



# 2023 SEMI-ANNUAL REPORT

MIDEA GROUP CO., LTD.

Stock code: 000333  
August 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, CFO and Director of Finance of the Company, and Ms. Chen Lihong, head of the accounting department 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 Company plans not to distribute cash dividends or bonus shares or convert capital reserves into share capital.**

**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.**

## Contents

SECTION I IMPORTANT STATEMENTS, CONTENTS AND DEFINITIONS .....	2
SECTION II COMPANY PROFILE AND KEY FINANCIAL RESULTS .....	6
SECTION III MANAGEMENT DISCUSSION AND ANALYSIS .....	10
SECTION IV CORPORATE GOVERNANCE .....	105
SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY .....	118
SECTION VI SIGNIFICANT EVENTS .....	142
SECTION VII CHANGES IN SHARES AND INFORMATION ABOUT SHAREHOLDERS .....	157
SECTION VIII PREFERENCE SHARES .....	163
SECTION IX BONDS .....	164
SECTION X FINANCIAL REPORT .....	167

## **Documents Available for Reference**

- 1. The original of The Semi-Annual Report 2023 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 originals of all company documents and announcements that are disclosed to the public via newspaper designated for information disclosure during the Reporting Period; and**
- 4. The electronic version of The Semi-Annual Report 2023 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.
TLSC	Toshiba Lifestyle Products & Services Corporation
KUKA	KUKA Aktiengesellschaft
Hiconics	Hiconics Eco-energy Technology Co., Ltd.
WDM	Beijing Wandong Medical Technology Co., Ltd.
Clou Electronics	ShenZhen Clou Electronics Co., Ltd.
Swisslog	Swisslog Holding AG
Servotronix	Servotronix Motion Control Ltd.
WINONE	WINONE Elevator Company Limited
“TTium” or “TTium Motor”	WuHan TTium Motor Technology Co., Ltd.
Reporting Period	1 January 2023 to 30 June 2023

## 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 (if any)	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		

### 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	
E-mail	IR@midea.com	

### 3. Other Information

#### 3.1 Ways to Contact the Company

Changes to the registered address, office address and their zip codes, website address and email address of the Company in the Reporting Period:

Applicable N/A

No such changes in the Reporting Period. The said information can be found in the 2022 Annual Report.

### 3.2 Information Disclosure and Place Where the Semi-Annual Report Is Kept

Changes to the media for information disclosure and the place where materials carrying disclosed information such as this Report were kept in the Reporting Period:

Applicable N/A

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing this Report and the place where materials carrying disclosed information such as this Report were kept did not change in the Reporting Period. The said information can be found in the 2022 Annual Report.

### 3.3 Other Information

Changes to other information in the Reporting Period:

Applicable N/A

## 4. Key Accounting Data and Financial Indicators

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

Yes No

	H1 2023	H1 2022	Change (%)
Operating revenue (RMB'000)	196,988,402	182,661,009	7.84%
Net profit attributable to shareholders of the Company (RMB'000)	18,232,291	15,995,496	13.98%
Net profit attributable to shareholders of the Company before non-recurring gains and losses (RMB'000)	17,651,853	15,691,512	12.49%
Net cash flows from operating activities (RMB'000)	29,784,674	21,394,710	39.22%
Basic earnings per share (RMB/share)	2.67	2.34	14.10%
Diluted earnings per share (RMB/share)	2.66	2.34	13.68%
Weighted average ROE (%)	12.14%	12.18%	-0.04%
	30 June 2023	31 December 2022	Change (%)
Total assets (RMB'000)	462,739,635	422,555,267	9.51%
Net assets attributable to shareholders of the Company (RMB'000)	146,368,593	142,935,236	2.40%

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

### 5.1 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.

### 5.2 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.

### 5.3 Reasons for differences in accounting data under domestic and overseas accounting standards

Applicable N/A

## 6. Non-recurring Gains and Losses

Applicable N/A

Unit: RMB'000

Item	Amount	Note
Gain or loss from disposal of non-current assets	8,525	
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	25,019	
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)	639,381	



Less: Corporate income tax	85,263	
Minority interests (after tax)	7,224	
Total	580,438	--

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 Profits 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, TOSHIBA, Motinova, 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 businesses arising from the transformation of Midea Group's business models. Among them, there are Annto, which provides customers with end-to-end digital and intelligent supply chain solutions; Midea Cloud, which provides industrial software and digitalisation consulting services for intelligent manufacturing and industrial interconnectivity through its industrial internet platform M-IoT; Midea Lighting, which focuses on the R&D, production, and sales of lighting and intelligent pre-decoration electrical products; WDM, which is committed to innovation in medical imaging technology, providing high-quality medical imaging products and services for clinical use; and Midea Finance, which provides users with industrial chain finance, Midea Pay, consumer finance and other diversified financial 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, 31 R&D centers, 40 major manufacturing bases, and more than 160,000 employees. Its business covers more than 200 countries and regions. Overseas, Midea has 16 R&D centers and 21 major manufacturing bases in more than ten countries. And 22 currencies are used by Midea in settlement.

