised as fee and commission income.

(26) Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including refund of taxes and financial subsidies, etc.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

Government grants related to assets are grants that are acquired by the Group and used for acquisition, construction or forming long-term assets in other ways. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are recorded as deferred income reasonably and systematically amortised to profit or loss over the useful life of the related asset.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised directly in profit or loss for the current period.

The same kind of government grants are presented with the same method.

Those related to ordinary activities are recorded into operating profit while the other in non-operating income and expenses.

**MIDEA GROUP CO., LTD.**

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(26) Government grants(Cont'd)

Loans to the Group at political preferential rate are recorded at the actual amount received, and the related loan expenses are calculated based on the principal and the political preferential rate. Finance discounts directly received offset related loans expenses.

(27) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible losses) and whose initially recognised assets and liabilities do not result in equal taxable temporary differences and deductible temporary differences. At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(28) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)  
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## 2 Summary of significant accounting policies and accounting estimates (Cont'd)

### (28) Leases (Cont'd)

#### The Group as the lessee

At the lease commencement date, the Group recognises the right-of-use asset and measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease. Variable lease payments in proportion to sales are excluded from lease payments and recognised in profit or loss as incurred. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current liabilities.

Right-of-use assets of the Group comprise leased buildings, machinery and equipment, motor vehicles, etc. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group chooses to include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term, instead of recognising right-of-use assets and lease liabilities.

The Group accounts for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group redetermines the lease term at the effective date of the lease modification, and remeasures the lease liability by discounting the revised lease payments using a revised discount rate, except the contract changes that may apply the practical expedient as specified by the Ministry of Finance. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group correspondingly decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

For the qualified rent concessions agreed on existing lease contracts, the Group applies the practical expedient and records the undiscounted concessions in profit or loss when the agreement is reached to discharge the original payment obligation with corresponding adjustment of lease liabilities.

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(28) Leases (Cont'd)

The Group as the lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

Where the Group leases out self-owned buildings, machinery and equipment, and motor vehicles under operating leases, rental income therefrom is recognised on a straight-line basis over the lease term. Variable rental that is linked to a certain percentage of sales is recognised in rental income as incurred.

For the qualified rent concessions agreed on existing lease contracts, the Group applies the practical expedient to account for the concessions as variable lease payments and record the concessions in profit or loss during the waiving period.

Except the above contract changes that are accounted for by applying the practical expedient, for a lease modification, the Group accounts for it as a new lease from the effective date of the modification, and considers any lease payments received in advance and receivable relating to the lease before modification as receivables of the new lease.

(b) Finance leases

At the commencement date, the Group recognises the lease payments receivable under a finance lease and derecognises relevant assets. The lease payments receivable under a finance lease are presented as long-term receivables; the lease payments receivable under a finance lease due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets.

(29) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

(30) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)  
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#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

##### (30) Critical accounting estimates and judgements (Cont'd)

###### (i) Provision for impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the asset group or group of asset groups that contain the apportioned goodwill is determined by the higher value between the present value of the future cash flows and the net value that is calculated by the fair value less the disposal costs. Accounting estimate is required for the calculation of the recoverable amount. The impairment testing is performed by assessing the recoverable amount of the asset group or group of asset groups containing the relevant goodwill, based on the present value of cash flows forecasts. Key assumptions adopted in the impairment testing of goodwill included estimated revenue growth rate, EBITDA margin, perpetual annual growth rate, discount rate, etc. which involved critical accounting estimates and judgement.

If management revises the estimated revenue growth rate and perpetual annual growth rate that are used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised rates are lower than the current rates, the Group would need to recognise further impairment against goodwill.

If management revises the EBITDA margin that is used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised EBITDA margin is lower than the current one, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual estimated revenue growth rate, perpetual annual growth rate and EBITDA margin are higher or the actual pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

###### (ii) Income tax and deferred income tax

The Group is subject to enterprise income tax in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in Note 3(1), some subsidiaries of the Group are high-tech enterprises. The "High-Tech Enterprise Certificate" is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)  
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#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

(30) Critical accounting estimates and judgements (Cont'd)

(ii) Income tax and deferred income tax (Cont'd)

Deferred tax assets are recognised for the deductible tax losses that can be carried forward to subsequent years to the extent that it is probable that taxable profit will be available in the future against which the deductible tax losses can be utilised. Taxable profit that will be available in the future includes the taxable profit that will be realised through normal operations and the taxable profit that will be increased upon the reversal of taxable temporary differences incurred in prior periods. Judgements and estimates are required to determine the time and amounts of taxable profit in the future. Any difference between the reality and the estimate may result in adjustment to the carrying amount of deferred tax assets.

(31) Significant changes in accounting policies

The Ministry of Finance released the *Circular on Issuing Interpretation No. 15 of Accounting Standards for Business Enterprises* (Interpretation No. 15) in 2021, and *Q&A on Implementation of Accounting Standards for Business Enterprises, Interpretation No. 16 of Accounting Standards for Business Enterprises and Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Effectively Conducting the Work in Relation to the 2022 Annual Reports of Enterprises* (Cai Kuai [2022] No. 32) in 2022. The financial statements for the year ended 31 December 2022 have been prepared by the Group and the Company in accordance with the above circulars and Q&A, which have no significant impacts on the financial statements of the Group and the Company.

#### 3 Taxation

(1) Main tax category and rate

Category	Tax base	Tax rate
Enterprise income tax	Levied based on taxable income	Note (a)
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	Note (b)
City maintenance and construction tax	The amount of VAT paid	1% or 5% or 7%
Educational surcharge	The amount of VAT paid	3% or 5%
Local educational surcharge	The amount of VAT paid	2%
Property tax	Price-based property is subject to a 1.2% tax rate after a 30% cut in the original price of property; rental-based property is subject to a 12% tax rate for the rental income.	1.2% or 12%

## MIDEA GROUP CO., LTD.

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#### 3 Taxation (Cont'd)

##### (1) Main tax category and rate (Cont'd)

##### (a) Notes to the enterprise income tax rate of the principal tax payers with different tax rates

(a-1) The following subsidiaries of the Group are subject to an enterprise income tax rate of 15% in 2022 as they qualified as high-tech enterprises and obtained the *High-tech Enterprise Certificate*:

Name of taxpayer	No. of the <i>High-tech Enterprise Certificate</i>	Dates of issuance	Term of validity
Jiangsu Midea Cleaning Appliances Co., Ltd.	GR202032012131	2 December 2020	3 years
GD Midea Environment Appliances Mfg. Co., Ltd.	GR202244008573	22 December 2022	3 years
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	GR202144008574	20 December 2021	3 years
Guangdong Witol Vacuum Electronic Manufacture Co., Ltd.	GR202044001986	1 December 2020	3 years
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	GR202044003557	9 December 2020	3 years
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	GR202144012791	31 December 2021	3 years
Foshan Shunde Midea Electric Science and Technology Co., Ltd.	GR202244002733	19 December 2022	3 years
GD Midea Heating & Ventilating Equipment Co., Ltd.	GR202144001270	20 December 2021	3 years
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	GR202234002343	18 October 2022	3 years
Anhui Meizhi Precision Manufacturing Co., Ltd.	GR202134004969	18 September 2021	3 years
Guangzhou Midea Hualing Refrigerator Co., Ltd.	GR202244004828	19 December 2022	3 years
Guangdong Welling Motor Manufacturing Co., Ltd.	GR202044006087	9 December 2020	3 years
Foshan Welling Washer Motor Manufacturing Co., Ltd.	GR202044005425	9 December 2020	3 years
Huaian Welling Motor Manufacturing Co., Ltd.	GR202232018102	12 December 2022	3 years
Wuxi Filin Electronics Co., Ltd.	GR202132000964	3 November 2021	3 years
GD Midea Air-Conditioning Equipment Co., Ltd.	GR202044003059	1 December 2020	3 years
Handan Midea Air-Conditioning Equipment Co., Ltd.	GR202013000191	27 September 2020	3 years
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	GR202042000684	1 December 2020	3 years
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	GR202044001953	1 December 2020	3 years
Guangdong Swisslog Technology Co., Ltd.	GR202144005648	20 December 2021	3 years
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	GR202034001383	17 August 2020	3 years
Chongqing Midea General Refrigeration Equipment Co., Ltd.	GR202051100347	9 October 2020	3 years
Guangdong Meizhi Compressor Limited	GR202044004270	9 December 2020	3 years
Hubei Midea Refrigerator Co., Ltd.	GR202042000745	1 December 2020	3 years
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	GR202044007232	9 December 2020	3 years
Anhui Meizhi Compressor Co., Ltd.	GR202234002700	18 October 2022	3 years
Foshan Shunde Midea Water Dispenser Manufacturing Co., Ltd.	GR202044004098	9 December 2020	3 years
Midea Welling Motor Technology (Shanghai) Co., Ltd.	GR202031001304	12 November 2020	3 years
Welling (Wuhu) Motor Manufacturing Co., Ltd.	GR202134003666	18 November 2021	3 years
Hefei Midea Laundry Appliance Co., Ltd.	GR202134003561	18 September 2021	3 years
Foshan Midea Chungho Water Purification Equipment Co., Ltd.	GR202144010400	31 December 2021	3 years
Toshiba HA Manufacturing (Nanhai) Co., Ltd.	GR202144002672	20 December 2021	3 years
Guangdong Meizhi Precision- Manufacturing Co., Ltd.	GR202144003890	20 December 2021	3 years

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#### 3 Taxation (Cont'd)

(1) Main tax category and rate (Cont'd)

(a) Notes to the enterprise income tax rate of the principal tax payers with different tax rates (Cont'd)

(a-1) The following subsidiaries of the Group are subject to an enterprise income tax rate of 15% in 2022 as they qualified as high-tech enterprises and obtained the *High-tech Enterprise Certificate* (Cont'd):

Name of taxpayer	No. of the <i>High-tech Enterprise Certificate</i>	Dates of issuance	Term of validity
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	GR202134003382	18 September 2021	3 years
Guangdong Midea Intelligent Technologies Co., Ltd.	GR202144008039	20 December 2021	3 years
WINONE ELEVATOR COMPANY LIMITED	GR202144006432	20 December 2021	3 years
Midea Group Wuhan HVAC Equipment Co., Ltd.	GR202242004390	29 November 2022	3 years
Beijing Hiconics Eco-energy Frequency Conversion Technology Co., Ltd.	GR202011003365	21 October 2020	3 years
Changsha Sunye Electric Co., Ltd.	GR202143000846	18 September 2021	3 years
Beijing Huatairunda Energy Saving Co., Ltd.	GR202111004112	17 December 2021	3 years
Dorna Technology Co., Ltd.	GR202033006717	1 December 2020	3 years
Wuxi Little Swan Electric Co., Ltd.	GR202032006759	2 December 2020	3 years
KUKA Robotics Manufacturing China Co., Ltd.	GR202231004961	14 December 2022	3 years
KUKA Robotics Guangdong Co., Ltd.	GR202044003841	9 December 2020	3 years
Reis Robotics (Kunshan) Co., Ltd.	GR202132000238	3 November 2021	3 years
Midea Intelligent Lighting & Controls Technology Co., Ltd.	GR202036000935	14 September 2020	3 years
Beijing Wandong Medical Technology Co., Ltd.	GR202011009515	2 December 2020	3 years
Wanliyun Medical Information Technology (Beijing) Co., Ltd.	GR202211008024	30 December 2022	3 years
Guangdong Midea Environmental Technologies Co., Ltd.	GR202144004692	20 December 2021	3 years
MR Semiconductor Ltd.	GR202131000701	9 October 2021	3 years
Anhui Welling Auto Parts Corporation Limited	GR202134002578	18 September 2021	3 years
Meicloud Technology Co., Ltd.	GR202144008715	20 December 2021	3 years
Wuhan TTium Motor Technology Co., Ltd.	GR202242004712	29 November 2022	3 years
WDM Esaote (Suzhou) Medical Technology Co., Ltd.	GR202232006635	18 November 2022	3 years
Western-style Electric Products Company	GR202244017262	22 December 2022	3 years
Hefei Hualing Co., Ltd.	GR202134000541	18 September 2021	3 years
Guangdong Yueyun Industrial Internet Innovation Technology Co., Ltd.	GR202244006484	22 December 2022	3 years
Shenzhen Midea Payment Technology Co., Ltd.	GR202244208053	19 December 2022	3 years

In addition, pursuant to the *Announcement on Increasing the Pre-tax Deductions in Support of Technological Innovation* (Announcement [2022] No. 28) issued by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology, during the period from 1 October 2022 to 31 December 2022, the cost of newly purchased equipment and appliances by high-tech enterprises can be fully deducted against taxable profit in 2022, and entitled to additional pre-tax deduction at 100%.

## MIDEA GROUP CO., LTD.

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#### 3 Taxation (Cont'd)

##### (1) Main tax category and rate (Cont'd)

##### (a) Notes to the enterprise income tax rate of the principal tax payers with different tax rates (Cont'd)

- (a-2) According to the *Notice of the Ministry of Finance, the State Taxation Administration on Preferential Enterprise Income Tax Policies for Hainan Free-trade Port* (Cai Shui [2020] No. 31), the Company's certain subsidiary in Hainan is subject to enterprise income tax at a rate of 15% from 1 January 2020 to 31 December 2024.
- (a-3) Pursuant to the *Notice on Extending the Preferential Enterprise Income Tax Policies for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen*, enterprises that meet the notice requirements are subject to a reduced enterprise income tax rate of 15%. Therefore, Midea Commercial Factoring Co., Ltd., a subsidiary of the Company, is subject to enterprise income tax at a rate of 15% from 1 January 2021 to 31 December 2025.
- (a-4) According to the *Announcement on Continuing the Enterprise Income Tax Policies for the Development of Western China* jointly issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on 23 April 2020, Chongqing Midea Air-Conditioning Equipment Co., Ltd., Chongqing Midea Commercial Factoring Co., Ltd., Chongqing Annto Logistics Technology Co., Ltd. and Guiyang Annto Logistics Technology Co., Ltd., subsidiaries of the Company, are subject to enterprise income tax at a rate of 15% from 1 January 2021 to 31 December 2030.
- (a-5) On 28 November 2017, Luanping Huitong Photovoltaic Power Co., Ltd., a subsidiary of the Company, obtained the *Record Form for Enterprise Income Tax Preference* issued by the Luanping County Office of the State Taxation Administration. According to Item 2 of Article 27 in the *Enterprise Income Tax Law of the People's Republic of China*, Order of the President of the People's Republic of China (No. 63), Phase II Project of the company was subject to the preferential policy of enterprise income tax exemption from 2017 to 2019, and is subject to the preferential policy of enterprise income tax reduction of 50% from 2020 to 2022.
- (a-6) According to the *Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (Cai Shui [2019] No. 13), the *Announcement on the Matters Concerning the Implementation of Preferential Income Tax Policies for the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households* (Announcement [2021], No. 12) and the *Announcement on the Matters Concerning the Implementation of Preferential Income Tax Policies for the Development of Small and Micro Enterprises* (Announcement [2022], No. 13) jointly issued by the Ministry of Finance and the State Taxation Administration, for Shenzhen Midea Capital Corporation Limited., Guangdong Ling Mei Technology Co. Ltd, Shanghai Annto Logistics Supply Chain Technology Co., Ltd., Foshan Annto Logistics Technology Co., Ltd., Shenzhen Annto Intelligent Technology Co., Ltd., Tianjin Annto Network Technology Co., Ltd. and Hangzhou Long-termism Tech Co.,Ltd., subsidiaries of the Company and qualified as a small low-profit enterprise, in 2022, EIT is based on a 20% rate applied to 12.5% of its taxable income amount for the proportion of taxable income up to RMB 1 million, and a 20% rate applied to 25% of its taxable income amount for the proportion of taxable income between RMB 1 million and RMB 3 million.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 3 Taxation (Cont'd)

- (1) Main tax category and rate (Cont'd)
- (a) Notes to the enterprise income tax rate of the principal tax payers with different tax rates (Cont'd)
- (a-7) The Company's subsidiaries in Mainland China other than those mentioned in (a-1) to (a-6) are subject to enterprise income tax at the rate of 25%.
- (a-8) In August 2008, Midea Electric Trading (Singapore) Co., Pte Ltd., the Company's subsidiary, was awarded with the *Certificate of Honour for Development and Expansion* (No. 587) by the Singapore Economic Development Board and is subject to the applicable preferential income tax rate of 5.5% for 2022. Lifestyle Orchestra Co.Pte.Ltd. and Little Swan International (Singapore) Co., Pte. LTD., the Company's subsidiaries, are subject to enterprise income tax at the rate of 17%.
- (a-9) The Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5%. Such subsidiaries include Midea International Trading Company Limited, Midea International Corporation Company Limited, Midea Home Appliances Investments (Hong Kong) Co., Limited, Century Carrier Residential Air-conditioning Equipment Co., Limited, Midea Refrigeration (Hong Kong) Limited, Welling Holding Limited, Welling International Hong Kong Ltd., Charing Holding Limited, Main Power Electrical Factory Limited and Midea Investment (Asia) Company Limited.
- (a-10) The Company's subsidiaries in BVI and Cayman Islands are exempted from enterprise income tax. Such subsidiaries include Mecca International (BVI) Limited, Titoni Investments Development Ltd., Midea Investment Holding (BVI) Limited, Midea Electric Investment (BVI) Limited, Welling Holding (BVI) Ltd., Midea Holding (Cayman Islands) Limited and Midea Investment Development Company Limited.
- (a-11) Springer Carrier Ltda., the Company's subsidiary in Brazil, is subject to Brazil enterprise income tax at the rate of 34%.
- (a-12) Some subsidiaries of TLSC, the Company's subsidiary in Japan, are subject to Japan enterprise income tax at the rate of 34.01%.
- (a-13) Clivet S.P.A ("Clivet"), the Company's subsidiaries in Italy, are subject to Italy enterprise income tax at the rate between 20% and 31.4%.
- (a-14) KUKA Group, the Company's subsidiary in Germany, is subject to Germany enterprise income tax at the rate of 32%.
- (a-15) Servotronix Motion Control Ltd. ("SMC"), the Company's subsidiary in Israel, is subject to Israel enterprise income tax at the rate of 23%.
- (a-16) Misr Refrigeration and Air Conditioning Manufacturing Company, S.A.E., the Company's subsidiary in Egypt, is subject to Egypt enterprise income tax at the rate of 22.5%.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(All amounts in RMB'000 Yuan unless otherwise stated)  
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#### 3 Taxation (Cont'd)

##### (1) Main tax category and rate (Cont'd)

##### (a) Notes to the enterprise income tax rate of the principal tax payers with different tax rates (Cont'd)

(a-17) Midea America Corp., the Company's subsidiary in the USA, is subject to the USA enterprise income tax at the rate of 21%.

(a-18) Midea Consumer Electric (Vietnam) CO., LTD., the Company's subsidiary in Vietnam, is subject to Vietnam enterprise income tax at the rate of 20%.

(a-19) Midea Refrigeration Equipment (Thailand) Co., Ltd., the Company's subsidiary in Thailand, is exempt from enterprise income tax under the investment promotion policy of the Thailand Board of Investment.

##### (b) Notes to the VAT rate of the principal tax payers with different tax rates

(b-1) Pursuant to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (Announcement [2019] No. 39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs and relevant regulations, the applicable tax rate of revenue arising from sales of goods and rendering of repairing and replacement services of the Company's certain subsidiaries is 13% from 1 April 2019, and that of revenue arising from real estate leasing and transportation services of the Company's certain subsidiaries is 9%.

(b-2) Financial services, consulting services and storage services provided by the Company and certain subsidiaries are subject to VAT at the rate of 6%.

(b-3) Rental revenue of the Company's certain subsidiaries is subject to easy levy of VAT at the rate of 5%.

(b-4) Pursuant to relevant provisions of the *Announcement on Relevant Policies for Deepening the Value-Added Tax Reform* (Announcement [2019] No. 39) issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs and the *Announcement on the VAT Policy Relating to the Promotion of Relief and Development of Difficulty-ridden Industries in the Service Sector* (Announcement [2022] No. 11) issued by the Ministry of Finance and the State Taxation Administration, certain subsidiaries of the Company engaged in the production service sector are eligible for a 10% additional VAT deduction based on deductible input VAT in the current year from 1 April 2019 to 31 December 2022.

(b-5) Pursuant to the *Notice on Further Supporting and Promoting the Business Start-up and Employment of Priority Groups* (Cai Shui [2019] No. 22) issued by the Ministry of Finance, the State Taxation Administration, the Ministry of Human Resources and Social Security and the State Council Leading Group Office of Poverty Alleviation and Development and the *Announcement on Extending the Implementation Period of Certain Preferential Tax Policies for Poverty Alleviation* (Announcement [2021] No. 18 of the Ministry of Finance, the State Taxation Administration, the Ministry of Human Resources and Social Security and the National Rural Revitalisation Administration) issued by the Ministry of Finance, the State Taxation Administration, the Ministry of Human Resources and Social Security and the National Rural Revitalisation Administration, for certain subsidiaries of the Company that employ the listed poverty-stricken people, since the month of signing the labour contracts of more than 1 year and paying the social security contributions, their VAT, city maintenance and construction tax, educational surcharge, local educational surcharge and enterprise income tax will be deducted in sequence and based on quota in accordance with the actual number of employees in 3 years, and the period of validity will be until 31 December 2025.

**MIDEA GROUP CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]**4 Notes to the consolidated financial statements****(1) Cash at bank and on hand**

	31 December 2022	31 December 2021
Cash on hand	1,645	1,609
Cash at bank (a)	28,581,529	46,691,119
Other cash balances (b)	1,688,278	443,893
Statutory reserve with the Central Bank (c)	328,409	419,718
Surplus reserve with the Central Bank (d)	172,394	272,949
Deposits with banks and other financial institutions (e)	24,287,610	23,351,878
Interest receivable	210,234	694,390
	<u>55,270,099</u>	<u>71,875,556</u>

Including: Total amounts deposited with banks overseas (including Singapore, Japan, Hong Kong, China, Germany, Egypt, the USA, etc.)	7,133,785	6,763,152
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- (a) As at 31 December 2022, cash at bank included fixed deposits with the term of over 3 months and due within 1 year, amounting to RMB 1,911,210,000 (31 December 2021: RMB 28,767,516,000).
- (b) Other cash balances mainly include letter of bank acceptance notes, letters of guarantee and letters of credit.
- (c) Statutory reserve with the Central Bank represents the statutory reserve deposited in People's Bank of China by the financial enterprise in accordance with relevant regulations. They are restricted cash and are not available for use in the Group's daily operations.
- (d) Surplus reserve with the Central Bank represents the excess over the required statutory reserve paid by financial institutions in the Central Bank, and it is bank deposit that can be readily drawn on demand.
- (e) As at 31 December 2022, deposits with banks and other financial institutions included no fixed deposits with the term of over 3 months (31 December 2021: RMB 1,000,000,000).

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**4 Notes to the consolidated financial statements (Cont'd)**

(2) Financial assets held for trading

	31 December 2022	31 December 2021
Structural deposits (a)	1,606,608	4,285,607
Investments in equity instrument held for trading (b)	1,264,595	1,319,470
Others	413,390	274,125
	<u>3,284,593</u>	<u>5,879,202</u>

(a) Structural deposits were deposits with financial institutions due within 1 year, which were measured at fair value through profit or loss.

(b) Investments in equity instrument held for trading referred to equity investments in listed companies, which were measured at fair value through profit or loss.

(3) Notes receivable

	31 December 2022	31 December 2021
Bank acceptance notes	4,705,290	4,689,898
Trade acceptance notes	114,595	126,640
Less: Provision for bad debts (a)	(61,756)	(31,624)
	<u>4,758,129</u>	<u>4,784,914</u>

(a) Provision for bad debts

For notes receivable of the Group arising from sales of goods or rendering of services in the ordinary course of business, the Group measures bad debts based on the lifetime ECL regardless of whether there exists a significant financing component. As at 31 December 2022, the Group considered that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.

(b) As at 31 December 2022, notes receivable endorsed or discounted but unmatured are as follows:

	Derecognised	Not derecognised
Trade acceptance notes	—	2,996
Bank acceptance notes (i)	20,360	2,615,039
	<u>20,360</u>	<u>2,618,035</u>

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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(All amounts in RMB'000 Yuan unless otherwise stated)  
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**4 Notes to the consolidated financial statements (Cont'd)**

(3) Notes receivable (Cont'd)

(b) As at 31 December 2022, notes receivable endorsed or discounted but unmatured are as follows (Cont'd):

(i) For the year ended 31 December 2022 and 31 December 2021, certain bank acceptance notes were discounted and endorsed and derecognised by some subsidiaries of the Group for the purpose of daily treasury management, and the business model for managing the notes receivable was aimed to both collect the contractual cash flows and sell such financial assets, which thereby categorised the balance of these bank acceptance notes that satisfied the above conditions as financial assets at fair value through other comprehensive income and presented them as receivables financing (Note 4(6)). The remained bank acceptance notes that not met the above conditions and business model were presented as notes receivable.

(4) Accounts receivable

	31 December 2022	31 December 2021
Accounts receivable	29,570,582	25,495,619
Less: Provision for bad debts (b)	<u>(1,332,609)</u>	<u>(859,179)</u>
	<u>28,237,973</u>	<u>24,636,440</u>

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2022	31 December 2021
Within 1 year	28,142,167	24,566,401
1 to 2 years	1,099,842	617,355
2 to 3 years	140,153	144,300
3 to 5 years	101,202	134,460
Over 5 years	<u>87,218</u>	<u>33,103</u>
	<u>29,570,582</u>	<u>25,495,619</u>

As at 31 December 2022 and 31 December 2021, the Group had no significant overdue accounts receivable.

(b) Provision for bad debts

For accounts receivable, the Group recognises the loss provision based on the lifetime ECL regardless of whether there exists a significant financing component.

As at 31 December 2022, accounts receivable for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Domestic customers	1,061,199	52.13%	(553,196)	The debtor encountered financial distress, etc.
Foreign customer	<u>22,437</u>	97.37%	<u>(21,847)</u>	
	<u>1,083,636</u>		<u>(575,043)</u>	

**MIDEA GROUP CO., LTD.**

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(All amounts in RMB'000 Yuan unless otherwise stated)  
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**4 Notes to the consolidated financial statements (Cont'd)**

(4) Accounts receivable (Cont'd)

(b) Provision for bad debts (Cont'd)

As at 31 December 2021, accounts receivable for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Domestic customers	111,443	47.74%	(53,208)	The debtor encountered financial distress, etc.
Overseas customers	<u>561</u>	100.00%	<u>(561)</u>	
	<u>112,004</u>		<u>(53,769)</u>	

As at 31 December 2022, accounts receivable for which the related provision for bad debts was provided on the grouping basis are analysed as follows:

	31 December 2022		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Domestic business grouping	12,494,592	2.72%	(340,084)
Overseas business grouping	<u>15,992,354</u>	2.61%	<u>(417,482)</u>
	<u>28,486,946</u>		<u>(757,566)</u>

As at 31 December 2021, accounts receivable for which the related provision for bad debts was provided on the grouping basis are analysed as follows:

	31 December 2021		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Domestic business grouping	12,689,502	3.08%	(390,701)
Overseas business grouping	<u>12,694,113</u>	3.27%	<u>(414,709)</u>
	<u>25,383,615</u>		<u>(805,410)</u>

(c) The provision for bad debts in the current year amounted to RMB 680,932,000 (2021: RMB 173,575,000). The provision for bad debts reversed in the current year amounted to RMB 205,575,000 (2021: RMB 88,386,000). The provision for bad debts written off in the current year amounted to RMB 55,411,000 (2021: RMB 92,215,000).

(d) As at 31 December 2022, the five largest accounts receivable aggregated by debtor are summarised and analysed as follows:

	Amount	Provision for bad debts	% of total balance
Total amount of the five largest accounts receivable	<u>1,510,333</u>	<u>(207,163)</u>	<u>5.11%</u>

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(5) Other receivables

	31 December 2022	31 December 2021
Other receivables	2,249,186	3,147,595
Less: Provision for bad debts	<u>(38,009)</u>	<u>(43,530)</u>
	<u>2,211,177</u>	<u>3,104,065</u>

- (a) Other receivables mainly include security deposit and guarantee, current accounts, petty cash to staff and receivables related to share options.

The ageing of other receivables is analysed as follows:

	31 December 2022	31 December 2021
Within 1 year	1,932,646	2,856,634
1 to 2 years	137,213	149,331
2 to 3 years	97,205	97,424
3 to 5 years	48,616	28,029
Over 5 years	<u>33,506</u>	<u>16,177</u>
	<u>2,249,186</u>	<u>3,147,595</u>

(b) Provision for losses and changes in book balance statement

	Stage 1		Stage 3		Sub-total Provision for bad debts		
	12-month ECL (Grouping)	12-month ECL (Individual)	Lifetime ECL (Credit impaired)				
	Book balance	Provision for bad debts	Book balance	Provision for bad debts		Book balance	Provision for bad debts
31 December 2021	2,992,048	38,263	150,280	-	5,267	5,267	43,530
Transfer to Stage 3	(560)	(56)	-	-	560	56	-
Net decrease in the current year	<u>(814,523)</u>	<u>(3,442)</u>	<u>(82,321)</u>	<u>-</u>	<u>(1,565)</u>	<u>(899)</u>	<u>(4,341)</u>
Including: Write-off in the current year	-	-	-	-	(1,565)	(1,565)	(1,565)
Derecognition	-	-	-	-	-	-	-
Differences on translation of foreign currency financial statements	-	(1,018)	-	-	-	(162)	(1,180)
31 December 2022	<u>2,176,965</u>	<u>33,747</u>	<u>67,959</u>	<u>-</u>	<u>4,262</u>	<u>4,262</u>	<u>38,009</u>

As at 31 December 2022 and 31 December 2021, the Group had no other receivables at Stage 2.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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(All amounts in RMB'000 Yuan unless otherwise stated)

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**4 Notes to the consolidated financial statements (Cont'd)**

(5) Other receivables (Cont'd)

(b) Provision for losses and changes in book balance statement (Cont'd)

(i) As at 31 December 2022, other receivables for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Book balance	12-month ECL rate	Provision for bad debts	Reason
Stage 1	67,959	0.00%	-	Relatively low bad debt risks
	Book balance	Lifetime ECL	Provision for bad debts	Reason
Stage 3	4,262	100.00%	(4,262)	The debtor encountered financial distress, etc.

As at 31 December 2021, other receivables for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Book balance	12-month ECL rate	Provision for bad debts	Reason
Stage 1	150,280	0.00%	-	Relatively low bad debt risks
	Book balance	Lifetime ECL	Provision for bad debts	Reason
Stage 3	5,267	100.00%	(5,267)	The debtor encountered financial distress, etc.

(ii) As at 31 December 2022 and 31 December 2021, other receivables for which the related provision for bad debts was provided on the grouping basis were all at Stage 1, which are analysed as follows:

	31 December 2022			31 December 2021		
	Book balance	Provision for bad debts	Provision ratio	Book balance	Provision for bad debts	Provision ratio
	Amount	Amount		Amount	Amount	
Security deposit/guarantee and other receivables grouping	2,176,965	(33,747)	1.55%	2,992,048	(38,263)	1.28%

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(5) Other receivables (Cont'd)

(c) The provision for bad debts in the current year amounted to RMB 36,072,000 (2021: RMB 158,923,000). The provision for bad debts reversed in the current year amounted to RMB 38,848,000 (2021: RMB 43,460,000). The provision for bad debts written off in the current year amounted to RMB 1,565,000 (2021: RMB 124,041,000).

(d) As at 31 December 2022, the five largest other receivables aggregated by debtor are summarised and analysed as follows:

	Amount	Provision for bad debts	% of total balance
Total amount of the five largest other receivables	<u>122,691</u>	<u>(848)</u>	<u>5.45%</u>

(e) As at 31 December 2022 and 31 December 2021, the Group had no significant government grants recognised at amounts receivable.

(6) Receivables financing

	31 December 2022	31 December 2021
Receivables financing	<u>13,526,540</u>	<u>10,273,552</u>

The Group's receivables financing were mainly accounts receivable and bank acceptance notes transferred, discounted and endorsed for the purpose of daily treasury management and were qualified for derecognition.

As at 31 December 2022 and 31 December 2021, the Group measured provision for bad debts based on the lifetime ECL and expected that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.

As at 31 December 2022, in addition to Note 4(3)(b), the Group's bank acceptance notes endorsed or discounted but not matured amounted to RMB 12,368,841,000 (31 December 2021: RMB 10,944,665,000), all of which were derecognised.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**4 Notes to the consolidated financial statements (Cont'd)**

(7) Advances to suppliers

	31 December 2022	31 December 2021
Prepayments for raw materials and others	<u>4,367,211</u>	<u>4,352,807</u>

(a) The ageing of advances to suppliers is analysed below:

	31 December 2022		31 December 2021	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	4,238,120	97.04%	4,241,867	97.45%
1 to 2 years	83,905	1.92%	74,391	1.71%
2 to 3 years	17,820	0.41%	18,798	0.43%
Over 3 years	27,366	0.63%	17,751	0.41%
	<u>4,367,211</u>	<u>100.00%</u>	<u>4,352,807</u>	<u>100.00%</u>

As at 31 December 2022, advances to suppliers with ageing over 1 year with a carrying amount of RMB 129,091,000 (31 December 2021: RMB 110,940,000) were mainly unsettled prepayments for raw materials.

As at 31 December 2022, the five largest advances to suppliers aggregated by debtor are summarised and analysed as follows:

	Amount	% of total balance
Total amount of the five largest advances to suppliers	<u>665,045</u>	<u>15.23%</u>

(8) Contract assets

	31 December 2022	31 December 2021
Contract assets	4,572,177	3,870,243
Less: Provision for impairment of contract assets	<u>(73,221)</u>	<u>(46,767)</u>
Total	<u>4,498,956</u>	<u>3,823,476</u>

For contract assets, the Group measures the loss provision based on the lifetime ECL regardless of whether there exists a significant financing component.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**4 Notes to the consolidated financial statements (Cont'd)**

(8) Contract assets (Cont'd)

As at 31 December 2022, there were no contract assets for which the related provision for bad debts was provided on an individual basis.

As at 31 December 2021, contract assets for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Book balance	Lifetime ECL rate	Provision for impairment	Reason
Domestic business grouping	11,444	26.70%	(3,056)	The debtor encountered financial distress, etc.

As at 31 December 2022, contract assets for which the related provision for bad debts was provided on the grouping basis are analysed as follows:

	31 December 2022		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Domestic business grouping	1,469,430	2.80%	(41,155)
Overseas business grouping	3,102,747	1.03%	(32,066)
	<u>4,572,177</u>		<u>(73,221)</u>

As at 31 December 2021, contract assets for which the related provision for bad debts was provided on the grouping basis are analysed as follows:

	31 December 2021		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Domestic business grouping	840,430	4.22%	(35,436)
Overseas business grouping	3,018,369	0.27%	(8,275)
	<u>3,858,799</u>		<u>(43,711)</u>

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(9) Loans and advances

(a) By individual and corporation:

	31 December 2022	31 December 2021
Loans and advances measured at amortised cost		
Loans and advances to individuals	1,820,952	2,217,220
Loans and advances to corporations	13,475,027	19,744,034
Including: Loans	11,138,739	12,790,285
Note discounting	2,336,288	6,953,749
	15,295,979	21,961,254
Less: Provision for loan losses	<u>(463,929)</u>	<u>(452,727)</u>
	<u>14,832,050</u>	<u>21,508,527</u>

As at 31 December 2022, loans and advances over 1 year amounted to RMB 693,294,000 (31 December 2021: RMB 851,927,000).

(b) By type of collateral held:

	31 December 2022	31 December 2021
Unsecured loans	1,818,768	2,211,108
Guaranteed loans	598,437	587,936
Pledged loans	12,878,774	19,162,210
Total loans and advances	<u>15,295,979</u>	<u>21,961,254</u>

(c) The provision for bad debts in the current year amounted to RMB 25,814,000 (2021: RMB 144,691,000), no provision for bad debts was written off in the current year (2021: RMB 3,070,000) and the provision for bad debts reversed in the current year amounted to RMB 14,612,000 (2021: RMB 1,748,000) (Note 4(25)).

(d) As at 31 December 2022, the Group's loans and advances for which the provision for bad debts was provided on an individual basis amounted to RMB 2,202,392,000, and the provision for bad debts amounted to RMB 97,565,000.