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

Midea Group ranks No. 278 on the *Fortune Global 500* list unveiled in August 2023, marking its eighth consecutive year on the list. Meanwhile, Midea has also been named to the *Fortune China ESG Impact* list for its high-value practices in environmental management and social contribution. In June 2023, the Forbes magazine released its 2023 “*Global 2000*” list and Midea ranks No. 199, up 18 places from last year. Also, Midea Group has been named as one of the *2022 Forbes World’s Top Female Friendly Companies* and the *2022 Forbes World’s Best Employers*, among others. In March 2023, Midea Group was 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 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 July 2023, the Summit Forum of Top Enterprises in China Light Industry released the 2022 list of “*Top 200 Enterprises in China Light Industry*”, and Midea Group once again topped the list with an outstanding score of 98.07. 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. By June 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. 39 on the *2023 Brand Finance China 500* list released by Brand Finance, a British brand assessment institution. 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 the first half of 2023, 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 seven home appliance categories, namely,

residential air conditioners, countertop pan-microwave ovens, countertop ovens, electric radiators, induction cookers, electric kettles, and electric fans.

The table below shows the offline market shares and rankings of the Company's primary home appliance products (by value of retail sales) in the first half of 2023:

Product category	Market share	Ranking
Residential air conditioners	36.0%	1
Laundry appliances	25.4%	2
Clothes dryers	20.5%	3
Refrigerators	15.3%	2
Rice cookers	39.9%	1
Electric pressure cookers	41.2%	1
Countertop pan-microwave ovens	62.7%	1
Electric radiators	44.7%	1
Induction cookers	47.9%	1
Water dispensers	27.3%	1
Electric fans	46.5%	1
Countertop ovens	42.1%	1
Electric kettles	42.4%	1
Electric baking pans	34.3%	2
Air fryers	29.8%	2
Blenders	29.2%	2
Water purifiers	18.7%	2
Freezers	13.1%	2
Electric water heaters	20.3%	3
Gas water heaters	10.5%	3

The table below shows the online market shares and rankings of the Company's primary home appliance products (by value of retail sales) in the first half of 2023:

Product category	Market share	Ranking
Residential air conditioners	35.7%	1
Laundry appliances	38.0%	2
Clothes dryers	42.1%	1
Refrigerators	20.3%	2
Countertop pan-microwave ovens	51.6%	1
Induction cookers	53.9%	1
Dishwashers	25.2%	1
Electric fans	23.5%	1
Countertop ovens	25.0%	1
Electric kettles	24.8%	1
Water purifiers	18.8%	1
Air fryers	19.4%	1
Electric water heaters	29.1%	2
Electric radiators	19.2%	1
Rice cookers	26.3%	2
Electric pressure cookers	39.1%	2
Electric baking pans	27.6%	2
Sterilizing cabinets	19.9%	2
Gas water heaters	15.8%	2
Freezers	12.9%	2
Blenders	11.9%	3
Water dispensers	13.8%	3

\* Air conditioners refer to floor-standing and wall-mounted ones only.

## 1.3 Industry Overview

### A. Home Appliance Industry

In the first half of 2023, the domestic economy continued its recovery, presenting a year-on-year increase of 5.5% in the GDP. Concurrently, the consumer market experienced an upturn, particularly notable in the home appliance industry, where the rebound was swift. Nonetheless, the speed of recovery varied greatly across industries and sectors. The demand for home appliances and home furnishings and decor exhibited sluggish growth. Specifically, within the home appliance industry, domestic market trends corresponded to the macroeconomic landscape, and the pace of recovery accelerated in the second quarter. Nevertheless, there were significant performance disparities among different segments. According to the H1 2023 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), both the exports and domestic sales of the home appliance industry recorded growth in the first half of 2023. In numerical terms, the exports and domestic sales reached RMB296.7 billion and RMB371.1 billion, respectively, up 5.2% and 2.8% year on year. Considering the trend in the domestic home appliance industry, home appliance products are being upgraded rapidly, with enhancements in basic features and performance. Simultaneously, their appearance designs are increasingly embracing beauty, health-consciousness, integration, and embedded functionality. The upgraded product mix has not only boosted the sales of high-quality home appliances but also increased the end-user market price. 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. To stimulate home furnishing consumption, including the demand for home appliances, the Ministry of Commerce, along with 11 other departments, issued the Measures for Boosting Home Furnishing Consumption in July 2023. This document emphasizes that the focus shall be given to green, intelligent, and elderly-friendly development and urges enterprises to enhance the supply quality, create new consumption scenarios, improve consumption conditions, and optimize the consumption environment, thereby eliminating bottlenecks, difficulties, and pain points and promoting the recovery and upgrade of home

furnishing consumption.

According to the data from the National Household Appliance Industry Information Center, the domestic retail sales of air conditioners were RMB90.7 billion in the first half of 2023, up by 16% year on year. Due to the high temperature appearing earlier than before in South China and the ongoing high temperature in the North China Plain, combined with the low sales last year, the sales of air conditioners surged, which were particularly notable in the entry-level markets in counties and townships with potential for growth. In terms of product structure, Midea introduced a range of emerging products, such as air machines and kitchen air conditioners, to respond to segmented demands, including rapid cooling and heating, healthy and comfortable airflow, improved air quality, as well as catering to various home scenarios. This exhibited a differentiated approach to innovation in the air conditioning industry, consistently propelling product iteration and upgrade and increasing the average price of air conditioners in offline stores. 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., and the comfort of product experience has been focused on.

According to the data from the National Household Appliance Industry Information Center, the domestic retail sales of laundry appliances were RMB29.6 billion in the first half of 2023, down 1.3% year on year, with the retail sales of clothes dryers reaching RMB3.4 billion, up 8.4% year on year. In terms of product types, the share by retail sales of front-loading products in the laundry appliance market exceeded 65%. Among the front-loading products, the growth in the sales of washing and drying machines slowed down, as the stand-alone clothes dryers and cleaner-dryer kits exhibited better drying performance, such as preventing secondary pollution, larger drying capacity, and better wearing experience. By comparison, the share of retail sales of stand-alone clothes dryers in the total retail sales of front-loading laundry appliances and stand-alone clothes dryers went up to 11%. In terms of product capacity, large-capacity products were obviously replacing small-capacity ones, with laundry appliances with a capacity of 10 kg or above having dominated the market, of which the share in the offline market by retail sales has exceeded 80%. In terms of product functions, products were further segmented, with the market of the second household washers continuously being expanded, such as Little Swan Mini Top-loading Washing Machine allowing sterilization through high-temperature boiling and cleaning and Midea Foldable Mini



Washing Machine that can be carried during trips.

According to the data from the National Household Appliance Industry Information Center, the domestic retail sales of refrigerators were RMB43.2 billion in the first half of 2023, up slightly by 1% year on year. The product structure of refrigerators was significantly optimized. In terms of prices, the average online product price saw a year-on-year increase of 3.4%, whereas offline products witnessed a 7.4% rise. In terms of capacity and structure, the market share by retail sales of large refrigerators with a capacity of more than 500-L exhibited consistent and steady growth. Concurrently, side-by-side refrigerators and multi-door refrigerators with more than four doors experienced an uptick in this regard. In terms of product features, consumers' 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" and "intelligent" functionality. Additionally, technological advancements, such as the novel foaming technology, vacuum insulation panels, and aerogels, allowed the "zero built-in" design for refrigerators. For example, COLMO Zero Built-in Nutritional Retention Refrigerator boasts an ultra-thin 600-mm body that can seamlessly fit into the standard cabinet.

According to the data from the National Household Appliance Industry Information Center, the domestic retail sales of kitchen appliances were RMB95.7 billion in the first half of 2023, up by 2.8% year on year. As dishwashers became more popular on the domestic market, the retail sales reached RMB5.4 billion, up 6.1% year on year. And product upgrading continued. In terms of functions, functions such as the integration of functions of washing, sterilization, drying and storage, layered and separate washing, and automatic recognition and program matching have become mainstream. Integrated stove sales reached RMB13.6 billion in the domestic market, an increase of 15.8% 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. The retail sales of water heaters reached RMB25.5 billion, a year-on-year increase of 1.4%. Specifically, demand for large-capacity products remained inelastic, with the 60-L electric storage water heaters and 16-L gas water heaters experiencing increases to 67.3% and 53.1%, respectively, in the offline market share by retail sales. With respect to functions, aiming at enhancing showering comfort, water heaters equipped with new technologies that allow high power, dual tanks, water flow control, silence, and sterilization, saw a substantial rise in the share of sales.

On this basis, technologies such as deep cleaning, skin beautification and care, and customization spearheaded the current trends in product innovation. The retail sales of water purifiers amounted to RMB13.3 billion, showing a year-on-year uptick of 0.6%. Concerning product specifications, with the advantages of shorter waiting time and suitability for more daily water purification scenarios, high-flow rate water purifiers boasting a capacity of 800 G or above witnessed growth to 36.0% and 16.7%, respectively, in online and offline retail sales. In parallel, reverse osmosis and under-sink water purifiers continued to dominate the market, with offline market shares by retail sales both above 90%. With respect to functions, functions such as the integration of water purification and heating, faucet display, and strontium abundance/mineralization became increasingly sought after, driving products into a new round of upgrading.

According to the data from the National Household Appliance Industry Information Center, the domestic sales of small domestic appliances were RMB57.97 billion in the first half of 2023, down 1.5% year on year. Health-friendly cleaning appliances led the market over the past three years due to the intensified attribute of health-friendliness. By categories, the robot cleaner industry registered retail sales of RMB5.9 billion, a year-on-year increase of 5.0%, as a result of slow innovation of production functions. Meanwhile, functions and experience of floor scrubbers have been improved as a result of the advancement of technology. Floor scrubbers recorded retail sales of RMB4.5 billion, up 9.5% year on year. In the meantime, product prices experienced a notable decline as the industrial chains and technologies became increasingly developed, with the online average price falling below RMB2,600. Moreover, the product trend diverged toward single-function and all-round products that integrated the functions of floor scrubbers, vacuum cleaners, mite removal devices, and free vacuuming. Electric fans, inelastically demanded, maintained a steady market scale. Through consistent product optimization and upgrading, the market share of circulation fans has exceeded 30%. Meanwhile, the online market has shifted its focus toward intelligent products with a sense of design and suitable for outdoor scenes, whereas the offline market has focused on high-end products that integrate multiple functions, including purification and humidification.