(e) As at 31 December 2022 and 31 December 2021, the Group included the most of loans and advances in Stage 1 and measured provision for impairment based on the 12-month ECL.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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**4 Notes to the consolidated financial statements (Cont'd)**

(10) Inventories

(a) Inventories are summarised by category as follows:

	31 December 2022			31 December 2021		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount
Finished goods	34,753,459	(458,121)	34,295,338	33,636,462	(419,166)	33,217,296
Raw materials	8,675,143	(241,247)	8,433,896	9,592,914	(121,217)	9,471,697
Work in progress	2,519,241	-	2,519,241	2,406,866	-	2,406,866
Consigned processing materials	427,838	-	427,838	596,531	-	596,531
Contract fulfilment costs (i)	368,584	-	368,584	232,049	-	232,049
	<u>46,744,265</u>	<u>(699,368)</u>	<u>46,044,897</u>	<u>46,464,822</u>	<u>(540,383)</u>	<u>45,924,439</u>

(i) The book balance of contract fulfilment costs mainly refers to transportation costs incurred to fulfil sales contracts prior to the transferring of control over goods to customers.

(b) Analysis of provision for decline in the value of inventories is as follows:

	31 December 2021	Increase in the current year	Decrease in the current year	Differences on translation of foreign currency financial statements	31 December 2022
		Provision	Reversal or write-off		
Finished goods	419,166	313,608	(282,102)	7,449	458,121
Raw materials	121,217	150,328	(35,997)	5,699	241,247
	<u>540,383</u>	<u>463,936</u>	<u>(318,099)</u>	<u>13,148</u>	<u>699,368</u>

(c) Provision for decline in the value of inventories is as follows:

	Specific basis for determining net realisable value	Reason for reversal or write-off of provision for decline in the value of inventories
Finished goods	Stated at the lower of cost and net realisable value	Sales
Raw materials	Stated at the lower of cost and net realisable value	Requisition for production

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(11) Current portion of non-current assets

	31 December 2022	31 December 2021
Other debt investments due within 1 year (Note 4(13))	5,875,076	19,360,372
Long-term receivables due within 1 year (Note 4(14))	553,591	491,205
Current portion of other non-current assets (Note 4(24))	31,124,411	-
	<u>37,553,078</u>	<u>19,851,577</u>

(12) Other current assets

	31 December 2022	31 December 2021
Fixed-income products (a)	38,748,850	23,696,825
Input VAT to be deducted	3,875,519	6,137,776
Prepaid expenses	856,455	828,675
Others (b)	3,061,554	2,492,736
	<u>46,542,378</u>	<u>33,156,012</u>

(a) As at 31 December 2022, fixed-income products were monetary investment products deposited in financial institutions with maturities of no more than 1 year at the time of acquisition, which were subsequently measured at amortised cost.

(b) As at 31 December 2022, the Group's transferable certificate of deposit due within 1 year since the time of acquisition amounted to approximately RMB 656,967,000 (31 December 2021: RMB 230,015,000), and were measured at fair value through other comprehensive income.

(c) As at 31 December 2022, the Group considered that there was no significant increase in credit risk of fixed-income products and transferable certificate of deposit since initial recognition, and made provision for loss based on 12-month ECL. The Group considered that there was no significant credit risk associated with them, and did not expect that there would be any significant losses from non-performance by these financial institutions.

(13) Other debt investments

	31 December 2022	31 December 2021
Fair value through other comprehensive income		
- Transferable certificate of deposit	16,969,335	27,254,307
Less: Other debt investments due within 1 year (Note 4(11))	<u>(5,875,076)</u>	<u>(19,360,372)</u>
	<u>11,094,259</u>	<u>7,893,935</u>

As at 31 December 2022, the cost of the Group's transferable certificate of deposit approximated its fair value.

As at 31 December 2022, the Group considered that there was no significant increase in credit risk of transferable certificate of deposit since initial recognition, and made provision for loss based on 12-month ECL. The Group considered that there was no significant credit risk associated with transferable certificate of deposit, and did not expect that there would be any significant losses from non-performance by these financial institutions.

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**4 Notes to the consolidated financial statements (Cont'd)**

(14) Long-term receivables

	31 December 2022	31 December 2021
Long-term receivables	1,176,968	1,371,022
Less: Provision for bad debts	<u>(8,779)</u>	<u>(8,461)</u>
	1,168,189	1,362,561
Less: Long-term receivables due within 1 year (Note 4(11))	<u>(553,591)</u>	<u>(491,205)</u>
	<u>614,598</u>	<u>871,356</u>

The Group's long-term receivables are presented in net amount of finance lease receivables after offsetting the unrealised financing income.

(15) Long-term equity investments

Long-term equity investments are classified as follows:

	31 December 2022	31 December 2021
Investments in associates (a)	5,188,817	3,796,705
Less: Provision for impairment of long-term equity investments	<u>-</u>	<u>-</u>
	<u>5,188,817</u>	<u>3,796,705</u>

(a) Investments in associates mainly refer to the investments in Guangdong Shunde Rural Commercial Bank Co., Ltd., Shenzhen Clou Electronics Co., Ltd., Carrier Midea North America LLC and Hefei Royalstar Motor Co., Ltd. and other enterprises by the Group.

(16) Other non-current financial assets

	31 December 2022	31 December 2021
Measured at fair value		
- Equity of unlisted companies	6,348,556	5,912,873
Others (a)	<u>4,276,688</u>	<u>-</u>
	<u>10,625,244</u>	<u>5,912,873</u>

(a) As at 31 December 2022, the main information of the Group's unmatured cross-currency interest rate swaps were set out in Note 4(37).

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**4 Notes to the consolidated financial statements (Cont'd)**

(17) Fixed assets

	Buildings	Overseas land	Machinery and equipment	Motor vehicles	Electronic equipment and others	Total
<b>Cost</b>						
31 December 2021	20,108,658	1,330,856	22,182,072	758,743	5,497,346	49,877,675
Increase in the current year						
Purchase	450,465	29,246	3,143,739	66,053	1,112,441	4,801,944
Transfer from construction in progress	1,587,541	-	419,909	104	103,356	2,110,910
Increase by business combinations	-	-	1,440	76	35	1,551
Others	35,198	-	3,990	-	-	39,188
Decrease in the current year						
Disposal and retirement	(125,160)	(215)	(1,373,355)	(50,821)	(363,310)	(1,912,861)
Others	(19,543)	-	(699)	-	(1,051)	(21,293)
Differences on translation of foreign currency financial statements	11,977	(24,610)	(45,183)	(262)	27,826	(30,252)
31 December 2022	22,049,136	1,335,277	24,331,913	773,893	6,376,643	54,866,862

**Accumulated depreciation**

31 December 2021	9,003,358	-	13,332,180	571,319	4,067,650	26,974,507
Increase in the current year						
Provision	987,149	-	1,537,048	31,365	809,883	3,365,445
Others	17,262	-	554	-	-	17,816
Decrease in the current year						
Disposal and retirement	(79,567)	-	(1,171,611)	(48,556)	(332,896)	(1,632,630)
Others	(8,920)	-	(155)	-	(793)	(9,868)
Differences on translation of foreign currency financial statements	9,268	-	(11,791)	(1,410)	17,011	13,078
31 December 2022	9,928,550	-	13,686,225	552,718	4,560,855	28,728,348

**Provision for impairment**

31 December 2021	6,179	5,469	10,011	21,093	7,568	50,320
Increase in the current year						
Provision	3,281	-	2,297	-	-	5,578
Decrease in the current year						
Disposal and retirement	-	-	-	(203)	-	(203)
Others	-	-	(61)	-	(1)	(62)
Differences on translation of foreign currency financial statements	(35)	(104)	(9)	1	36	(111)
31 December 2022	9,425	5,365	12,238	20,891	7,603	55,522

**Carrying amount**

31 December 2022	12,111,161	1,329,912	10,633,450	200,284	1,808,185	26,082,992
31 December 2021	11,099,121	1,325,387	8,839,881	166,331	1,422,128	22,852,848

(a) In 2022, the depreciation of fixed assets amounted to RMB 3,365,445,000 (2021: RMB 3,230,049,000) and was included in the income statement in full amount.

(b) As at 31 December 2022, the Company was still in the course of obtaining the ownership certificate for the fixed asset with a carrying amount of RMB 1,359,215,000 (31 December 2021: RMB 617,721,000).

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(18) Construction in progress

	31 December 2022			31 December 2021		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Shanghai Global Innovation Center Project	1,427,405	-	1,427,405	687,704	-	687,704
Midea Headquarters A08 Land Parcel Project	357,612	-	357,612	234,165	-	234,165
Thailand Factories	347,207	-	347,207	213,005	-	213,005
Midea Xingtan Industrial Park Project	153,893	-	153,893	-	-	-
Welling Auto Parts Project	152,457	-	152,457	-	-	-
Midea Headquarters A04 Land Parcel Project	147,143	-	147,143	565,884	-	565,884
Midea Digital Factory Project	142,595	-	142,595	-	-	-
Other projects	1,149,607	(34,142)	1,115,465	1,023,360	(33,188)	990,172
	<u>3,877,919</u>	<u>(34,142)</u>	<u>3,843,777</u>	<u>2,724,118</u>	<u>(33,188)</u>	<u>2,690,930</u>

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(18) Construction in progress (Cont'd)

(a) Movements of significant projects of construction in progress

	31 December 2021 Book balance	Increase in the current year	Transfer to fixed assets in the current year	Other decreases	Differences on translation of foreign currency financial statements	31 December 2022 Book balance	Source of funds
Shanghai Global Innovation Center Project	687,704	739,701	-	-	-	1,427,405	Self-financing
Midea Headquarters A08 Land Parcel Project	234,165	123,447	-	-	-	357,612	Self-financing
Thailand Factories Midea Xingtan Industrial Park Project	213,005	116,576	-	-	17,626	347,207	Self-financing
Welling Auto Parts Project	-	160,327	(6,434)	-	-	153,893	Self-financing
Midea Headquarters A04 Land Parcel Project	-	152,457	-	-	-	152,457	Self-financing
Midea Digital Factory Project	565,884	260,606	(679,347)	-	-	147,143	Self-financing Borrowings/
Other projects	-	142,595	-	-	-	142,595	Self-financing
	1,023,360	1,598,641	(1,425,129)	(24,623)	(22,642)	1,149,607	Self-financing
	<u>2,724,118</u>	<u>3,294,350</u>	<u>(2,110,910)</u>	<u>(24,623)</u>	<u>(5,016)</u>	<u>3,877,919</u>	

(i) As at 31 December 2022, the cost of construction in progress matched the budget amount, and the projects were carried out on schedule.

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**4 Notes to the consolidated financial statements (Cont'd)**

(19) Right-of-use assets

	Buildings	Machinery and equipment	Land use rights and others	Total
<b>Cost</b>				
31 December 2021	2,852,417	241,510	111,501	3,205,428
Increase in the current year				
New lease contracts	1,009,405	80,089	12,715	1,102,209
Lease modifications and others	166,697	4,258	162	171,117
Decrease in the current year				
Expiration of lease contract	(378,155)	(26,082)	(2,643)	(406,880)
Lease modifications and others	(130,742)	(7,311)	(695)	(138,748)
Differences on translation of foreign currency financial statements	22,775	(191)	767	23,351
31 December 2022	3,542,397	292,273	121,807	3,956,477
<b>Accumulated depreciation</b>				
31 December 2021	751,536	136,409	20,129	908,074
Increase in the current year				
Provision	1,071,925	84,020	17,640	1,173,585
Decrease in the current year				
Expiration of lease contract	(378,155)	(26,082)	(2,643)	(406,880)
Lease modifications and others	(55,716)	(2,854)	(127)	(58,697)
Differences on translation of foreign currency financial statements	2,343	(1,797)	(29)	517
31 December 2022	1,391,933	189,696	34,970	1,616,599
<b>Carrying amount</b>				
31 December 2022	2,150,464	102,577	86,837	2,339,878
31 December 2021	2,100,881	105,101	91,372	2,297,354

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**4 Notes to the consolidated financial statements (Cont'd)**

(20) Intangible assets

	Land use rights	Patents and non-patent technologies	Trademark rights	Trademark use rights	Others	Total
<b>Cost</b>						
31 December 2021	7,158,510	3,199,777	4,769,814	2,295,651	5,576,295	23,000,047
Increase in the current year						
Purchases	502,925	5,066	6,999	30	276,782	791,802
Increase by business combinations	5,017	-	2,122	-	52,682	59,821
Others	2,822	670	-	-	7,711	11,203
Decrease in the current year						
Disposal	(42,954)	(7,463)	-	-	(155,080)	(205,497)
Others	(1,965)	-	-	-	-	(1,965)
Differences on translation of foreign currency financial statements	(651)	34,324	115,719	(107,398)	83,609	125,603
31 December 2022	7,623,704	3,232,374	4,894,654	2,188,283	5,841,999	23,781,014
<b>Accumulated amortisation</b>						
31 December 2021	1,138,198	921,857	160,901	342,000	3,087,655	5,650,611
Increase in the current year						
Provision	150,683	232,145	57,470	54,413	522,113	1,016,824
Others	534	-	-	-	-	534
Decrease in the current year						
Disposal	(10,939)	(230)	-	-	(138,755)	(149,924)
Others	(465)	-	-	-	-	(465)
Differences on translation of foreign currency financial statements	238	18,816	1,514	(12,809)	118,971	126,730
31 December 2022	1,278,249	1,172,588	219,885	383,604	3,589,984	6,644,310
<b>Provision for impairment</b>						
31 December 2021	-	108,010	-	-	68,354	176,364
Increase in the current year						
Provision	-	-	-	-	48,593	48,593
Decrease in the current year						
Disposal	-	(5)	-	-	(3)	(8)
Differences on translation of foreign currency financial statements	-	(578)	-	-	3,418	2,840
31 December 2022	-	107,427	-	-	120,362	227,789
<b>Carrying amount</b>						
31 December 2022	6,345,455	1,952,359	4,674,769	1,804,679	2,131,653	16,908,915
31 December 2021	6,020,312	2,169,910	4,608,913	1,953,651	2,420,286	17,173,072

(a) In 2022, the amortisation of intangible assets amounted to RMB 1,016,824,000 (2021: RMB 1,212,553,000) and was included in the income statement in full amount.

(b) As at 31 December 2022, the Company was still in the course of obtaining the ownership certificate for the intangible asset with a carrying amount of RMB 33,814,900 (31 December 2021: Nil).

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 4 Notes to the consolidated financial statements (Cont'd)

##### (21) Goodwill

The Group's goodwill had been allocated to the relevant cash generating unit and cash generating units at the acquisition date, without any change of goodwill allocation in 2022, and the allocation is as follows:

	31 December 2022	31 December 2021
Goodwill -		
KUKA Group	21,122,932	20,544,697
TLSC Group	2,437,914	2,580,274
Little Swan	1,361,306	1,361,306
Others	4,149,906	3,893,186
	<u>29,072,058</u>	<u>28,379,463</u>
Less: Provision for impairment	<u>(523,405)</u>	<u>(504,711)</u>
	<u>28,548,653</u>	<u>27,874,752</u>

When making an impairment testing of goodwill, the Group compares the carrying amounts of the relevant cash generating unit or cash generating units with their recoverable amounts. If the recoverable amount is lower than the carrying amount, the difference shall be included in profit or loss for the current period.

As at 31 December 2022, the recoverable amount of cash generating unit or cash generating units with goodwill is calculated using discounted future cash flows determined according to the budget approved by management (the budget period is 5 to 6 years). The future cash flows beyond the budget period are calculated based on the estimated perpetual annual growth rates. The perpetual annual growth rates (mainly 1%-2%) applied by management are consistent with the estimates of the industry, and do not exceed the long-term average growth rates of each product. Management determines estimated revenue growth rates (mainly 0.18%-12.94%) and EBITDA margins (mainly 3.14%-13.86%) based on past experience and forecast on future market development. The discount rates (mainly 10.74%-15.62%) used by management are the pre-tax rates that are able to reflect the risks specific to the relevant cash generating unit or cash generating units. Management analyses the recoverable amount of each cash generating unit or cash generating units based on these assumptions and considers that no further provision for impairment is necessary for the goodwill.

##### (22) Long-term prepaid expenses

Long-term prepaid expenses mainly include expenses prepaid for software and project reconstruction.

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**4 Notes to the consolidated financial statements (Cont'd)**

(23) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	31 December 2022		31 December 2021	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	6,424,498	1,500,622	6,189,786	1,371,028
Provision for asset impairment	3,562,556	753,511	2,891,362	596,763
Employee benefits payable	931,503	190,398	1,214,088	285,263
Other current liabilities	35,502,379	6,534,476	29,984,331	5,531,170
Others	14,889,531	3,233,559	9,949,311	2,192,050
	<u>61,310,467</u>	<u>12,212,566</u>	<u>50,228,878</u>	<u>9,976,274</u>
Including:				
Expected to be recovered within 1 year (inclusive)		8,754,919		7,205,683
Expected to be recovered after 1 year		<u>3,457,647</u>		<u>2,770,591</u>
		<u>12,212,566</u>		<u>9,976,274</u>

(b) Deferred tax liabilities before offsetting

	31 December 2022		31 December 2021	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value Business combinations involving enterprises not under common control	1,043,209	236,440	3,159,648	349,208
Others	10,898,558	2,921,290	11,683,474	3,145,282
	<u>16,872,927</u>	<u>3,458,213</u>	<u>14,441,530</u>	<u>3,239,720</u>
	<u>28,814,694</u>	<u>6,615,943</u>	<u>29,284,652</u>	<u>6,734,210</u>
Including:				
Expected to be recovered within 1 year (inclusive)		1,221,941		1,268,054
Expected to be recovered after 1 year		<u>5,394,002</u>		<u>5,466,156</u>
		<u>6,615,943</u>		<u>6,734,210</u>

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(23) Deferred tax assets and deferred tax liabilities (Cont'd)

(c) The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:

	31 December 2022 Balance after offsetting	31 December 2021 Balance after offsetting
Deferred tax assets	10,244,296	8,192,309
Deferred tax liabilities	4,647,673	4,950,245

(24) Other non-current assets

	31 December 2022	31 December 2021
Fixed-income products (a)	73,157,118	35,485,395
Others	807,372	888,961
Less: Fixed-income products due within 1 year (Note 4(11))	(31,124,411)	-
	<u>42,840,079</u>	<u>36,374,356</u>

(a) As at 31 December 2022, fixed-income products were monetary investment products and non-transferable certificates of deposit deposited in financial institutions with maturities of more than 1 year at the time of acquisition, which were subsequently measured at amortised cost.

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**4 Notes to the consolidated financial statements (Cont'd)**

(25) Asset impairment and provision for loss

	31 December 2021	Increase in the current year	Decrease in the current year		Differences on translation of foreign currency financial statements and others	31 December 2022
			Reversal	Charge- off/Write-off		
Provision for bad debts	1,395,521	803,834	(290,148)	(56,976)	52,851	1,905,082
Less: Provision for bad debts of accounts receivable	859,179	680,932	(205,575)	(55,411)	53,484	1,332,609
Provision for losses of loans and advances	452,727	25,814	(14,612)	-	-	463,929
Provision for bad debts of notes receivable	31,624	60,343	(30,211)	-	-	61,756
Provision for bad debts of other receivables	43,530	36,072	(38,848)	(1,565)	(1,180)	38,009
Provision for bad debts of long-term receivables	8,461	673	(902)	-	547	8,779
Provision for decline in the value of inventories	540,383	463,936	(15,345)	(302,754)	13,148	699,368
Provision for impairment of long-term equity investments	-	6,179	-	(6,179)	-	-
Provision for impairment of fixed assets	50,320	5,578	-	(265)	(111)	55,522
Provision for impairment of intangible assets	176,364	48,593	-	(8)	2,840	227,789
Provision for impairment of contract assets	46,767	28,475	(4,053)	-	2,032	73,221
Provision for impairment of investment properties	12,576	-	-	-	-	12,576
Provision for impairment of construction in progress	33,188	-	-	-	954	34,142
Provision for impairment of goodwill	504,711	-	-	-	18,694	523,405
	<u>2,759,830</u>	<u>1,356,595</u>	<u>(309,546)</u>	<u>(366,182)</u>	<u>90,408</u>	<u>3,531,105</u>

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**4 Notes to the consolidated financial statements (Cont'd)****(26) Assets with use rights restricted**

As at 31 December 2022, assets with use rights restricted are mainly as follows:

	31 December 2022	31 December 2021
Cash at bank and on hand		
Including: Cash at bank (Note 4(1))	1,911,210	28,767,516
Other cash balances (Note 4(1))	1,688,278	443,893
Statutory reserve with the Central Bank (Note 4(1))	328,409	419,718
Deposits with banks and other financial institutions (Note 4(1))	-	1,000,000
	<u>3,927,897</u>	<u>30,631,127</u>

**(27) Short-term borrowings**

	31 December 2022	31 December 2021
Unsecured borrowings	3,192,163	1,260,780
Guaranteed borrowings	1,399,219	1,982,534
Pledged borrowings	578,098	2,138,309
	<u>5,169,480</u>	<u>5,381,623</u>

(a) As at 31 December 2022, the annual interest rate range of short-term borrowings was 1.40% to 15.45% (31 December 2021: 0.41% to 9.75%).

**(28) Financial liabilities held for trading**

As at 31 December 2022, financial liabilities held for trading referred to the equities attributable to third parties in the structured entities included in the consolidation scope, and were measured at fair value through profit or loss.

**(29) Notes payable**

	31 December 2022	31 December 2021
Bank acceptance notes	<u>25,572,421</u>	<u>32,752,007</u>

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(30) Accounts payable

	31 December 2022	31 December 2021
Materials cost payable	59,880,772	61,527,747
Others	4,352,453	4,455,812
	<u>64,233,225</u>	<u>65,983,559</u>

As at 31 December 2022, accounts payable with ageing over 1 year with a carrying amount of RMB 1,168,348,000 (31 December 2021: RMB 1,271,088,000) were mainly unsettled accounts payable for materials.

(31) Contract liabilities

	31 December 2022	31 December 2021
Advances on sales and services	25,143,337	21,319,800
Advances for construction projects	2,816,701	2,596,795
	<u>27,960,038</u>	<u>23,916,595</u>

More than 90% of contract liabilities included in the carrying amount as at 31 December 2021 were transferred to operating revenue in 2022.

(32) Employee benefits payable

	31 December 2022	31 December 2021
Short-term employee benefits payable (a)	7,041,973	7,430,595
Others	110,244	104,573
	<u>7,152,217</u>	<u>7,535,168</u>

(a) Short-term employee benefits

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Wages and salaries, bonus, allowances and subsidies	6,949,838	29,439,271	(29,849,186)	6,539,923
Staff welfare	299,396	1,628,361	(1,600,946)	326,811
Social security contributions	67,268	1,861,492	(1,849,420)	79,340
Including: Medical insurance	65,663	1,791,387	(1,778,887)	78,163
Work injury insurance	664	45,636	(45,522)	778
Maternity insurance	941	24,469	(25,011)	399
Housing funds	23,079	681,265	(678,657)	25,687
Labour union funds and employee education funds	22,246	142,044	(142,288)	22,002
Other short-term employee benefits	68,768	727,918	(748,476)	48,210
	<u>7,430,595</u>	<u>34,480,351</u>	<u>(34,868,973)</u>	<u>7,041,973</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(33) Taxes payable

	31 December 2022	31 December 2021
Enterprise income tax payable	2,813,522	2,972,040
Unpaid VAT	975,035	1,032,688
Others	1,166,778	1,399,539
	<u>4,955,335</u>	<u>5,404,267</u>

(34) Other payables

	31 December 2022	31 December 2021
Other payables	<u>4,322,025</u>	<u>4,288,104</u>

(a) Other payables are mainly restricted share repurchase obligation, deposit and security deposit payable and reimbursed logistics expense.

(b) As at 31 December 2022, other payables with ageing over 1 year with a carrying amount of RMB 1,538,928,000 (31 December 2021: RMB 1,288,937,000) were mainly those recognised for performing equity incentive plan and deposit and security deposit payable, which were unsettled since related projects were uncompleted.

(35) Current portion of non-current liabilities

	31 December 2022	31 December 2021
Current portion of long-term borrowings (Note 4(37))	6,248,484	28,087,037
Current portion of lease liabilities (Note 4(39))	992,142	860,503
	<u>7,240,626</u>	<u>28,947,540</u>

(36) Other current liabilities

	31 December 2022	31 December 2021
Accrued sale rebates	40,041,953	31,307,753
Others	17,801,575	16,920,200
	<u>57,843,528</u>	<u>48,227,953</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

## (37) Long-term borrowings

	31 December 2022	31 December 2021
Guaranteed borrowings (a)	35,063,239	6,903,645
Unsecured borrowings	21,860,438	14,269,908
Mortgage borrowings	9,411	26,635,207
Pledged borrowings	1,344	12,297
	<u>56,934,432</u>	<u>47,821,057</u>
Less: Current portion of guaranteed borrowings	-	(15,025)
Current portion of unsecured borrowings	(6,237,729)	(1,439,224)
Current portion of mortgage borrowings	(9,411)	(26,626,623)
Current portion of pledged borrowings	(1,344)	(6,165)
	<u>50,685,948</u>	<u>19,734,020</u>

- (a) As at 31 December 2022, bank guaranteed borrowings mainly included: (i) guaranteed borrowings equivalent to RMB 2,011,606,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, which will be due in April 2024; (ii) guaranteed borrowings equivalent to RMB 4,415,556,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every month, which will be due in May 2024; (iii) guaranteed borrowings equivalent to RMB 1,165,874,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every month, which will be due in June 2025; (iv) After deducting the bank fee, guaranteed borrowings equivalent to RMB 23,718,315,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every quarter, which will be due in August 2025; and (v) guaranteed borrowings equivalent to RMB 3,711,450,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, which will be due in May 2025.

As at 31 December 2021, bank guaranteed borrowings mainly included: (i) guaranteed borrowings equivalent to RMB 1,956,539,000 guaranteed by the Company, with interest paid every quarter, which will be due in April 2024; (ii) guaranteed borrowings equivalent to RMB 3,849,126,000 guaranteed by the Company, with interest paid every month, which will be due in May 2024; (iii) guaranteed borrowings equivalent to RMB 1,082,955,000 guaranteed by the Company, with interest paid every month, which will be due in June 2025.

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#### 4 Notes to the consolidated financial statements (Cont'd)

##### (37) Long-term borrowings (Cont'd)

(b) As at 31 December 2022, the annual interest rate range of long-term borrowings was 0.30% to 5.99% (31 December 2021: 0.49% to 5.50%).

(c) In 2022, the Group purchased cross-currency interest rate swap to mitigate the cash flow risk associated with the above-mentioned guaranteed borrowings ((a)(iv)) equivalent to USD 3,419,058,000 of principal. Under the swap, a nominal amount of USD 3,419,058,000 was converted into EUR at an agreed exchange rate, and the USD floating rate (SOFR+0.55% p.a.) was converted into the agreed EUR fixed rate. The agreed swap period was scheduled to start in August 2022 and end in August 2025. The Group designated such borrowings as the hedged item, and the change in the value of cross-currency interest rate swap (after excluding the foreign currency basis spread) as the hedging instrument for cash flow hedge. There was an economic relationship between the hedging instrument and the hedged item. The cross-currency interest rate swap matched the currency, amount and other major terms of financial liabilities denominated in USD.

In 2022, the Group included the effective part of the changes in fair value of the cross-currency interest rate swap (after excluding the foreign exchange basis spread) in "Other comprehensive income - cash flow hedges", and transferred them from other comprehensive income to financial expenses in the period in which the hedging relationship affected profit or loss, in a bid to offset the effect of hedged item on profit or loss for the current period. The changes in fair value of foreign currency basis spread were recorded in "Other comprehensive income - others", and the foreign currency basis spread was transferred from other comprehensive income to financial expenses in the period in which the hedging relationship affected profit or loss (Note 4(46)).

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**4 Notes to the consolidated financial statements (Cont'd)**

(38) Debentures payable

	31 December 2021	Issued in the current year	Issuance expenses	Interest accrued on par value	Amortisation of discount	Repayment in the current year	Differences on translation of foreign currency financial statements	31 December 2022
Debentures denominated in USD (a)	-	2,848,500	(3,304)	73,268	554	(41,910)	286,508	3,163,616

The information of debentures is as follows:

	Par value	Issuance date	Maturity	Issuance amount
Debentures denominated in USD (a)	<u>2,848,500</u>	16 February 2022	5 years	<u>2,848,500</u>

(a) Interest of the debentures is paid on a semi-annual basis and calculated by the simple interest method, and the interest rate is 2.88% annually. The debenture is guaranteed by the Company.

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**4 Notes to the consolidated financial statements (Cont'd)**

(39) Lease liabilities

	31 December 2022	31 December 2021
Lease liabilities	2,499,622	2,394,055
Less: Current portion of non-current liabilities (Note 4(35))	<u>(992,142)</u>	<u>(860,503)</u>
	<u>1,507,480</u>	<u>1,533,552</u>

(i) As at 31 December 2022, the future minimum lease payments of short-term leases and low value asset leases adopting the practical expedient according to the new lease standard totalled RMB 151,531,000 (31 December 2021: RMB 151,561,000) which should be paid within one year.

(40) Deferred income

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022	
Government grants	<u>1,228,459</u>	<u>670,357</u>	<u>(177,724)</u>	<u>1,721,092</u>	
	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022	Asset related/ Income related
Government grants related to industrial upgrading	863,641	654,947	(123,706)	1,394,882	Asset related
Other government grants	<u>364,818</u>	<u>15,410</u>	<u>(54,018)</u>	<u>326,210</u>	Asset related/ Income related
	<u>1,228,459</u>	<u>670,357</u>	<u>(177,724)</u>	<u>1,721,092</u>	

(41) Long-term employee benefits payable

	31 December 2022	31 December 2021
Supplementary retirement benefits (a)	1,368,513	1,705,440
Others	<u>119,943</u>	<u>119,576</u>
	<u>1,488,456</u>	<u>1,825,016</u>

(a) Supplementary retirement benefits

Supplementary retirement benefits obligation of the Group recognised on the balance sheet date is calculated using the projected unit credit method, and reviewed by external independent actuary institution.

(i) The Group's supplementary retirement benefits liabilities:

	31 December 2022	31 December 2021
Defined benefit obligation	3,209,466	3,572,482
Less: Fair value of planned assets	<u>(1,840,953)</u>	<u>(1,867,042)</u>
Liabilities of defined benefit obligation	<u>1,368,513</u>	<u>1,705,440</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(41) Long-term employee benefits payable (Cont'd)

(a) Supplementary retirement benefits (Cont'd)

(ii) The actuarial assumptions used to determine the present value of defined benefit obligation

31 December 2022

Discount rate	0.02% - 9.25%
Inflation rate	1.07%
Salary growth rate	0.50% - 6.60%
Pension dynamics	1.00% - 3.55%
Early retirement rate	0.00% - 12.90%
Changes in cost of medical services	7.50%

(42) Other non-current liabilities

Other non-current liabilities are mainly equity purchase payables.

(43) Share capital

	Movements in the current year						31 December 2022
	31 December 2021	Share-based payment incentive plan (a)	Desterilisation	Additional issuance	Repurchases and write-offs	Sub-total	
RMB-denominated ordinary shares - RMB-denominated ordinary shares subject to trading restriction	156,539	12,153	(17,184)	-	(7,893)	(12,924)	143,615
RMB-denominated ordinary shares not subject to trading restriction	6,830,025	6,449	17,184	-	-	23,633	6,853,658
	<u>6,986,564</u>	<u>18,602</u>	<u>-</u>	<u>-</u>	<u>(7,893)</u>	<u>10,709</u>	<u>6,997,273</u>

	Movements in the current year						31 December 2021
	31 December 2020	Share-based payment incentive plan (a)	Desterilisation	Additional issuance	Repurchases and write-offs	Sub-total	
RMB-denominated ordinary shares - RMB-denominated ordinary shares subject to trading restriction	182,863	9,940	(30,391)	-	(5,873)	(26,324)	156,539
RMB-denominated ordinary shares not subject to trading restriction	6,847,113	24,497	30,391	-	(71,976)	(17,088)	6,830,025
	<u>7,029,976</u>	<u>34,437</u>	<u>-</u>	<u>-</u>	<u>(77,849)</u>	<u>(43,412)</u>	<u>6,986,564</u>

(a) In 2022, the share-based payment incentive plan increased the share capital by 18,602,000 shares (2021: 34,437,000 shares).

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**4 Notes to the consolidated financial statements (Cont'd)**

(44) Treasury stock

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Treasury stock used for share-based payment incentive plan	14,044,550	2,637,021	(1,747,627)	14,933,944
	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Treasury stock used for share-based payment incentive plan	6,094,347	8,665,148	(714,945)	14,044,550
Repurchased shares that have not yet been written off	-	5,000,596	(5,000,596)	-
	6,094,347	13,665,744	(5,715,541)	14,044,550

In 2022, the Group's repurchased treasury stock amounted to approximately RMB 2,637,021,000, and the restricted shares and employee stock ownership plans granted in 2022 were approximately RMB 1,461,841,000. As at 31 December 2022, treasury stock mainly comprised treasury stock of approximately RMB 10,837,824,000 used for share-based payment incentive plan, as well as restricted shares and employee stock ownership plans amounting to approximately RMB 4,096,120,000 that have not met unlock condition, amounting to approximately RMB 14,933,944,000 in total (31 December 2021: RMB 14,044,550,000).

(45) Capital surplus

	31 December 2021	Increase in the current year	Decrease in the current year	31 December 2022
Share premium (a)	14,944,914	1,771,809	(1,209,146)	15,507,577
Share-based payment incentive plan (b)	2,161,354	983,367	(865,613)	2,279,108
Others (c)	3,410,662	41,636	(1,545,844)	1,906,454
	20,516,930	2,796,812	(3,620,603)	19,693,139
	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Share premium	18,185,028	1,938,616	(5,178,730)	14,944,914
Share-based payment incentive plan	1,414,842	1,516,039	(769,527)	2,161,354
Others	2,888,235	737,071	(214,644)	3,410,662
	22,488,105	4,191,726	(6,162,901)	20,516,930

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**4 Notes to the consolidated financial statements (Cont'd)**

(45) Capital surplus (Cont'd)

- (a) The increase in share premium arose from the exercise of share options with the amount of approximately RMB 1,123,649,000, the unlocking of restricted shares and employee stock ownership plans with the amount of approximately RMB 648,160,000; the decrease in share premium arose from the repurchase and cancellation of restricted shares with the amount of approximately RMB 411,678,000, and the unlocking of restricted shares and employee stock ownership plans with the amount of approximately RMB 797,468,000.
- (b) The increase of share-based payment incentive plan arose from expenses attributable to shareholders' equity of the parent company in the share-based payment incentive plan with the amount of approximately RMB 983,367,000, while the decrease arose from the transfer of approximately RMB 865,613,000 to share premium due to exercise of share-based payment incentive plan.
- (c) Others in capital surplus mainly included the Group's acquisition of the minority shareholders of Guangdong Meizhi Compressor Limited, Guangdong Meizhi Precision-Manufacturing Co., Ltd., and KUKA, the non-public shares issued by Beijing Wandong Medical Technology Co., Ltd., etc.

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4 Notes to the consolidated financial statements (Cont'd)

(46) Other comprehensive income

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2022				
	31 December 2021	Attributable to the parent company after tax	Other comprehensive income transferred to retained earnings	31 December 2022	Amount arising before income tax	Less: Reclassification of other comprehensive income to profit or loss	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive income items which will not be reclassified to profit or loss									
Changes arising from remeasurement of defined benefit plan	12,038	208,349	-	220,387	282,388	-	(62,980)	208,349	11,059
Changes in fair value of investments in other equity instruments	(1,949)	(892)	1,351	(1,490)	(2,482)	-	24	(892)	(1,566)
Other comprehensive income items which will be reclassified to profit or loss									
Other comprehensive income that will be transferred subsequently to profit or loss under the equity method	(89,213)	17,391	-	(71,822)	17,391	-	-	17,391	-
Cash flow hedging reserve (Note 4(37))	304,344	395,617	-	699,961	(627,935)	954,423	39,490	395,617	(29,639)
Differences on translation of foreign currency financial statements	(1,984,168)	1,175,539	-	(808,629)	1,222,721	-	-	1,175,539	47,182
Others (Note 4(37))	-	69,882	-	69,882	106,716	(36,834)	-	69,882	-
	<b>(1,758,948)</b>	<b>1,865,886</b>	<b>1,351</b>	<b>108,289</b>	<b>998,799</b>	<b>917,589</b>	<b>(23,466)</b>	<b>1,865,886</b>	<b>27,036</b>

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2021				
	31 December 2020	Attributable to the parent company after tax	Other comprehensive income transferred to retained earnings	31 December 2021	Amount arising before income tax	Less: Reclassification of other comprehensive income to profit or loss	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive income items which will not be reclassified to profit or loss									
Changes arising from remeasurement of defined benefit plan	19,210	(7,172)	-	12,038	(20,242)	-	19,213	(7,172)	6,143
Changes in fair value of investments in other equity instruments	493	424	(2,866)	(1,949)	2,238	-	-	424	1,814
Other comprehensive income items which will be reclassified to profit or loss									
Other comprehensive income that will be transferred subsequently to profit or loss under the equity method	(86,181)	(3,032)	-	(89,213)	(3,032)	-	-	(3,032)	-
Cash flow hedging reserve	311,341	(6,997)	-	304,344	359,992	(348,437)	(14,925)	(6,997)	3,627
Differences on translation of foreign currency financial statements	(1,793,866)	(190,302)	-	(1,984,168)	(232,113)	-	-	(190,302)	(41,811)
	<b>(1,549,003)</b>	<b>(207,079)</b>	<b>(2,866)</b>	<b>(1,758,948)</b>	<b>106,843</b>	<b>(348,437)</b>	<b>4,288</b>	<b>(207,079)</b>	<b>(30,227)</b>

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**4 Notes to the consolidated financial statements (Cont'd)**

(47) Surplus reserve

	31 December 2021	Increase in the current year	31 December 2022
Statutory surplus reserve	<u>9,449,901</u>	<u>1,253,027</u>	<u>10,702,928</u>
	31 December 2020	Increase in the current year	31 December 2021
Statutory surplus reserve	<u>7,966,362</u>	<u>1,483,539</u>	<u>9,449,901</u>

In accordance with the *Company Law of the People's Republic of China* and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the losses or increase the share capital after approval from the appropriate authorities. According to a resolution at the Board of Directors' meeting, the Company appropriated 10% of net profit for the year, amounting to approximately RMB 1,253,027,000 (2021: 10% of net profit, amounting to approximately RMB 1,483,539,000) to the statutory surplus reserve in 2022.