According to the data from the National Household Electrical Appliance Industry Information Center, the online sales of home appliances in the first half of 2023 reached RMB208 billion, up 4.3% from last year,

while the offline sales amounted to RMB163.1 billion, up 1.1% year on year. The online scale continued to grow, whereas the offline scale slightly recovered. However, in terms of prices, there is a gap between online and offline prices, as demonstrated by products such as refrigerators, of which the gap in this regard is up to 2.8 times. The adjustment of the structure of products in the online market is still some way off. Adhering to a new round of consumption stimulation policies, distributors and brands have concentrated their efforts on the submerged markets and seen high-quality home appliances as a critical way to meet consumers' demand for a happy life. Moreover, the consistently diversified healthy and intelligent functions of home appliances have driven the transition of the domestic consumption view about home appliances from having home appliances to pursuing high-quality ones. In the future, the domestic home appliance market will face both pressure and opportunities and is expected to record slight growth in the overall sales scale of the year.

## **B. Robotics and 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. Currently, the domestic industrial robot industry is transitioning from the market growth explosion phase to a new cycle featuring existing market share capture and position securing in the segmented incremental markets. Under this circumstance, the demand side becomes the focal point of the industrial chain. According to the downstream demands in the first half of 2023, the photovoltaic industry has entered a critical phase of capacity expansion and technological iteration, thus maintaining a high growth rate. This has made the industry the principal driver of the growth in the industrial robot industry. Comparatively, industries such as consumer electronics and general industry have recovered less than expected. Furthermore, their market demands have exhibited negative growth. Concurrently, due to a slowdown in investment growth, the automobile and lithium battery industries have also experienced negative growth in market demands. According to the analysis and forecast of Marketing Intelligence Resource (MIR), In the first half of 2023, the output of the Chinese industrial robot market is expected to reach 135,000 units, showing a slight

year-on-year increase. By models, both collaborative robotics and vertical multi-joint robotics showed an output uptick, whereas other models experienced a certain decline in this regard. In 2023 H2, demands in the downstream industries of the industrial robot market are expected to further polarize, with demands in the photovoltaic and energy storage industries remaining booming and those in industries such as automobiles, consumer electronics, and general industry still sluggish. The year-on-year growth rate of the domestic sales scale of industrial robots in 2023 is expected to be 5% or less.

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 the first half of 2023 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 the first half of 2023 was RMB74 billion, up 18% year on year, of which domestic sales accounted for about 90%; the compound growth rate of the industry in the first halves of the past three years was 22%. 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 is expected to surpass RMB100 billion in 2023. 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 the first half of 2023, the production of domestic elevators, escalators and lifts was 745 thousand sets, up approximately 13% year on year, which was mainly for domestic sales. The sector has returned to strong growth. 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, the marginal improvement of the real estate policy 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. Buildings account for a relatively high proportion of energy consumption and carbon emissions in China. According to data from the Building Energy Efficiency Research Centre of Tsinghua University and the Changjiang Securities Research Institute, the carbon emissions of building operation accounted for about 22% of the total domestic carbon emissions in 2019, 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 was approximately 55% in 2023, 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 opportunities and increasing competition 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.

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

In the first half of 2023, despite the gradual recovery of domestic market demand and the overall rebound of the economy, the global political and economic environment remained complex and the business environment remained challenging due to fluctuations in overseas economies, currency movements and the deterioration of geopolitical conflicts overseas. Against this backdrop, Midea Group held firm to its operating philosophies, effectively implemented its annual operating principle of “Stabilize Profit & Drive Growth”, and continued to focus on its core businesses and products. As a result, Midea delivered better-than-expected operating results, with further improvements in key indicators such as profitability and cash flow, demonstrating its operational resilience and long-term, high-quality growth. For the first half of 2023, Midea achieved, on a consolidated basis, total revenue of RMB197.8 billion, up 7.69% YoY; and a net profit attributable to its shareholders of RMB18.2 billion, up 13.98% 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. It provides users with differentiated entire-house smart solutions with the deep integration of “smart home appliances + smart home”; and launches homegrown core terminals, such as smart central control and household smart host which deeply integrate home appliances and smart home systems, 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.

**For smart living room scenes:**

Midea has consistently increased its investment in R&D across three areas, namely carbon neutrality, air



value, and smart home. Doing so strives to enhance the competitiveness of products. For the pre-decoration channel, Midea launched Designer "Long-lasting Aldehyde Removal" Series Residential VRF, featuring zero-consumable long-lasting aldehyde removal. Moreover, to respond to the market demand for health and comfort, the whole new Meijia Large Cooling Capacity Breezeless Series Residential Air Conditioner has been launched, featuring a smart control mode for a large cooling capacity and comfortable wind. Concerning the entire-house air solutions, Midea Air Conditioner was the first one in the air conditioning industry to have introduced the 1:1 Air Machine, delivering an all-around healthy air system that allows professional sterilization, purification, and fresh air. With a clean air delivery rate (CADR) of 400 m<sup>3</sup>/h and a fresh air flow rate of 210 m<sup>3</sup>/h, the system ensures an ideal comfort sensation at 0.3 m/s. For the North American market, Midea launched the new-generation American air duct that passed the Cold-Climate Heat Pump (CCHP) Technology Challenge for extreme cold resistance. Moreover, for the project of the New York City Housing Authority (NYCHA) on low-carbon heating for apartment buildings, Midea rolled out the next generation of the window low-temperature heat pump and invented the inverter heat pump system that allowed free configuration. 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. Moreover, through research on healthy airflow, Midea applied the disrotatory propeller technology in the aviation field to the fan field. Additionally, Midea spent two years developing comb-like dual fan blades with a leading edge imitating the wings of the long-eared owl. This invention is a breakthrough that allows high airflow while ensuring low noise. Specifically, it allows an air delivery distance of more than 17 m while achieving a maximum air speed of 270 m<sup>3</sup>/min. Furthermore, it ensures that the noise is not higher than 56 dB.

**For smart balcony scenes:**

Midea has launched COLMO Washer-Scrubber, the first solution in the industry that integrates the functions of a washing machine and a floor scrubber. Specifically, this product is equipped with a shared water supply and drainage pipe, demonstrating Midea's novel design in the waterway, air path, dust

collection, and circuit. Moreover, it employs the "Internationally Advanced" AI-powered Light Dry Cleaning technology. The hot-water-flushing floor scrubber enables potent airflow, penetration, and efficient drying while boasting a cleaning ratio of the mop as high as 1.10. Additionally, the AUTO-PROTECT chlorine dioxide slow-release anti-bacterial technology is employed to enable food-level sterilization, safe and environmentally friendly. This product adopts AI technology to accurately judge the stain scene and achieve precision mopping through reverse torque. Furthermore, patented technologies, such as the Auto-Dos dual-chamber self-dispensing system and the Auto-Cut automatic hair-cutting technology, are used for this product. To be more specific, the Auto-Dos system allows precise dispensing of different cleaning solutions through automatic proportioning. As for the two chambers, the left chamber is intended for cleaning solutions for floor and mop cleaning, enabling thorough dissolution of heavy oil and dust. The right chamber houses an automatic cleaning station and drainage system and enables sterilization and stain removal. The Auto-Cut technology can accurately identify, suck, and cut the hair at the corner, effectively preventing hair entanglement and blockages. Also, this product is equipped with a high-definition camera, which, through large-scale modelling training on the home scene images using AI technology, allows this product to proactively detect stains on the floor and perform deep cleaning in specific areas. More importantly, this invention has won the Red Dot Design Award and the iF Design Award. To respond to the green strategy, Midea made arrangements for the development of the full-life-cycle green wash and care technology for products. This move made Midea K01 8Kg Washing Machine the first laundry appliance in China to be certified by the Life Cycle Assessment. Concurrently, this product reached the highest energy efficiency rating in Europe, attributed to a decrease of 43% in annual electricity consumption as compared to conventional models. Moreover, the novel ultra-thin platform reduced the weight of the entire machine by 10%. The parts and components of this product were made from recyclable materials, and the built-in micro-plastic collection device allowed more than 90% of chemical fibres to be collected during washing, reducing the ecological impact throughout the whole full life cycle by approximately 30% as compared with conventional models. To meet demands in the European market, Midea launched M01 Series Highly Energy-Efficient Front-loading Washing Machine. This series boasted a large drum diameter and multi-modal washing technology, improving the cleaning ratio and uniformity. Moreover, equipped with targeted washing technology that can match different washing temperatures and mechanical forces during washing, this model allowed targeted stain removal, accelerated dissolution using detergent, and a substantial reduction in water consumption through hot

water washing technology. With respect to TOSHIBA Zero Built-in Series Washer-Dryer, based on the ultra-thin and built-in design concept, Midea optimized the parameters of the small-size condenser and developed a novel ultra-thin system structure. Moreover, the minimization-based design and engineering applications of the thermal system allowed the product to fit into a 600-mm-deep cabinet. Furthermore, the anion odour removal clothes wash and care technology employed for the first time enabled this series to have the best odour removal effect in the industry and achieve a long-lasting anti-bacterial effect on clothes in the drum for eight hours. Midea Floor Scrubber launched the new-generation Dust-free Floor Scrubber, GX5, integrates the functions of vacuuming, mopping, and washing, addressing pain points such as hair entanglement, water residue, and insufficient cleaning. Moreover, the unique dual-layer brush design allows synchronized scraping, combing, squeezing, and suction when rotating. For the global markets, Midea launched multiple new floor cleaner models, such as Eureka J9 Active Water-tread Mop Floor Scrubber, Eco-friendly Cyclone Dust Collection Station Floor Cleaner E10s, and Midea Black Box V10 and W11 Plus.

**For smart kitchen scenes:**

COLMO EVOLUTION Tianshu Refrigerator is equipped with the industry's first AI-Door automatic door opening and closing technology, allowing the 90-degree panoramic door opening. This series is also the first one in the industry to have employed the  $-40^{\circ}\text{C}$  cryogenic technology, allowing AI molecular-level nutrient management and thus capable of significantly increasing the anthocyanin content and effectively inhibiting purine. TOSHIBA Large-capacity Built-in Pear Suite Refrigerator employs the self-developed vacuum insulation material in combination with the novel horizontal evaporator to ensure small dimensions but a large capacity. Moreover, the front bottom cooling system and dual-axis free-track hinge effectively help users maximize space efficiency. The industry's pioneering constant-humidity fruit and vegetable preservation technology and meat freshness enhancement technology are employed to accurately provide a suitable storage environment for each type of food ingredient. This series boasts the industry's quickest 60-minute ice-making function and is equipped with three technologies, namely the "pulse sterilization technology", "low-oxygen preservation technology", and "purine reduction technology".