(48) Undistributed profits

	2022	2021
Undistributed profits at the beginning of the year	102,982,763	87,074,453
Add: Net profit attributable to shareholders of the parent company for the current year	29,553,507	28,573,650
Comprehensive income carried forward to retained earnings		
(a)	(1,351)	2,866
Others	1,412	-
Less: Ordinary share dividends payable (b)	(11,652,025)	(11,052,729)
Reversal of/(Appropriation to) general risk reserve (c)	47,923	(131,938)
Appropriation to statutory surplus reserve (Note 4(47))	<u>(1,253,027)</u>	<u>(1,483,539)</u>
Undistributed profits at the end of the year	<u>119,679,202</u>	<u>102,982,763</u>

- (a) In 2022, due to the Group's strategic adjustment, certain investments in other equity instruments were disposed. Accordingly, the amount of approximately RMB 1,351,000 (2021: RMB 2,866,000) accumulated in other comprehensive income was carried forward to undistributed profits.

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**4 Notes to the consolidated financial statements (Cont'd)**

(48) Undistributed profits (Cont'd)

(b) Ordinary share dividends distributed in the current year

In accordance with the resolution at the Board of Shareholders' meeting, dated 27 May 2022, the Company distributed a cash dividend to the shareholders at RMB 1.70 per share, amounting to approximately RMB 11,677,509,000 calculated by 6,869,123,038 issued shares less those repurchased; 7,893,000 repurchased incentive shares in the restricted shares incentive plan were written off (Note 4(43)), and cash dividend amounting to approximately RMB 25,484,000 was cancelled. The actual cash dividend distributed in the current year amounted to approximately RMB 11,652,025,000.

(c) General risk reserve

In 2022, according to the *Notice on Strengthening the Supervision and Administration of Commercial Factoring Enterprises* issued by China Banking and Insurance Regulatory Commission and the *Administrative Measures for the Provision of Reserves of Financial Enterprises* issued by the Ministry of Finance, certain subsidiaries of the Group reversed general risk reserve amounting to approximately RMB 47,923,000 (2021: provided general risk reserve amounting to approximately RMB 131,938,000).

(49) Operating revenue and cost of sales

	2022	2021
Revenue from main operations	316,464,774	308,297,360
Revenue from other operations	27,452,757	32,935,848
	<u>343,917,531</u>	<u>341,233,208</u>
	2022	2021
Cost of sales from main operations	237,007,098	235,092,045
Cost of sales from other operations	23,531,603	29,433,954
	<u>260,538,701</u>	<u>264,525,999</u>

(a) Revenue and cost of sales from main operations

	2022		2021	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
HVAC	150,634,586	116,234,025	141,879,146	112,012,603
Consumer appliances	125,284,737	87,449,080	131,866,099	95,279,340
Robotics and automation system	29,927,674	23,664,772	27,281,328	21,349,939
Others	10,617,777	9,659,221	7,270,787	6,450,163
	<u>316,464,774</u>	<u>237,007,098</u>	<u>308,297,360</u>	<u>235,092,045</u>

In 2022, cost of sales from main operations was mainly material costs and labour costs, which accounted for over 80% of total cost of sales from main operations (2021: over 80%).

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**4 Notes to the consolidated financial statements (Cont'd)**

(49) Operating revenue and cost of sales (Cont'd)

(b) Revenue and cost of sales from other operations

	2022		2021	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Revenue from sales of materials	24,114,807	22,329,521	29,458,918	28,637,352
Others	3,337,950	1,202,082	3,476,930	796,602
	<u>27,452,757</u>	<u>23,531,603</u>	<u>32,935,848</u>	<u>29,433,954</u>

In 2022, cost of sales from other operations was mainly material costs, which accounted for over 80% of total cost of sales from other operations (2021: over 80%).

(c) In 2022, among the Group's revenue from main operations, the amount recognised at a point in time accounted for above 90% (2021: above 90%) of the total amount and the amount recognised within a certain period of time mainly included revenue from main operations of robotics and automation system segment. The Group's revenue from other operations was recognised at a point in time.

(50) Interest income and interest costs

The Group's interest income and expenses arising from financial business are presented as follows:

	2022	2021
Interest income from loans and advances	1,614,497	1,818,709
Including: Interest income from loans and advances to corporations and individuals	1,565,168	1,710,237
Interest income from note discounting	49,329	108,472
Interest income from deposits with banks, other financial institutions and the Central Bank	175,957	308,334
Interest income	<u>1,790,454</u>	<u>2,127,043</u>
Interest costs	<u>(49,461)</u>	<u>(87,066)</u>
	<u>1,740,993</u>	<u>2,039,977</u>

(51) Taxes and surcharges

	2022	2021
City maintenance and construction tax	543,225	593,476
Educational surcharge	406,480	438,826
Others	616,179	577,082
	<u>1,565,884</u>	<u>1,609,384</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(52) Selling and distribution expenses

	2022	2021
Selling and distribution expenses	<u>28,716,121</u>	<u>28,647,344</u>

In 2022, selling and distribution expenses were mainly maintenance expenses, advertisement and promotion fee, employee benefits, E-commerce service fee, storage service fee and property management expenses, which accounted for over 70% of total selling and distribution expenses (2021: over 70%).

(53) General and administrative expenses

	2022	2021
General and administrative expenses	<u>11,582,664</u>	<u>10,266,283</u>

In 2022, general and administrative expenses were mainly employee benefits, depreciation and amortisation expenses, technical maintenance expenses, administrative office expenses, storage service fee and property management expenses, which accounted for over 80% of total general and administrative expenses (2021: over 80%).

(54) R&D expenses

	2022	2021
R&D expenses	<u>12,618,506</u>	<u>12,014,907</u>

In 2022, R&D expenses were mainly employee benefits, depreciation and amortisation expenses, technical development fee, trial products and material inputs expenses, which accounted for over 90% of total R&D expenses (2021: over 90%).

In 2022, the cost of sales, selling and distribution expenses, general and administrative expenses and R&D expenses in the income statement were mainly material costs and employee benefits, which accounted for over 80% of total cost of sales, selling and distribution expenses, general and administrative expenses and R&D expenses (2021: over 80%)

(55) Financial income

The Group's financial income, other than those arising from financial business (Note 4(50)), are presented as follows:

	2022	2021
Interest expenses (a)	(1,830,915)	(1,357,564)
Less: Interest income	5,837,713	5,181,658
Exchange gains or losses	(507,081)	798,120
Others	<u>(112,226)</u>	<u>(236,103)</u>
	<u>3,387,491</u>	<u>4,386,111</u>

(a) In 2022, interest costs on lease liabilities of the Group amounted to approximately RMB 111,773,000 (2021: RMB 104,903,000).

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**4 Notes to the consolidated financial statements (Cont'd)**

(56) Asset impairment losses

	2022	2021
Losses on decline in the value of inventories (Note 4(10))	448,591	447,348
Impairment losses on intangible assets (Note 4(20))	48,593	-
Impairment losses on contract assets	24,422	1,050
Impairment losses of long-term equity investments	6,179	-
Impairment losses on fixed assets (Note 4(17))	5,578	-
Impairment losses on construction in progress	-	35,022
	<u>533,363</u>	<u>483,420</u>

(57) Credit impairment losses

	2022	2021
Losses on bad debts of accounts receivable (Note 4(4))	475,357	85,189
(Reversal of)/Losses on bad debts of other receivables (Note 4(5))	(2,776)	115,463
Losses on bad debts of notes receivable (Note 4(3))	30,132	31,277
Impairment losses on loans and advances (Note 4(9))	11,202	142,943
(Reversal of)/Losses on impairment of long-term receivables (Note 4(14))	(229)	8,579
	<u>513,686</u>	<u>383,451</u>

(58) Gains or losses on changes in fair value

	2022	2021
Derivative financial instruments	(815,922)	(129,248)
Structural deposits	44,562	313,349
Investments in equity instruments	1,022,531	(17,695)
	<u>251,171</u>	<u>166,406</u>

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(59) Investment income

	2022	2021
Investment income from associates	608,278	560,679
Investment income from holding of financial assets held for trading	167,002	635,828
Investment (losses)/income from disposal of derivative financial assets and liabilities	(519,923)	510,932
Investment income from disposal of financial assets held for trading	-	150,075
Others (b)	(47,303)	508,259
	<u>208,054</u>	<u>2,365,773</u>

(a) There is no significant restriction on recovery of investment income of the Group.

(b) As disclosed in Note 4(3)(b), few of notes receivable were discounted and derecognised by certain subsidiaries of the Group, with loss incurred included in investment income.

(60) (Losses)/Gains on disposal of assets

	2022	2021
Gains on disposal of non-current assets	72,397	110,439
Losses on disposal of non-current assets	(132,251)	(52,182)
	<u>(59,854)</u>	<u>58,257</u>

(61) Other income

	2022	2021	Asset related/ Income related
Special subsidy	<u>1,896,113</u>	<u>1,307,504</u>	Income related

(62) Income tax expenses

	2022	2021
Current income tax calculated based on tax law and related regulations	7,500,259	5,959,551
Deferred income tax	(2,354,559)	(1,257,383)
	<u>5,145,700</u>	<u>4,702,168</u>

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(62) Income tax expenses (Cont'd)

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is listed below:

	2022	2021
Total profit	<u>34,955,931</u>	<u>33,717,544</u>
Income tax calculated at tax rate of 25%	8,738,983	8,429,386
Effect of different tax rates applicable to subsidiaries	(2,302,968)	(2,703,750)
Effect of income tax annual filing for prior periods	(45,762)	1,453
Income not subject to tax	(544,607)	(566,876)
Costs, expenses and losses not deductible for tax purposes	486,777	476,697
Utilisation of previous temporary differences or deductible losses for which no deferred tax assets were recognised in prior periods	(106,106)	(75,134)
Others	<u>(1,080,617)</u>	<u>(859,608)</u>
Income tax expenses	<u>5,145,700</u>	<u>4,702,168</u>

(63) Calculation of basic and diluted earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares:

	Unit	2022	2021
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	29,553,507	28,573,650
Less: Dividends payable to restricted shares	RMB'000	<u>(63,556)</u>	<u>(82,152)</u>
		29,489,951	28,491,498
Weighted average number of outstanding ordinary shares	Thousand shares	<u>6,790,926</u>	<u>6,837,497</u>
Basic earnings per share	RMB Yuan/share	<u>4.34</u>	<u>4.17</u>
Including:			
- Basic earnings per share from continuing operations:		4.34	4.17
- Basic earnings per share for discontinued operations:		<u>-</u>	<u>-</u>

**MIDEA GROUP CO., LTD.**

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(All amounts in RMB'000 Yuan unless otherwise stated)  
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**4 Notes to the consolidated financial statements (Cont'd)**

(63) Calculation of basic and diluted earnings per share (Cont'd)

- (b) Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the diluted weighted average number of outstanding ordinary shares:

	Unit:	2022	2021
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	<u>29,553,248</u>	<u>28,573,650</u>
Weighted average number of outstanding ordinary shares	Thousand shares	6,790,926	6,837,497
Weighted average number of ordinary shares increased from share-based payment	Thousand shares	<u>28,297</u>	<u>68,827</u>
Weighted average number of diluted outstanding ordinary shares	Thousand shares	<u>6,819,223</u>	<u>6,906,324</u>
Diluted earnings per share	RMB Yuan/share	<u>4.33</u>	<u>4.14</u>

(64) Notes to the cash flow statement

- (a) Cash received relating to other operating activities

	2022	2021
Other income	2,566,471	1,749,871
Revenue from other operations	3,190,182	3,373,578
Non-operating income	378,645	568,484
Financial income - interest income	765,716	323,155
Others	<u>394,943</u>	<u>585,734</u>
	<u>7,295,957</u>	<u>6,600,822</u>

- (b) Cash paid relating to other operating activities

	2022	2021
Selling and distribution expenses (excluding employee benefits and taxes and surcharges)	22,884,362	22,917,401
General and administrative expenses and R&D expenses (excluding employee benefits and taxes and surcharges)	10,504,557	10,886,493
Others	<u>1,076,588</u>	<u>421,836</u>
	<u>34,465,507</u>	<u>34,225,730</u>

**MIDEA GROUP CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
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(All amounts in RMB'000 Yuan unless otherwise stated)

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**4 Notes to the consolidated financial statements (Cont'd)**

(64) Notes to the cash flow statement (Cont'd)

(c) Supplementary information to the cash flow statement

Reconciliation of net profit to cash flows from operating activities is as follows:

	2022	2021
Net profit	29,810,231	29,015,376
Add: Asset impairment losses	533,363	483,420
Credit impairment losses	513,686	383,451
Depreciation and amortisation	6,507,920	6,182,852
Losses/(Gains) on disposal of assets	59,854	(58,257)
Gains or losses on changes in fair value	251,171	166,406
Financial income	(3,226,913)	(3,119,978)
Investment income	(208,054)	(2,365,773)
Increase in deferred tax assets	(1,896,424)	(779,754)
Decrease in deferred tax liabilities	(424,557)	(647,495)
Increase in inventories	(423,933)	(15,201,834)
Increase in operating receivables	(19,423,895)	(5,453,539)
Increase in operating payables	21,556,429	24,908,660
Share-based payments and others	1,028,950	1,578,169
Net cash flows from operating activities	<u>34,657,828</u>	<u>35,091,704</u>
Net increase/(decrease) in cash and cash equivalents:		
Cash and cash equivalents at the end of the year	51,131,968	40,550,039
Less: Cash and cash equivalents at the beginning of the year	<u>(40,550,039)</u>	<u>(23,548,508)</u>
Net increase in cash and cash equivalents	<u>10,581,929</u>	<u>17,001,531</u>

**MIDEA GROUP CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
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**4 Notes to the consolidated financial statements (Cont'd)**

(64) Notes to the cash flow statement (Cont'd)

(d) Cash payments relating to other financing activities

	31 December 2022	31 December 2021
Acquisition of minority interests	2,773,676	457,798
Repurchase of outstanding shares	2,637,021	13,665,744
Others	1,522,822	1,106,742
	<u>6,933,519</u>	<u>15,230,284</u>

(e) Composition of cash and cash equivalents

	31 December 2022	31 December 2021
Cash on hand	1,645	1,609
Cash at bank that can be readily drawn on demand	26,670,319	17,923,603
Deposits with the Central Bank that can be readily drawn on demand	172,394	272,949
Deposits with banks and other financial institutions that can be readily drawn on demand	24,287,610	22,351,878
Cash and cash equivalents at the end of the year	<u>51,131,968</u>	<u>40,550,039</u>

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(65) Monetary items denominated in foreign currencies

	31 December 2022		
	Foreign currency balance	Exchange rate	RMB balance
<b>Cash at bank and on hand</b>			
USD	609,434	6.9646	4,244,463
JPY	16,255,134	0.0524	851,769
HKD	1,425,846	0.8933	1,273,708
EUR	193,599	7.4229	1,437,066
BRL	42,876	1.3348	57,231
VND	368,026,667	0.0003	110,408
Other currencies	Not applicable	Not applicable	1,871,026
<b>Sub-total</b>			<u>9,845,671</u>
<b>Accounts receivable</b>			
USD	1,100,260	6.9646	7,662,872
JPY	11,525,763	0.0524	603,950
HKD	36,138	0.8933	32,282
EUR	474,305	7.4229	3,520,717
BRL	1,304,874	1.3348	1,741,746
VND	1,219,460,000	0.0003	365,838
Other currencies	Not applicable	Not applicable	2,718,768
<b>Sub-total</b>			<u>16,646,173</u>
<b>Other receivables</b>			
USD	50,652	6.9646	352,771
JPY	1,510,344	0.0524	79,142
HKD	3,427	0.8933	3,061
EUR	28,835	7.4229	214,039
BRL	76,722	1.3348	102,409
Other currencies	Not applicable	Not applicable	270,417
<b>Sub-total</b>			<u>1,021,839</u>
<b>Short-term borrowings</b>			
USD	84,705	6.9646	589,938
EUR	430,826	7.4229	3,197,982
BRL	176,101	1.3348	235,059
Other currencies	Not applicable	Not applicable	198,248
<b>Sub-total</b>			<u>4,221,227</u>

**MIDEA GROUP CO., LTD.**

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(All amounts in RMB'000 Yuan unless otherwise stated)

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**4 Notes to the consolidated financial statements (Cont'd)**

(65) Monetary items denominated in foreign currencies (Cont'd)