Aiming at delivering a more comfortable kitchen environment, Midea starts with the kitchen environment and cooking smoke and has rolled out kitchen air conditioners and range hoods that enable efficient

smoke suction. To protect users' health, a range of products, including refrigerators, dishwashers, steam ovens, and rice cookers, has been introduced to respond to users' demands for food preservation, kitchenware cleaning and sterilization, and healthy cooking. In 2023, Midea launched the "Cool Kitchen" series of kitchen air conditioners as a solution to address core pain points in Chinese kitchens. This series is characterized by "large cooling capacity", "cooking smoke resistance", and "easy-to-install design", effectively meeting users' demand for a comfortable and cool kitchen. Moreover, it employs a new system design equipped with technologies such as the graphene thermal conductivity coating, copper pipe sprayed with anti-corrosion coating, black magic box for oil filtration of the outdoor unit, and water misting, achieving advantages in new scenes, such as high heat transfer performance, corrosion resistance, and zero water discharge. Additionally, Midea Smoke-free Series Range Hood employs multiple technologies. Specifically, the MAX efficient dual air ducts are used to ensure efficient smoke suction; the FCS future chip power engine is used to achieve the highest suction in the industry of 28 m<sup>3</sup>/min and wind pressure of 1,200 Pa; the nautilus shell-like design and the aerodynamic streamline wing-like design are incorporated to reduce the smoke discharge resistance, increase the smoke discharge velocity, and effectively lower noise; the "patented radio frequency collaboration technology + patented inverter algorithm" intelligent collaborative cruise technology enables automatic start-up and air volume and wind pressure regulation; the unique 110°C high-temperature steam technology is used to deliver a cleaning and sterilization rate of more than 99%, which, at the same time, has been granted the authoritative "level-1 smoke removal" certification in the industry.

Midea Sink-Dishwasher XQ20 boasts a large capacity for 13 sets of tableware at a time and the Venturi residual water removal technology, effectively addressing two pain points of simultaneous washing of multiple sets of tableware and bacteria and odour removal. This machine integrates a large 304 stainless steel sink, a Chinese-style sterilizing dishwasher, a flexible hose faucet, a cutting board, and various standard interfaces, allowing one-stop "washing - draining - preparation - cutting - cleaning". Furthermore, it enables rapid crushing and discharge of food waste and efficient cleaning and sterilization. Midea Built-in Smart Eye Series Steamer-Oven-Fryer-Stewer SV5 is equipped with pioneering AI visual ripeness recognition technology to achieve automatic parameter adjustment during cooking and boasts functions such as remote viewing of cooking and video sharing. Midea Steamer-Oven-Fryer S6 employs the industry's pioneering intelligent humidity and temperature control system, allowing the temperature and

humidity to be automatically regulated during baking according to the food ingredient. At the same time, the pioneering vortex jet propulsion system is used to allow humidity to be quickly removed within 180 seconds while maintaining an extremely uniform temperature difference. Moreover, the first multi-wing humidity system is used to achieve a zero-negative pressure gradient design, maximize air exhaust efficiency, and deliver the industry's lowest chamber humidity. Additionally, the baking and cooking technology based on intelligent temperature and humidity control and the air frying technology on the same basis are employed in combination. Midea Microwave-Steamer-Oven-Fryer G21 uses Midea's self-developed MIX fat-burning technology to combine the steam and baking technology organically and, through high-temperature fat melting, condensation defatting, and fat drainage, achieve fat stripping. This contributes to an increase of 72% in fat precipitation rate. The self-developed light-sugar baking recipe and humidity control curve increase the resistant starch content by over 20% and thus substantially reduce the carbohydrate intake. COLMO EVOLUTION Series Rice Cooker, through Multi-StageIH technology in combination with pioneering staged precise control algorithm for boiling, enables unique dual-temperature-sensor boiling point determination and staged power output through intelligent control. Furthermore, the series allows accurate boiling point control in both plains and plateaus, and the rice cooked can reach up to the 6A rating.

**For smart bathroom scenes:**

COLMO AVANT Waterfall Electric Water Heater is equipped with multiple industry-leading technologies, including the "AI-Core instantaneous heating engine technology", "full-dimensional thermal field efficiency enhancement technology", and "five-dimensional temperature sensing", and thus allows heating to be more uniform and the water output hotter. Moreover, this appliance can also meet the demand for a continuous output of 1,200-L hot water through "20-fold capacity expansion", thus ensuring a smooth 30-minute shower. Additionally, the AI power-adaptive function employed can help avoid tripping caused by overly high power, and the patented PCC mineralization technology can provide mineralized healthy water rich in strontium. Furthermore, bacteria can be automatically killed by the AI intelligent sterilization technology according to users' water habits.

**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 June 2023, 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. Through the project of

"Research and Industrialization of Key Technologies for Consumable-free Space Purification with Molecular Catalysis and Power Coordination", Midea has dug deeper into technological breakthrough in the fields of material synthesis, catalytic technology and energy coordination, provided users with convenient, safe, healthy and comfortable solutions for indoor air environment systems with multi-technology coordination, and achieved real consumable-free and high-efficiency indoor space purification. Through the project of "Research and Application of Key Technologies for Large Cooling Capacity Inverter Air Conditioners with a Feel of Comfortable Wind", Midea has facilitated the whole-scene, full-temperature and full-humidity realization of comfortable cooling based on large cooling capacity products without an obvious feel of wind, and satisfied users' demand for an intelligent, comfortable cooling experience without an obvious feel of wind. Through the project of "Research and Application of the High-energy Photon Pulse Sterilization Technology", Midea has adopted the quintuple sterilization synergy to achieve a sterilization rate of 99.99% against the bacteria on the surface of food in refrigerators, ensure users' food safety, and fill the corresponding technological gap of the refrigerator industry. Through the project of "Research and Application of the High Activity ORR-based Ultra-low Oxygen Catalysis Technology", Midea has created the optimal low-oxygen environment for fruits and vegetables, so as to prevent the loss of moisture and nutrients of fruits and vegetables, and maintain their freshness and taste. Through the project of "Research and Application of the Precise Ice Temperature Technology-coordinated Plasma-based Preservation and Purine Regulation Technology for Aquatic Products in the Home Appliance Industry", Midea pioneered the precise ice temperature technology-coordinated plasma-based purine-reducing preservation technology for aquatic products based on the anabolic pathways and regulation mechanisms of purines in aquatic products, which can significantly reduce the accumulation of hypoxanthine and create a differentiated product advantage that is "nutritious and healthy". Through the project of "Technological Research and Application for High-performance Small-sized Heat Exchange System-based Dryers", Midea has achieved the successful design and engineering application of the minimization of the heat exchange system and developed a series of ultra-thin 10-kg large-capacity dryers. Through the project of "Research and Application of Key Technologies for Healthy and Pollution-free Front-loading Washing Machines with Low Clothes Abrasion", Midea pioneered a new hole-less and independent structure of the drum of a front-loader to avoid secondary pollution and abrasion against clothes, which has resulted in a reduction in the abrasion rate of 25%, a benchmarked washing ability rate of 1.13, and a sterilization rate of more than 99%. Through the project of "Key Equipment and System

Technologies of Direct Evaporative Cooling and Waste Heat Recovery for High-altitude Data Centers", Midea has achieved a significant improvement in the efficiency of evaporative cooling at high-altitude areas and an optimal match between cooling and waste heat recovery in high-altitude data centres, and greatly expanded the applicable range of free cooling in data centres. Through the "Research and Application of Key Technologies for Energy-efficient R290 Rotary Compressors", Midea has achieved the improvement of the efficiency in single R290 rotary compressors and the reduction in residual refrigerants, promoted the large-scale application of R290 products, and led the green transformation and upgrading of the industry. Through the "Research and Application of Key Technologies for Green and High-quality Thin Permanent Magnet Motors", Midea has reached an industry-leading level by effectively reducing the shaft voltage, ensured long-term reliable operation of motors that are also silent, lightweight and thin. By June 2023, 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. In terms of industrial design, Midea leads the way in user experience and interaction upgrading with ongoing innovations. In the first half of 2023, Midea won a total of 107 industrial design awards, including 23 Red Dot Design Awards, 37 iF Design Awards, and 47 IDEA Awards.

Midea has strengthened the transformation of R&D achievements while carrying out the core technology research. By June 2023, Midea (inclusive of TLSC) held more than 80,000 valid patents. In the first half of 2023, Midea was granted more than 2,000 invention patents around the globe. Midea continues to improve patent quality. It won multiple awards at the 2023 24th China Patent Awards. To be specific, the "Frame Components of the Clothing Handling Device and the Clothing Handling Device" won a Silver Invention Award, the "Stand-alone Air Conditioner (CH)" won a Silver Design Award, and eight Excellence Awards were received for patents including the "Control Method and Control Device of the Air Conditioner, the Air Conditioner, and the Storage Medium of the Air Conditioner", the "Rotor Core, the Rotor and the Motor", the "Control Method, Control Device, Computer Equipment and Storage Medium for Robotic Motions", the "Magnetic-bearing Compressor, the Air Conditioner and the Setting Method for the Protective Air Gap Value", the "Range Hood", the "Control Method for Defrosting Food in the Microwave Oven and the Microwave Oven", the "Air Cylinder, the Compression Mechanism and the Compressor", and the "Smart Door Lock".



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 the first half of 2023, Midea took part in the formulation/revision of 81 technological standards, including three international standards, 24 national standards, 10 industry standards, and 44 local and group standards, including “Standard for Functional Requirements of Toolchain for Artificial Intelligence Model Deployment on Edge Devices”, “Ergonomics - Accessible Design - Part 4: A Method for Estimating Minimum Legible Font Size for People at Any Age”, “Kitchen Air Conditioners for Home”, “Technical Requirements for Household and Similar Tumble Washer-dryer”, “Specifications for the Fresh-nourishing Technology by Deep Freezing for Freezers”, “Standard Samples of Induction Cookers for Thermal Efficiency (86%) Testing”, “Electric Dishwashers for Household Use-Methods for Measuring the Performance”, “Standard Samples of Reference Microwave Ovens for Thermal Efficiency Testing”, “Magnetically-suspended Centrifugal Refrigerant Compressors”, and “Evaluation Requirements for the Organization of Appraisals of Energy Conservation and Carbon Reduction for Household Appliance Manufacturers”. Additionally, Midea has not only become a member in two IEEE (Institute of Electrical and Electronics Engineers) Standards Working Groups, and the secretariat institution of the 3rd Household Appliances Standardization Technical Committee of Guangdong Province, but also been commissioned to host the 2023 Working Meeting of the National General Group for Artificial Intelligence Standardization. Currently, Midea has qualified as an expert institution in more than 100 standardization working groups of the relevant domestic and foreign organizations.