	31 December 2022		
	Foreign currency balance	Exchange rate	RMB balance
<b>Accounts payable</b>			
USD	296,297	6.9646	2,063,593
JPY	6,228,492	0.0524	326,373
HKD	15,264	0.8933	13,635
EUR	268,679	7.4229	1,994,377
BRL	341,988	1.3348	456,486
Other currencies	Not applicable	Not applicable	1,714,350
<b>Sub-total</b>			<u>6,568,814</u>
<b>Other payables</b>			
USD	13,402	6.9646	93,341
JPY	8,671,927	0.0524	454,409
HKD	1,863	0.8933	1,664
EUR	1,049	7.4229	7,784
Other currencies	Not applicable	Not applicable	100,053
<b>Sub-total</b>			<u>657,251</u>
<b>Current portion of non-current liabilities</b>			
EUR	33,566	7.4229	249,157
USD	50,031	6.9646	348,445
Other currencies	Not applicable	Not applicable	116,437
<b>Sub-total</b>			<u>714,039</u>
<b>Long-term borrowings</b>			
USD	3,405,553	6.9646	23,718,315
Other currencies	Not applicable	Not applicable	11,307,295
<b>Sub-total</b>			<u>35,025,610</u>
<b>Debentures payable</b>			
USD	454,242	6.9646	3,163,616
<b>Lease liabilities</b>			
EUR	91,819	7.4229	681,561
JPY	1,649,676	0.0524	86,443
Other currencies	Not applicable	Not applicable	74,986
<b>Sub-total</b>			<u>842,990</u>

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(65) Monetary items denominated in foreign currencies (Cont'd)

	31 December 2021		
	Foreign currency balance	Exchange rate	RMB balance
<b>Cash at bank and on hand</b>			
USD	602,212	6.3757	3,839,525
JPY	12,142,726	0.0554	672,707
HKD	1,630,997	0.8176	1,333,503
EUR	148,197	7.2197	1,069,937
BRL	289,406	1.1425	330,646
VND	448,073,333	0.0003	134,422
Other currencies	Not applicable	Not applicable	1,452,778
<b>Sub-total</b>			<u>8,833,518</u>
<b>Accounts receivable</b>			
USD	1,060,053	6.3757	6,758,578
JPY	11,614,937	0.0554	643,468
HKD	23,316	0.8176	19,063
EUR	394,600	7.2197	2,848,894
BRL	635,016	1.1425	725,506
VND	1,722,254,244	0.0003	516,676
Other currencies	Not applicable	Not applicable	2,475,054
<b>Sub-total</b>			<u>13,987,239</u>
<b>Other receivables</b>			
USD	175,560	6.3757	1,119,315
JPY	1,379,057	0.0554	76,400
HKD	1,901	0.8176	1,555
EUR	43,768	7.2197	315,990
BRL	67,455	1.1425	77,067
Other currencies	Not applicable	Not applicable	328,047
<b>Sub-total</b>			<u>1,918,374</u>

**MIDEA GROUP CO., LTD.**

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**4 Notes to the consolidated financial statements (Cont'd)**

(65) Monetary items denominated in foreign currencies (Cont'd)

	31 December 2021		
	Foreign currency balance	Exchange rate	RMB balance
<b>Short-term borrowings</b>			
USD	200,000	6.3757	1,275,140
EUR	149,976	7.2197	1,082,782
Other currencies	Not applicable	Not applicable	185,393
<b>Sub-total</b>			<u>2,543,315</u>
<b>Accounts payable</b>			
USD	330,786	6.3757	2,108,991
JPY	5,227,130	0.0554	289,583
HKD	12,987	0.8176	10,618
EUR	219,900	7.2197	1,587,612
BRL	370,864	1.1425	423,712
Other currencies	Not applicable	Not applicable	1,845,979
<b>Sub-total</b>			<u>6,266,495</u>
<b>Other payables</b>			
USD	7,124	6.3757	45,423
JPY	7,415,640	0.0554	410,826
HKD	10,577	0.8176	8,648
EUR	2,410	7.2197	17,401
Other currencies	Not applicable	Not applicable	127,366
<b>Sub-total</b>			<u>609,664</u>
<b>Current portion of non-current liabilities</b>			
EUR	3,824,888	7.2197	27,614,541
USD	89,993	6.3757	573,767
Other currencies	Not applicable	Not applicable	115,468
<b>Sub-total</b>			<u>28,303,776</u>
<b>Long-term borrowings</b>			
USD	49,910	6.3757	318,208
Other currencies	Not applicable	Not applicable	6,905,912
<b>Sub-total</b>			<u>7,224,120</u>
<b>Lease liabilities</b>			
EUR	95,154	7.2197	686,986
JPY	1,965,358	0.0554	108,881
Other currencies	Not applicable	Not applicable	45,337
<b>Sub-total</b>			<u>841,204</u>

Foreign currencies in which the above monetary items are denominated refer to all currencies other than RMB.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 5 Changes of consolidation scope

(1) Business combinations involving enterprises not under common control

(a) Business combinations involving enterprises not under common control in the current year

The Group acquired Midea Venture Capital Management Co., Ltd. and its subsidiaries (including structured entities) in January 2022, Wuhan TTium Motor Technology Co., Ltd. and its subsidiaries in April 2022 and KONG Intelligent Environment (Xi'an) Co., LTD (formerly known as Shaanxi Construction Investment Co., Ltd.) in May 2022.

The acquisition has no significant impact on the Group's consolidated financial statements.

(2) Changes of consolidation scope due to other reasons

(a) Increase of consolidation scope

The Company's wholly-owned subsidiary Anhui Welling Auto Parts Corporation Limited established Anqing Welling Auto Parts Corporation Limited in January 2022, holding 100% of the shares.

Annto Logistics Supply Chain Technology Co., Ltd. and Foshan Annto Logistics Technology Co., Ltd., the Company's subsidiaries, established Tianjin Antu Supply Chain Management Co., Ltd. in January 2022, holding 99% and 1% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Guangdong Midea Smart Home Retail Co., Ltd. in January 2022, holding 95% and 5% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Guangdong Midea Smart Home Technology Co., Ltd. in January 2022, holding 95% and 5% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Wuhu Yubian Intelligent Technology Co., Ltd. in February 2022, holding 95% and 5% of the shares respectively.

Midea International Corporation Company Limited, a wholly-owned subsidiary of the Company, established MC Innovation Center Co., Ltd. in February 2022, holding 100% of the shares.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 5 Changes of consolidation scope (Cont'd)

(2) Changes of consolidation scope due to other reasons (Cont'd)

(a) Increase of consolidation scope (Cont'd)

Guangdong Midea Smart Home Retail Co., Ltd. and Guangdong Midea Smart Home Technology Co., Ltd., wholly-owned subsidiaries of the Company, established Wuhu Midea Smart Home Co., Ltd., Haikou Midea Smart Home Appliances Sales Co., Ltd., Hangzhou Midea Smart Home Co., Ltd., Foshan Midea Smart Home Co., Ltd., Lanzhou Midea Smart Home Appliances Sales Co., Ltd., Tianjin Midea Smart Home Co., Ltd., Hefei Midea Smart Home Co., Ltd., Changsha Midea Smart Home Co., Ltd., Guangzhou Midea Smart Home Co., Ltd., Wuxi Midea Smart Home Co., Ltd., Kunming Midea Smart Home Co., Ltd., Ji'nan Midea Smart Home Co., Ltd., Chengdu Midea Smart Home Co., Ltd., Nanyang Midea Smart Home Co., Ltd., Xi'an Midea Smart Home Appliances Sales Co., Ltd., Beijing Midea Smart Home Co., Ltd., Guizhou Midea Smart Home Co., Ltd., Linyi Midea Smart Home Appliances Sales Co., Ltd., Nanning Midea Smart Home Appliances Sales Co., Ltd., Wuhan Midea Smart Home Co., Ltd. and Xuzhou Midea Smart Home Co., Ltd. in March 2022, holding 95% and 5% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Guizhou Midea Digi-Port Technology Co., Ltd. in April 2022, holding 95% and 5% of the shares respectively.

Guangdong Midea Smart Home Retail Co., Ltd. and Guangdong Midea Smart Home Technology Co., Ltd., wholly-owned subsidiaries of the Company, established Shijiazhuang Midea Smart Home Co., Ltd., Nanjing Midea Smart Home Co., Ltd., Fuzhou Midea Smart Home Co., Ltd., Nanchang Midea Smart Home Co., Ltd., Urumchi Midea Smart Home Co., Ltd., Chongqing Midea Smart Home Co., Ltd. and Ningbo Midea Smart Home Co., Ltd. in April 2022, holding 95% and 5% of the shares respectively.

Guangdong Midea Smart Home Retail Co., Ltd. and Guangdong Midea Smart Home Technology Co., Ltd., wholly-owned subsidiaries of the Company, established Shenzhen Midea Smart Home Appliances Sales Co., Ltd. and Changchun Midea Smart Home Appliances Sales Co., Ltd. in May 2022, holding 95% and 5% of the shares respectively.

Midea Electrics Netherlands B.V., a wholly-owned subsidiary of the Company, established Midea Electrics France in June 2022, holding 100% of the shares.

Guangdong Midea Smart Home Retail Co., Ltd. and Guangdong Midea Smart Home Technology Co., Ltd., wholly-owned subsidiaries of the Company, established Zhengzhou Midea Smart Home Co., Ltd. and Taiyuan Midea Smart Home Co., Ltd. in June 2022, holding 95% and 5% of the shares respectively.

Kuka Deutschland GmbH, a subsidiary of the Company, established Kuka TR Robot Teknolojileri Sanayi Ticaret Anonim Sirketi in June 2022, holding 100% of the shares.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 5 Changes of consolidation scope (Cont'd)

##### (2) Changes of consolidation scope due to other reasons (Cont'd)

##### (a) Increase of consolidation scope (Cont'd)

Guangdong Midea Smart Home Retail Co., Ltd. and Guangdong Midea Smart Home Technology Co., Ltd., wholly-owned subsidiaries of the Company, established Shanghai Midea Smart Home Co., Ltd., Qingdao Midea Smart Home Co., Ltd. and Shenyang Midea Smart Home Co., Ltd. in July 2022, holding 95% and 5% of the shares respectively.

Guangdong Midea Intelligent Technologies Co., Ltd., a wholly-owned subsidiary of the Company, established Shanghai Gaochuang Jiedong Control Technology Co., Ltd. in July 2022, holding 100% of the shares.

Clivet, a wholly-owned subsidiary of the Company, established Clivet France SAS in October 2022, holding 100% of the shares.

Visual Components Oy, a wholly-owned subsidiary of the Company, acquired Delfoi Robotics OY in October 2022, holding 100% of the shares.

Wuxi Little Swan Electric Co., Ltd. and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Wuxi Meizhi Electric Co., Ltd. in November 2022, holding 95% and 5% of the shares respectively.

##### (b) Decrease of consolidation scope

Decrease of consolidation scope in the current year mainly includes deregistration and disposal of subsidiaries. Details are as follows:

Name of entity	Disposal method of the equity	Disposal time-point of the equity
Shanghai Guifu Information Technology Co., Ltd.	Deregistration	January 2022
Wuhan Hiconics Electric Drive Technology Co., Ltd.	Change of equity	March 2022
Shenzhen Midea Financial Leasing Co., Ltd.	Deregistration	May 2022
Ningbo Lingmei Enterprise Management Partnership (L.P.)	Deregistration	June 2022
Hong Kong Hiconics Co., Limited	Deregistration	August 2022
Guangzhou Wandong Medical Equipments Co.,Ltd.	Deregistration	August 2022
Meminent Science and Technology Co., Ltd.	Deregistration	September 2022
Wuhu Jumei New Energy Co., Ltd.	Deregistration	November 2022

## MIDEA GROUP CO., LTD.

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#### 6 Interests in other entities

##### (1) Interests in subsidiaries

##### (a) Composition of significant subsidiaries

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
GD Midea Air-Conditioning Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture and sales of air conditioner	73%	7%	Business combinations involving enterprises not under common control
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture and sales of air conditioner	93%	7%	Business combinations involving enterprises not under common control
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	Wuhan, PRC	Wuhan, PRC	Manufacture of air conditioner	73%	7%	Establishment
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of air conditioner	87%	13%	Establishment
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	Chongqing, PRC	Chongqing, PRC	Manufacture and sales of air conditioner	95%	5%	Establishment
GD Midea Heating & Ventilating Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of air conditioner	90%	10%	Establishment
Zhejiang Meizhi Compressor Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Manufacture of air conditioner	100%	-	Establishment
Hefei Midea Refrigerator Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of refrigerator	75%	25%	Business combinations involving enterprises not under common control
Hefei Hualing Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of refrigerator	75%	25%	Business combinations involving enterprises not under common control
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	-	100%	Establishment
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	-	100%	Establishment
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	90%	10%	Business combinations involving enterprises under common control
Wuxi Little Swan Electric Co., Ltd.	Wuxi, PRC	Wuxi, PRC	Manufacture of washing machine	100%	-	Establishment
Midea Electric Trading (Singapore) Co., Pte. Ltd.	Singapore	Singapore	Export trade	-	100%	Establishment
Midea Group Finance Co., Ltd.	Foshan, PRC	Foshan, PRC	Financial industry	95%	5%	Establishment
Midea Microfinance Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Petty loan	5%	95%	Business combinations involving enterprises not under common control
Mecca International (BVI) Limited	British Virgin Islands	British Virgin Islands	Investment holding	-	100%	Establishment
Midea International Corporation Company Limited	Hong Kong	Hong Kong	Investment holding	100%	-	Establishment
Wuhu Midea Life Appliances Mfg Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	100%	-	Establishment
Midea Electric Netherlands (I) B.V.	Netherlands	Netherlands	Investment holding	-	100%	Establishment
Toshiba Consumer Marketing Corporation	Japan	Japan	Manufacture of household appliances	-	100%	Business combinations involving enterprises not under common control

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#### 6 Interests in other entities (Cont'd)

##### (1) Interests in subsidiaries (Cont'd)

##### (a) Composition of significant subsidiaries (Cont'd)

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
TLSC	Japan	Japan	Manufacture of home appliances	-	100%	Business combinations involving enterprises not under common control
KUKA	Germany	Germany	Manufacture and sales of robots	-	100%	Business combinations involving enterprises not under common control
Ningbo Midea United Materials Supply Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Wholesale and retail	100%	-	Establishment
Wuhu Midea Annto Logistics Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Logistics	-	76%	Establishment
Midea Innovation Investment Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Investment holding	85%	15%	Establishment
Midea Group (Shanghai) Co. Ltd.	Shanghai, PRC	Shanghai, PRC	Manufacture and sales of intelligent household appliances	90%	10%	Establishment
Chongqing Midea Commercial Factoring Co., Ltd.	Chongqing, PRC	Chongqing, PRC	Factoring	-	100%	Establishment
Tianjin Midea Commercial Factoring Co., Ltd.	Tianjin, PRC	Tianjin, PRC	Factoring	-	100%	Establishment
Midea Investment Co., Ltd.	Hainan, PRC	Hainan, PRC	Investment	90%	10%	Establishment
Midea Investment Development Company Limited	British Virgin Islands	British Virgin Islands	Investment	-	100%	Establishment
Guangdong Midea Smart Technology Industry Investment Fund (LLP) (i)	Foshan, PRC	Foshan, PRC	Investment	-	29%	Business combinations involving enterprises not under common control
Midea America Corp.	USA	USA	Sales of household appliances	-	100%	Establishment
Anhui Meizhi Precision Manufacturing Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of air conditioner	95%	5%	Establishment
Hubei Midea Refrigerator Co., Ltd.	Jingzhou, PRC	Jingzhou, PRC	Manufacture of refrigerator	97%	3%	Establishment
Wuhu Midea Smart Kitchen Appliance Manufacturing Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	95%	5%	Establishment
Hubei Midea Laundry Appliance Co., Ltd.	Jingzhou, PRC	Jingzhou, PRC	Manufacture of laundry appliance	-	100%	Establishment
Midea Refrigeration Equipment (Thailand) Co., Ltd.	Thailand	Thailand	Manufacture of air conditioner	-	100%	Establishment

- (i) Guangdong Midea Smart Technology Industry Investment Fund (LLP) is a structured entity managed and invested by the Group. The variable return enjoyed by the Group through participating in the activities related to such entity has a significant impact, and the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

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#### 6 Interests in other entities (Cont'd)

##### (2) Interests in associates

The Group's associates have no significant influence on the Group and are summarised as follows:

	2022	2021
Aggregated carrying amount of investments	<u>5,188,817</u>	<u>3,796,705</u>
Aggregate of the following items in proportion		
Net profit (i)	608,278	560,679
Other comprehensive income (i)	<u>17,391</u>	<u>(3,032)</u>
Total comprehensive income	<u>625,669</u>	<u>557,647</u>

- (i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in associates and the unification of accounting policies adopted by the associates to those adopted by the Company.

#### 7 Segment information

The reportable segments of the Group are the business units that provide different products or services, or operate in different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 4 reportable segments as follows:

- Heating & ventilation, as well as air-conditioner
- Consumer appliances
- Robotics and automation system
- Others

Inter-segment transfer prices are determined based on negotiation by both parties with reference to selling prices for third parties.

The assets are allocated based on the operations of the segments and the physical locations of the assets. The liabilities are allocated based on the operations of the segments. Expenses indirectly attributable to the segments are allocated based on the proportion of each segment's revenue.

Operating expenses include cost of sales, interest costs, fee and commission expenses, taxes and surcharges, selling and distribution expenses, general and administrative expenses, R&D expenses and financial income.

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**8 Segment reporting**

(a) Information on the profit or loss, assets and liabilities of reported segment

Segment information as at and for the year ended 31 December 2022 is as follows:

	Heating & ventilation, as well as air- conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Elimination	Total
Revenue from external customers	167,072,126	135,631,425	30,203,793	12,801,362	-	345,708,706
Inter-segment revenue	3,674,995	902,151	373,373	7,288,925	(12,239,444)	-
Operating costs and expenses	(155,057,892)	(121,217,521)	(30,107,864)	(17,488,764)	12,180,514	(311,691,527)
Segment profit	15,689,229	15,316,055	469,302	2,601,523	(58,930)	34,017,179
Other profit or loss						938,752
Total profit						<u>34,955,931</u>
Total assets	173,419,099	160,854,058	41,186,669	203,093,817	(155,998,376)	422,555,267
Total liabilities	122,574,760	126,523,988	33,478,351	186,475,612	(198,421,246)	270,631,465
Long-term equity investments in associates	396,327	113,029	39,183	4,640,278	-	5,188,817
Investment income/(losses) from associates	254,487	(134)	1,220	352,705	-	608,278
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	4,663,285	3,318,915	1,303,041	2,021,440	-	11,306,681
Asset impairment losses	107,496	191,771	221,592	12,504	-	533,363
(Reversal of)/Losses on credit impairment	(26,109)	468,842	10,611	29,377	30,965	513,686
Depreciation of right-of-use assets	101,436	196,536	257,379	625,754	(7,520)	1,173,585
Depreciation and amortisation expenses	2,106,703	1,629,145	1,018,491	579,996	-	5,334,335

**MIDEA GROUP CO., LTD.**

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**8 Segment reporting (Cont'd)**

(a) Information on the profit or loss, assets and liabilities of reported segment (Cont'd)

Segment information as at and for the year ended 31 December 2021 is as follows:

	Heating & ventilation, as well as air- conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Elimination	Total
Revenue from external customers	165,428,603	140,406,787	27,545,334	9,980,101	-	343,360,825
Inter-segment revenue	3,548,892	497,761	255,284	8,032,181	(12,334,118)	-
Operating costs and expenses	(155,063,889)	(127,385,637)	(27,349,260)	(15,285,750)	12,306,649	(312,777,887)
Segment profit	13,913,606	13,518,911	451,358	2,726,532	(27,469)	30,582,938
Other profit or loss						3,134,606
Total profit						<u>33,717,544</u>
Total assets	159,934,918	150,200,053	34,442,640	186,546,737	(143,178,244)	387,946,104
Total liabilities	116,536,045	115,848,036	23,383,691	167,205,006	(169,851,750)	253,121,028
Long-term equity investments in associates	312,249	109,982	36,564	3,337,910	-	3,796,705
Investment income from associates	185,835	5,976	2,182	366,686	-	560,679
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	4,946,978	2,923,405	981,504	3,996,272	-	12,848,159
Asset impairment losses	85,227	292,077	95,462	10,654	-	483,420
Losses on/(Reversal of) credit impairment	76,301	(84,444)	82,143	383,414	(73,963)	383,451
Depreciation of right-of-use assets	73,261	163,480	275,105	400,612	-	912,458
Depreciation and amortisation expenses	2,075,059	1,441,245	1,161,783	592,307	-	5,270,394

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**8 Segment reporting (Cont'd)**

## (b) Geographical area information

The Group's revenue from external customers domestically and in foreign countries or geographical areas, and the total non-current assets other than long-term equity investments, financial assets, goodwill and deferred tax assets located domestically and in foreign countries or geographical areas (including Germany, Hong Kong of China, Singapore, Japan, the USA, Italy and South America) are as follows:

Revenue from external customers	2022	2021
Domestic	203,063,764	205,706,997
In other countries/geographical areas	142,644,942	137,653,828
	<u>345,708,706</u>	<u>343,360,825</u>
Total non-current assets	31 December 2022	31 December 2021
Domestic	34,458,577	31,293,535
In other countries/geographical areas	17,914,192	16,863,065
	<u>52,372,769</u>	<u>48,156,600</u>

In 2022 and 2021, revenue from each individual customer is lower than 10% of the Group's total revenue.

**9 Related parties and significant related party transactions**

## (1) Information of the parent company

## (a) General information of the parent company

Name of the parent company	Relationship	Place of registration	Nature of business
Midea Holding Co., Ltd.	Controlling shareholder	Shunde District, Foshan	Commercial

The Company's ultimate controlling person is Mr. He Xiangjian.

## (b) Registered capital and changes in registered capital of the parent company

	31 December 2022 and 31 December 2021
Midea Holding Co., Ltd.	<u>330,000</u>

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**9 Related parties and significant related party transactions (Cont'd)**

(1) Information of the parent company (Cont'd)

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2022			31 December 2021		
	Shareholding (%)		Voting rights (%)	Shareholding (%)		Voting rights (%)
	Direct	Indirect		Direct	Indirect	
Midea Holding Co., Ltd.	31.00%	-	31.00%	31.05%	-	31.05%

(2) Information of the Company's subsidiaries

Please refer to Note 6(1) for the information of the Company's material subsidiaries.

(3) Information of other related parties

Name of other related parties	Relationship
Orinko Advanced Plastics Co., Ltd.	Controlled by direct relatives of the Company's ultimate controlling shareholder
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Controlled by the Company's ultimate controlling shareholder
Foshan Micro Midea Filter Mfg. Co., Ltd.	Associate of the Company
Guangdong Shunde Rural Commercial Bank Co., Ltd.	Associate of the Company

(4) Information of related party transactions

The following primary related party transactions are conducted in accordance with normal commercial terms at agreed price by reference to the market price.

(a) Purchase of goods:

Related parties	Content of related party transactions	2022		2021	
Orinko Advanced Plastics Co., Ltd.	Purchase of goods	1,399,675	1,506,809		
Foshan Micro Midea Filter Mfg. Co., Ltd.	Purchase of goods	330,330	358,641		
Guangdong Wellkey Electrician Material Co., Ltd. (i)	Purchase of goods	—	958,908		
Anhui Wellkey Electrician Material Co., Ltd. (i)	Purchase of goods	—	522,549		
		<u>1,730,005</u>	<u>3,346,907</u>		

(i) As at 31 December 2022, Guangdong Wellkey Electrician Material Co., Ltd. and Anhui Wellkey Electrician Material Co., Ltd. were not related parties of the Company due to changes in equity relationship.

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**9 Related parties and significant related party transactions (Cont'd)**

(4) Information of related party transactions (Cont'd)

(b) Sales of goods

Related parties	Content of related party transactions	2022	2021
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Sales of goods	<u>197,787</u>	<u>202,625</u>

(c) Investment income and interest income

	2022	2021
Guangdong Shunde Rural Commercial Bank Co., Ltd.	<u>366,918</u>	<u>223,659</u>

(d) Remuneration of key management

	2022	2021
Remuneration of key management	<u>101,109</u>	<u>83,530</u>

(5) Balances with related parties

	31 December 2022	31 December 2021
Cash at bank and on hand, other current assets and current portion of non-current assets, etc.	<u>11,177,251</u>	<u>6,218,638</u>

	31 December 2022	31 December 2021
Accounts payable		
	Orinko Advanced Plastics Co., Ltd.	150,002
	Foshan Micro Midea Filter Mfg. Co., Ltd.	80,498
	Guangdong Wellkey Electrician Material Co., Ltd.	186,309
	Anhui Wellkey Electrician Material Co., Ltd.	<u>96,106</u>
Notes payable	Guangdong Wellkey Electrician Material Co., Ltd.	<u>54,613</u>

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**10 Share-based payment**

## (1) Share option incentive plan

- (a) Pursuant to the ninth share option incentive plan (the “Ninth Share Option Incentive Plan”) approved at the 2021 annual shareholders’ meeting in 2022, the Company actually granted 107,693,000 share options with exercise price of RMB 54.61 to 2,813 employees. Under the circumstance that the Company meets expected performance, 30%, 30% and 40% of the total share options granted will become effective after 2 years, 3 years and 4 years respectively since 8 June 2022.

Pursuant to the eighth share option incentive plan (the “Eighth Share Option Incentive Plan”) approved at the 2020 annual shareholders’ meeting in 2021, the Company granted 82,260,000 share options with exercise price of RMB 81.41 to 1,897 employees. Under the circumstance that the Company meets expected performance, 30%, 30% and 40% of the total share options granted will become effective after 2 years, 3 years and 4 years respectively since 4 June 2021.

Determination method for fair value of share options at the grant date

	Ninth share option	Eighth share option
Exercise price of options:	RMB 54.61	RMB 81.41
Effective period of options:	5 years	5 years
Current price of underlying shares:	RMB 52.99	RMB 77.73
Estimated fluctuation rate of share price:	35.70%	35.78%
Estimated dividend rate:	2.17%	2.42%
Risk-free interest rate within effective period of options:	2.00%	2.34%

The fair value of the Ninth Share Option Incentive Plan calculated pursuant to the above parameters is: RMB 1,334,978,000 (the Eighth Share Option Incentive Plan: RMB 1,457,678,000).

## (b) Movements in share options during the year ended 31 December 2022

	2022 (Share in thousands)	2021 (Share in thousands)
Share options issued at the beginning of the year	198,770	168,231
Share options granted during the year	107,693	82,260
Share options exercised during the year	(18,602)	(34,437)
Share options lapsed during the year	(12,313)	(17,284)
Share options issued at the end of the year	<u>275,548</u>	<u>198,770</u>

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**10 Share-based payment (Cont'd)**

(1) Share option incentive plan (Cont'd)

(b) Movements in share options during the year ended 31 December 2022 (Cont'd)

As at 31 December 2022, the residual contractual maturity date of the Fifth Share Option Incentive Plan is on 6 May 2024. The residual contractual maturity date of the Fifth Reserved Share Option Incentive Plan is on 10 March 2025. The residual contractual maturity date of the Sixth Share Option Incentive Plan is on 29 May 2025. The residual contractual maturity date of the Seventh Share Option Incentive Plan is on 4 June 2024. The residual contractual maturity date of the Eighth Share Option Incentive Plan is on 3 June 2026. The residual contractual maturity date of the Ninth Share Option Incentive Plan is on 7 June 2027.

(2) Restricted share plan

(a) Pursuant to the restricted shares incentive plan for 2022 approved at the 2021 annual shareholders' meeting in 2022 (the "Restricted Shares Incentive Plan for 2022"), the Company granted 12,152,500 restricted shares with exercise price of RMB 26.47 to 191 incentive recipients. Under the circumstance that the Company meets expected performance, 30%, 30% and 40% of the total restricted shares granted will be unlocked after 2 years, 3 years and 4 years respectively since 8 June 2023. The listing date for the granted restricted shares of this plan is 13 July 2022.

Pursuant to the restricted shares incentive plan for 2021 approved at the 2020 annual shareholders' meeting in 2021 (the "Restricted Shares Incentive Plan for 2021"), the Company granted 9,940,000 restricted shares with exercise price of RMB 39.92 to 139 incentive recipients. Under the circumstance that the Company meets expected performance, 30%, 30% and 40% of the total restricted shares granted will be unlocked after 2 years, 3 years and 4 years respectively since 4 June 2021. The listing date for the granted restricted shares of this plan is 16 July 2021.

(b) Movements in restricted shares during the year ended 31 December 2022

	2022 (Share in thousands)	2021 (Share in thousands)
Restricted shares issued at the beginning of the year	62,267	74,082
Restricted shares granted during the year	12,153	9,940
Restricted shares unlocked during the year	(16,316)	(15,882)
Restricted shares lapsed during the year	(7,893)	(5,873)
Restricted shares issued at the end of the year	<u>50,211</u>	<u>62,267</u>

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**10 Share-based payment (Cont'd)**

(3) Employee stock ownership plan

Pursuant to the eighth stock ownership plan of the Midea Global Partner Plan (the “Eighth Global Partner Plan”) approved at the shareholders' meeting for the year ended 31 December 2021 held during the year 2022, the Company would purchase a total of 3,770,433 shares of Midea Group from the secondary market, with an average purchase price of RMB 56.28 per share and the purchase fund was the special fund of approximately RMB 212,200,000 accrued by the Company. The Company then entrusted China International Capital Corporation Limited (“CICC”) to provide an asset management plan.

Pursuant to the fifth stock ownership plan of the Midea Business Partner Plan (the “Fifth Business Partner Plan”) approved at the shareholders' meeting for the year ended 31 December 2021 held during the year 2022. The Company would purchase a total of 2,826,759 shares of Midea Group from the secondary market, with an average purchase price of RMB 56.28 per share. The purchase fund was the special fund for the stock ownership plan and part of performance bonus for management of approximately RMB 159,090,000 in total accrued by the Company. The Company then entrusted CICC to provide an asset management plan.

Pursuant to the seventh stock ownership plan of the Midea Global Partner Plan (the “Seventh Global Partner Plan”) approved at the shareholders' meeting for the year ended 31 December 2020 held during the year 2021, the Company would purchase a total of 2,436,518 shares of Midea Group from the secondary market, with an average purchase price of RMB 82.70 per share and the purchase fund was the special fund of approximately RMB 201,500,000 accrued by the Company. The Company then entrusted CICC to provide an asset management plan.

Pursuant to the fourth stock ownership plan of the Midea Business Partner Plan (the “Fourth Business Partner Plan”) approved at the shareholders' meeting for the year ended 31 December 2020 held during the year 2021. The Company would purchase a total of 1,985,611 shares of Midea Group from the secondary market, with an average purchase price of RMB 82.70 per share. The purchase fund was the special fund for the stock ownership plan and part of performance bonus for management of approximately RMB 164,210,000 in total accrued by the Company. The Company then entrusted CICC to provide an asset management plan.

(4) The total expenses due to the above share-based payment incentive plan, which were granted, recognised for the year ended 31 December 2022 were approximately RMB 1,028,950,000 (2021: RMB 1,578,070,000). As at 31 December 2022, the balance relating to the share-based payment incentive plan and accrued from capital surplus was approximately RMB 2,279,108,000 (31 December 2021: RMB 2,161,354,000).

## MIDEA GROUP CO., LTD.

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#### 11 Contingencies

As at 31 December 2022, the amount in tax disputes involving Brazilian subsidiary with 51% interests held by the Company was about BRL 741 million (equivalent to RMB 990 million) (Some cases have lasted for more than 10 years. The above amount included the principal and interest). As at the date on which the financial statements were authorised for issue, relevant cases are still at court. With reference to judgements of third-party attorneys, management believes that the probability of losing lawsuits and making compensation is small, and has accrued sufficient amount of provisions based on the probability of making compensation. In addition, original shareholders of Brazilian subsidiary have agreed to compensate the Company according to verdict results of the above tax disputes. The maximum compensation amount is about BRL 157 million (equivalent to RMB 210 million).

#### 12 Commitments

##### (1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	31 December 2022	31 December 2021
Buildings, machinery and equipment	<u>5,145,982</u>	<u>5,990,809</u>

#### 13 Events after the balance sheet date

##### (1) Overview of profit distribution

On 27 April 2023, on the basis of the total shares 6,875,060,728 to be distributed (total 7,021,698,756 shares net of repurchased 146,638,028 shares) of the Company at the date on which the financial statements were authorised for issue, the Board of Directors proposed a distribution of cash dividends of RMB 17,187,651,820 at RMB 25 every 10 shares (including tax). Such proposal is pending for approval at the shareholders' meeting. The distribution of cash dividends proposed after the balance sheet date is not recognised as liabilities at the balance sheet date.

#### 14 Operating lease proceeds after the balance sheet date

As the lessor, the Group's undiscounted lease proceeds receivable after the balance sheet date are as follows:

	31 December 2022	31 December 2021
Within 1 year	62,028	53,370
1 to 2 years	62,643	52,871
2 to 3 years	56,275	45,965
3 to 4 years	58,624	44,678
4 to 5 years	57,669	43,903
Over 5 years	<u>471,342</u>	<u>501,571</u>
	<u>768,581</u>	<u>742,358</u>

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 15 Financial instruments and risks

The Group is exposed to various financial risks in the ordinary course of business, mainly including:

- Market risk (mainly including foreign exchange risk, interest rate risk and other price risk)
- Credit risk
- Liquidity risk

The following mainly relates to the above risk exposures and relevant causes, objectives, policies and process of risk management, method of risk measurement, etc.

The objective of the Group's risk management is to seek balance between risk and income, minimising the adverse impact of financial risks on the Group's financial performance. Pursuant to the risk management objective, the Group has made risk management policies to identify and analyse the risks it is exposed to and set appropriate risk resistant level and design relevant internal control procedures to monitor the Group's risk level. The Group reviews regularly these risk management policies and relevant internal control systems to adapt to changes in market condition or its operating activities.

##### (1) Market risk

###### (a) Foreign exchange risk

The Group mainly operates in China, Europe, the USA, Asia, South America and Africa for the manufacturing, sales, investments and financing activities. Any foreign currency denominated monetary assets and liabilities other than in RMB would subject the Group to the risk arising from fluctuation of exchange rate.

The Group's finance department has a professional team to manage the risk arising of fluctuation of exchange rate, with approach of the natural hedge for settling currencies, signing forward foreign exchange hedging contracts and controlling the scale of foreign currency assets and liabilities, to minimise foreign exchange risk, and to reduce the impact of exchange rate fluctuations on business performance.

###### (b) Interest rate risk

The Group's interest rate risk arises from interest bearing borrowings including long-term borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2022, the Group's long-term interest bearing borrowings at floating rate are long-term borrowings.

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest costs with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. Management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 15 Financial instruments and risks (Cont'd)

(1) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

As at 31 December 2022, if the borrowing rate had risen or fallen by 50 base points while other factors had been remained constant, the Group's profit before tax would decrease or increase by approximately RMB 1,739,000 (31 December 2021: RMB 4,459,000).

(c) Other price risk

The Group's other price risk arises mainly from financial assets held for trading (Note 4(2)), other non-current financial assets (excluding the hedging instruments mentioned in Note 4(16)) and investments in other equity instruments measured at fair value. As at 31 December 2022, if expected price of the investments held by the Group fluctuated, the Group's gains or losses on changes in fair value and other comprehensive income would be affected accordingly.

As at 31 December 2022, if the Group's expected price of above mentioned investments in equity instruments had risen or fallen by 10% while other factors had been remained constant, the Group would have an increase or decrease in profit before tax amounting to approximately RMB 761,315,000 (31 December 2021: approximately RMB 723,234,000), and an increase or decrease in other comprehensive income amounting to approximately RMB 4,136,000 (31 December 2021: approximately RMB 4,574,700).

(2) Credit risk

Credit risk is managed on a grouping basis. Credit risk mainly arises from cash at bank and on hand, deposits with the Central Bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, receivables financing, loans and advances, other receivables, contract assets, lease receivables, other debt investments, other current assets, other non-current assets and derivative financial assets at fair value through profit or loss that are not included in the impairment assessment scope.

The Group expects that there is no significant credit risk associated with cash at bank, deposits with the Central Bank and deposits with banks and other financial institutions since they are deposited at state-owned banks and other medium or large size listed banks with good reputation and high credit rating. Management does not expect that there will be any significant losses from non-performance by these banks.

The Group has policies to limit the credit exposure on notes receivable, accounts receivable, contract assets, loans and advances, other receivables, lease receivables, fixed-income products in other current assets, other debt investments and fixed-income products in other non-current assets. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

In addition, the amount and type of collateral required for loans and advances depend on an assessment of the credit risk of the counterparty. The collaterals pledged for pledged loans are mainly receivables and inventories. The Group monitors the market value of the collaterals, requests additional collaterals according to relevant agreements and monitors the market value of collaterals when reviewing the adequacy of provision for impairment. As at 31 December 2022, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2021: Nil).

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**NOTES TO THE FINANCIAL STATEMENTS  
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**15 Financial instruments and risks (Cont'd)**

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2022				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings (including interest)	5,239,105	-	-	-	5,239,105
Customer deposits and deposits from banks and other financial institutions (including interest)	77,523	-	-	-	77,523
Notes payable	25,572,421	-	-	-	25,572,421
Accounts payable	64,233,225	-	-	-	64,233,225
Other payables	4,322,025	-	-	-	4,322,025
Financial liabilities held for trading	1,580,771	-	-	-	1,580,771
Derivative financial liabilities	234,606	-	-	-	234,606
Other current liabilities	17,801,575	-	-	-	17,801,575
Current portion of non-current liabilities (including interest)	7,508,788	-	-	-	7,508,788
Long-term borrowings (including interest)	593,936	12,730,569	36,356,095	-	49,680,600
Debentures payable (including interest)	90,261	90,261	3,359,723	-	3,540,245
Lease liabilities (including interest)	-	659,201	778,483	312,797	1,750,481
Other non-current liabilities	-	-	680,482	-	680,482
	<u>127,254,236</u>	<u>13,480,031</u>	<u>41,174,783</u>	<u>312,797</u>	<u>182,221,847</u>

**MIDEA GROUP CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
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[English translation for reference only]**15 Financial instruments and risks (Cont'd)****(3) Liquidity risk (Cont'd)**

	31 December 2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings (including interest)	5,420,066	-	-	-	5,420,066
Borrowings from the Central Bank (including interest)	180,000	-	-	-	180,000
Customer deposits and deposits from banks and other financial institutions (including interest)	78,235	-	-	-	78,235
Notes payable	32,752,007	-	-	-	32,752,007
Accounts payable	65,983,559	-	-	-	65,983,559
Other payables	4,288,104	-	-	-	4,288,104
Derivative financial liabilities	157,602	-	-	-	157,602
Other current liabilities	16,920,200	-	-	-	16,920,200
Current portion of non-current liabilities (including interest)	28,995,245	-	-	-	28,995,245
Long-term borrowings (including interest)	409,056	6,656,015	13,726,837	-	20,791,908
Lease liabilities (including interest)	-	667,710	879,105	143,316	1,690,131
Other non-current liabilities	-	-	687,689	-	687,689
	<u>155,184,074</u>	<u>7,323,725</u>	<u>15,293,631</u>	<u>143,316</u>	<u>177,944,746</u>

- (i) As at the balance sheet date, the Group did not provide financial guarantees to external parties or loan commitments to related parties.

**16 Fair value estimates**

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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**16 Fair value estimates (Cont'd)****(1) Assets and liabilities measured at fair value on a recurring basis**

As at 31 December 2022, the financial assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value -				
Financial assets held for trading	1,264,595	2,019,998	-	3,284,593
Derivative financial assets	-	665,484	-	665,484
Receivables financing	-	13,526,540	-	13,526,540
Other current assets - hedging instruments and transferable certificate of deposit	-	743,934	-	743,934
Other debt investments (including the current portion)	-	16,969,335	-	16,969,335
Investments in other equity instruments	-	-	41,359	41,359
Other non-current financial assets	-	4,276,688	6,348,556	10,625,244
Total assets	<u>1,264,595</u>	<u>38,201,979</u>	<u>6,389,915</u>	<u>45,856,489</u>
Financial liabilities measured at fair value -				
Financial liabilities held for trading	-	-	1,580,771	1,580,771
Derivative financial liabilities	-	234,606	-	234,606
Other current liabilities - hedging instruments	-	79,933	-	79,933
Total liabilities	<u>-</u>	<u>314,539</u>	<u>1,580,771</u>	<u>1,895,310</u>

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**16 Fair value estimates (Cont'd)****(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)**

As at 31 December 2021, the financial assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value -				
Financial assets held for trading	1,319,470	4,559,732	-	5,879,202
Derivative financial assets	-	545,865	-	545,865
Receivables financing	-	10,273,552	-	10,273,552
Other current assets - hedging instruments and transferable certificate of deposit	-	982,965	-	982,965
Other debt investments	-	27,254,307	-	27,254,307
Investments in other equity instruments	-	-	45,747	45,747
Other non-current financial assets	-	-	5,912,873	5,912,873
<b>Total assets</b>	<b>1,319,470</b>	<b>43,616,421</b>	<b>5,958,620</b>	<b>50,894,511</b>
Financial liabilities measured at fair value -				
Derivative financial liabilities	-	157,602	-	157,602
Other current liabilities - hedging instruments	-	9,047	-	9,047
<b>Total liabilities</b>	<b>-</b>	<b>166,649</b>	<b>-</b>	<b>166,649</b>

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There was no significant transfer of fair value measurement level of the above financial instruments.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. Inputs of valuation technique mainly comprise risk-free interest rate, floating rate, foreign exchange rate, financial data of target companies and market multiple of comparable companies.

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**16 Fair value estimates (Cont'd)**

(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

There were no changes in the valuation technique for the fair value of the Group's financial instruments in the current year.

The changes in Level 3 assets and liabilities are analysed below:

	Investments in other equity instruments and other non-current financial assets	Financial liabilities held for trading
1 January 2022	5,958,620	-
Increase	1,746,172	(1,766,953)
Decrease	(190,586)	99,876
Transfer out of Level 3	(838,345)	-
Total gains for the current period		
Investment (losses)/income recognised in the income statement	(409,005)	86,306
Gains recognised in other comprehensive income	123,059	-
31 December 2022	<u>6,389,915</u>	<u>(1,580,771)</u>
		Investments in other equity instruments and other non-current financial assets
1 January 2021		3,407,500
Increase		2,492,898
Decrease		(869,794)
Transfer into Level 3		28,666
Total gains for the current period		
Investment income recognised in the income statement		943,969
Gains recognised in other comprehensive income		(44,619)
31 December 2021		<u>5,958,620</u>

- (a) The fair value of this part of other non-current financial assets, investments in other equity instruments and financial liabilities held for trading is measured using discounted cash flows approach and market comparable companies approach. The judgement of Level 3 of the fair value hierarchy is based on the materiality of unobservable inputs towards calculation of whole fair value. Significant unobservable inputs mainly include the financial data of targeted company, market multiple of comparable companies and risk adjusted discount rates.

Assets and liabilities subject to Level 2 fair value measurement are mainly receivables financing, structural deposits, transferable certificate of deposit and cross-currency interest rate swaps are evaluated by discounted cash flows approach, market approach and income approach.

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#### 16 Fair value estimates (Cont'd)

- (2) Assets and liabilities not measured at fair value but for which the fair value is disclosed

The Group's financial assets and financial liabilities measured at amortised cost mainly include: cash at bank and on hand, deposits with the Central Bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, contract assets, loans and advances, other receivables, lease receivables, current portion of non-current assets (excluding other debt investments due within one year mentioned in Note 4(11)), other current assets (excluding those mentioned in Note 16(1)), notes payable, accounts payable, contract liabilities, short-term borrowings, lease liabilities, long-term borrowings, debentures payable, current portion of non-current liabilities, customer deposits and deposits from banks and other financial institutions, other payables and other current liabilities.

Carrying amounts of the Group's financial assets and financial liabilities measured at amortised cost as at 31 December 2022 and 31 December 2021 approximated to their fair value.

#### 17 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group is not subject to external mandatory capital requirements, and monitors capital structure on the basis of gearing ratio (total liabilities divide total assets).

As at 31 December 2022 and 31 December 2021, the Group's gearing ratio is as follows:

	31 December 2022	31 December 2021
Total liabilities	270,631,465	253,121,028
Total assets	422,555,267	387,946,104
Gearing ratio	<u>64.05%</u>	<u>65.25%</u>

#### 18 Notes to the Company's financial statements

- (1) Other receivables

	31 December 2022	31 December 2021
Other receivables	26,182,925	31,465,557
Less: Provision for bad debts	(7,824)	(17,708)
	<u>26,175,101</u>	<u>31,447,849</u>

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**18 Notes to the Company's financial statements (Cont'd)**

(1) Other receivables (Cont'd)

(a) Other receivables are analysed by ageing as follows:

	31 December 2022	31 December 2021
Within 1 year	26,069,074	31,461,940
1 to 2 years	110,631	1,708
Over 2 years	3,220	1,909
	<u>26,182,925</u>	<u>31,465,557</u>

(b) Provision for losses and changes in book balance statements

	Stage 1		Stage 3		Sub-total Provision for bad debts		
	12-month ECL (Grouping)	12-month ECL (Individual)	Lifetime ECL (Credit impaired)				
	Book balance	Provision for bad debts	Book balance (i)	Provision for bad debts	Book balance	Provision for bad debts	
31 December 2021	31,315,234	17,708	150,323	-	-	-	17,708
Transfer to Stage 3 in the current year	-	-	-	-	-	-	-
Net decrease in the current year	(5,200,268)	(9,884)	(82,364)	-	-	-	(9,884)
Including: Write-off in the current year	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-
31 December 2022	<u>26,114,966</u>	<u>7,824</u>	<u>67,959</u>	-	-	-	<u>7,824</u>

(i) As at 31 December 2022 and 31 December 2021, the Company had no other receivables at Stage 2:

(c) Provision for bad debts

As at 31 December 2022 and 31 December 2021, other receivables of the Company at Stage 1 are analysed as follows:

(i) As at 31 December 2022, other receivables for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Book balance	12-month ECL rate	Provision for bad debts	Reason
Stage 1	<u>67,959</u>	<u>0.00%</u>	<u>-</u>	Relatively low bad debt risks

As at 31 December 2021, other receivables for which the related provision for bad debts was provided on an individual basis are analysed as follows:

	Book balance	12-month ECL rate	Provision for bad debts	Reason
Stage 1	<u>150,323</u>	<u>0.00%</u>	<u>-</u>	Relatively low bad debt risks

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**18 Notes to the Company's financial statements (Cont'd)**

(1) Other receivables (Cont'd)

(c) Provision for bad debts (Cont'd)

(ii) As at 31 December 2022 and 31 December 2021, other receivables for which the related provision for bad debts was provided on a grouping basis were all at Stage 1, which are analysed as follows:

	31 December 2022			31 December 2021		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	Provision ratio	Amount	Amount	Provision ratio
Related parties and security deposit/ guarantee payables grouping	26,114,966	(7,824)	0.03%	31,315,234	(17,708)	0.06%

(d) As at 31 December 2022, the five largest other receivables aggregated by debtor are analysed as follows:

	Nature	Balance	Ageing	% of total balance	Provision for bad debts
Company A	Current accounts	21,331,391	Within 1 year	81.47%	6,399
Company B	Current accounts	1,223,000	Within 1 year	4.67%	367
Company C	Current accounts	1,206,130	Within 1 year	4.61%	362
Company D	Current accounts	503,702	Within 1 year	1.92%	151
Company E	Current accounts	458,672	Within 1 year	1.75%	138
		<u>24,722,895</u>		<u>94.42%</u>	<u>7,417</u>

(2) Long-term equity investments

Long-term equity investments are classified as follows:

	31 December 2022	31 December 2021
Subsidiaries (a)	69,705,046	64,376,850
Associates (b)	3,398,523	2,428,841
	<u>73,103,569</u>	<u>66,805,691</u>
Less: Provision for impairment	-	-
	<u>73,103,569</u>	<u>66,805,691</u>

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**18 Notes to the Company's financial statements (Cont'd)**

(2) Long-term equity investments (Cont'd)

(a) Subsidiaries

	Movements for the current year					31 December 2022	Provision for impairment Ending balance	Cash dividends attributable to the parent company declared in the current year
	31 December 2021	Increase in investment	Decrease in investment	Provision for impairment	Others			
Wuxi Little Swan Electric Co., Ltd.	20,266,584	-	-	-	47,039	20,313,623	-	1,205,831
Foshan Shunde Midea Household Appliances Industry Co., Ltd.	5,949,000	-	-	-	1,999	5,950,999	-	-
Guangdong Midea Electric Co., Ltd.	5,000,000	-	-	-	1,072	5,001,072	-	-
Beijing Wandong Medical Technology Co., Ltd.	2,297,093	2,051,910	-	-	-	4,349,003	-	31,958
Midea Group Finance Co., Ltd.	3,361,856	-	-	-	1,623	3,363,479	-	-
Midea Innovation Investment Co., Ltd.	2,135,000	-	-	-	-	2,135,000	-	-
GD Midea Air-Conditioning Equipment Co., Ltd.	1,906,520	-	-	-	80,761	1,987,281	-	-
Guangdong Midea Microwave Oven Manufacturing Co., Ltd.	1,880,041	-	-	-	-	1,880,041	-	-
Guangdong Midea Intelligent Technologies Co., Ltd.	1,059,451	800,000	-	-	1,089	1,860,540	-	-
Guangdong Meizhi Compressor Limited	289,972	1,104,610	-	-	24,281	1,418,863	-	-
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	1,171,449	-	-	-	30,412	1,201,861	-	-
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	1,080,049	-	-	-	3,371	1,083,420	-	1,455,842
Hainan Midea Building Technology Co., Ltd.	921,500	-	-	-	-	921,500	-	-
Midea Group (Shanghai) Co. Ltd.	912,585	-	-	-	7,842	920,427	-	-
GD Midea Heating & Ventilating Equipment Co., Ltd.	850,748	-	-	-	48,687	899,435	-	1,075,099
Hubei Midea Refrigerator Co., Ltd.	874,840	-	-	-	10,298	885,138	-	-
Anhui Meizhi Precision Manufacturing Co., Ltd.	831,698	-	-	-	3,114	834,812	-	-
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	772,668	-	-	-	4,088	776,756	-	-
Guangdong Midea Building Technology Co., Ltd.	769,430	-	-	-	-	769,430	-	-
Wuhu Xinhe Technology Co., Ltd.	742,684	-	-	-	-	742,684	-	-
Guangdong Meizhi Precision-Manufacturing Co., Ltd.	77,435	536,453	-	-	11,989	625,877	-	-
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	567,730	-	-	-	27,315	595,045	-	-
Hefei Midea Refrigerator Co., Ltd.	551,886	-	-	-	4,313	556,199	-	-
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	526,389	-	-	-	6,954	533,343	-	-
Ningbo Midea United Materials Supply Co., Ltd.	501,044	-	-	-	2,376	503,420	-	920,621
Guangdong Midea Electromechanical Technology Co., Ltd.	500,000	-	-	-	-	500,000	-	-
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	481,769	-	-	-	-	481,769	-	-
Guangzhou Hualing Refrigerator Co., Ltd.	442,018	-	-	-	2,397	444,415	-	-
GD Midea Environment Appliances Mfg. Co., Ltd.	409,734	-	-	-	7,648	417,382	-	-
Anhui Meizhi Compressor Co., Ltd.	383,310	-	-	-	8,208	391,518	-	-
Others	6,862,367	167,163	(155,346)	-	486,530	7,360,714	-	5,589,773
	<b>64,376,850</b>	<b>4,660,136</b>	<b>(155,346)</b>	<b>-</b>	<b>823,406</b>	<b>69,705,046</b>	<b>-</b>	<b>10,279,124</b>

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FOR THE YEAR ENDED 31 DECEMBER 2022**

(All amounts in RMB'000 Yuan unless otherwise stated)

[English translation for reference only]

**18 Notes to the Company's financial statements (Cont'd)**

(2) Long-term equity investments (Cont'd)

(b) Associates

Investments in associates mainly refer to the investments in Guangdong Shunde Rural Commercial Bank Co., Ltd., Shenzhen Clou Electronics Co., Ltd. and Hefei Royalstar Motor Co., Ltd. and other companies by the Company.

(3) Operating revenue

Operating revenue mainly comprises other operating revenue including the trademark royalty income, rental income and management fee income, obtained by the Company from the subsidiaries.

(4) Investment income

	2022	2021
Income from long-term equity investments under equity method	10,279,124	11,288,473
Investment income from associates	260,651	265,491
Investment income from holding of financial assets held for trading	95,277	292,890
Others	282,904	615,249
	<u>10,917,956</u>	<u>12,462,103</u>

There is no significant restriction on repatriation of the Company's investment income.

## MIDEA GROUP CO., LTD.

### SUPPLEMENTARY INFORMATION

(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

#### 1 Details of non-recurring profit or loss

	2022	2021
Gains or losses on disposal of non-current assets	(59,854)	77,527
Except for the effective hedging activities related to the Group's ordinary activities, gains or losses on changes in fair value arising from financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, other non-current financial assets, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, other non-current financial assets	(604,446)	995,824
Others (mainly including government grants, reversal of provision for impairment of receivables tested for impairment on an individual basis, compensation income, penalty income and other non-operating income and expenses)	1,777,103	2,352,849
	<u>1,112,803</u>	<u>3,426,200</u>
Less: Effect of income tax	(103,624)	(668,578)
Effect of minority interests (after tax)	<u>(63,645)</u>	<u>(113,058)</u>
	<u>945,534</u>	<u>2,644,564</u>

Basis of preparation of details of non-recurring profit or loss:

Under the requirements of the *Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public - Non-recurring Profit or Loss [2008]* from CSRC, non-recurring profit or loss refers to that arises from transactions and events that are not directly relevant to ordinary activities, or that is relevant to ordinary activities, but is extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

#### 2 Return on net assets and earnings per share

The Group's return on net asset and earnings per share calculated pursuant to the *Compilation Rules for Information Disclosure of Companies Offering Securities to the Public No. 9 - Calculation and Disclosure of Return on Net Asset and Earnings per Share* (revised in 2010) issued by CSRC and relevant requirements of accounting standards are as follows:

	Weighted average return on net assets (%)		Earnings per share (in RMB Yuan)			
			Basic earnings per share		Diluted earnings per share	
	2022	2021	2022	2021	2022	2021
Net profit attributable to ordinary shareholders of the Company	22.21%	24.09%	4.34	4.17	4.33	4.14
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	<u>21.50%</u>	<u>21.86%</u>	<u>4.20</u>	<u>3.78</u>	<u>4.20</u>	<u>3.75</u>

### **3. Differences in Accounting Data under Domestic and Overseas Accounting Standards**

(1) Differences in the net profit and net assets disclosed in the financial reports prepared under China Accounting Standards (CAS) and International Financial Reporting Standards (IFRS)

Applicable  N/A

(2) Differences in the net profit and net assets disclosed in the financial reports prepared under CAS and foreign accounting standards

Applicable  N/A

(3) Reasons for the differences. Where any reconciliation is made to any data that have been audited by an overseas auditor, the name of the overseas auditor shall be provided.

**Midea Group Co., Ltd.**

**Legal Representative: Fang Hongbo**

**29 April 2023**