**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 transformation. Through the reform of direct retailing, Midea has been continuously promoting the "vertical efficiency improvement" of offline channels, and advancing the transformation of new operator empowerment. By improving operators' digital drive, retail empowerment, engineering projects and other five capacities, it optimises the operation competence and consistency of omni-category operators, and realises "One Midea" for all markets, ensuring the consistency of user service and experience. 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.

In the first half of 2023, online sales (including online sales in lower-tier markets) 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 "trade-in activities". Additionally, Midea redoubled its efforts at channel segmentation and made arrangements for interest-based e-commerce platforms, and finally recorded new growth. During the "18 June" sale in 2023, Midea ranked first in the industry for 11 consecutive years in terms of total sales online, up over 50% YoY, and its e-commerce GMV on Douyin exceeded RMB1 billion for the first time, ranking first in the home appliance industry. Midea also 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. Meanwhile, by promoting omni-channel development of Midea's customer system in the e-commerce ecosystem and constructing standardized supply chains and service self-operation capability, Midea improved the efficiency of customer operation and met the needs of customers of scenario-based procurement of a collection of products by giving priority to the development of multi-category ecological stores. Midea continued to strengthen stores' retail capabilities and, starting from self-run exclusive stores, improved their whole-chain retail experiences and helped stores carry out digital retail transformation driven by new systems and tools. First, it upgraded the "Midea Cloud Sales+" ecosystem, developed

Midea's own retail business platform, realised full upgrade of the "Midea Cloud Sales" system, and substantially boosted customer experiences. As a result, the "Midea Cloud Sales" App recorded a year-on-year increase of over 400% in the daily average page views (PV), and the efficiency of direct retail was significantly boosted. Second, it reconstructed the retail system of stores based on the "Midea Cloud Sales" App and the "Midea Home Delivery" mini-app to provide service support functions such as store management, shopping guide, financial instruments and cloud warehouse. Third, to facilitate stores' online and offline whole-scene marketing and promotions, it provided digital marketing tools for merchants, thereby empowering stores' customer acquisition and potential customer conversion and integrating online and offline business. Fourth, it developed a digital and intelligent platform operations system to improve stores' management efficiency and conducted classified product operation and hierarchical store management based on the label-based system for products and stores so that retail data and business activities can be reviewed online and stores can carry out rapid analysis and precise operation. By providing retail stores with industry-leading digital platform services, Midea has completed the all-product-category, pre-decoration, and retail transformation of more than 15,000 existing store outlets, and has established more than 6,000 benchmark stores of digital retail. Midea made vigorous efforts to expand into the lower-tier markets. As a result, Midea gained the largest overall share of the core lower-tier channel platforms in the industry and has fully expanded into stores in lower-tier markets, achieving a product penetration of more than 95%. By displaying samples based on scenarios, it provided customers in the lower-tier market with entire-house full-set home appliance procurement experience. 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 residential 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 marketing modes such as collective procurement and vouchers, it has improved 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. Meanwhile, by offering cleaning, trade-in and exchange instead of repair in a year services, Midea has been providing high-quality whole-chain consumer services from pre-sale stage to in-sale and post-sale stages, and kept strengthening the consumer royalty in lower-tier channels.

Midea promotes brand image enhancement, high-quality marketing activities and digital transformation,

and redefines entire-house smart appliances with the three major DNAs of "Humanising Technology", "Humanising AI" and "Humanising Design". It released the world's first INFINI Suite to realise the evolution from single products to customised smart scenes containing multiple products and covering the entire house, creating active, comfortable smart home living experience that varies with users. Highlighting premium-brand product suites, Midea empowers terminals with its resources in high-end circles, creates user experience value, and cultivates perception and sense of identity and promotes retail transformation with long-term systematic marketing and promotion activities. High-quality theme marketing activities and tour exhibitions, such as the "Urban Oasis" program and music festivals, have been carried out in many cities nationwide, which strengthened the brand awareness. Midea has launched new products such as "Cool Kitchen Air Conditioner, Dust-free Floor Scrubber, Freshness Air Machine, Smoke-free Range Hood-Stove Suite, Light Tone Blender, and Real Taste Microwave-Steamer-Oven, and made them effectively reach users through precision marketing. 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. With user experience as a driver, it has pushed ahead with the optimisation of product iteration, shopping experience, and service experience. It carries 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, and has strengthened private domain operation and improved customer loyalty. By the end of June 2023, the total number of registered members exceeded 160 million. Meanwhile, the development of Midea's business data analysis capability has been constantly enhanced to further support digital business decision-making with the analysis of business data, marketing data and user data. Midea continues to enhance consistent end consumer experiences. Based on the "M-Smart" platform, it integrates online and offline user services, allowing users to experience products offline and buy products online, thus strengthening out-of-store marketing capabilities and expanding the coverage of post-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, improves product promotion of offline stores and the effect of distribution and traffic direction of online stores, continues to attract offline customers to visit stores, and strengthens the marketing capabilities of offline stores. In terms of user

operation, Midea improves the whole chain of user operation, focuses on service and interest improvement, as well as user experience and customer-end service improvement, and has constructed the whole-chain digital platform for experience. Centering on net promoter score (NPS) experience enhancement and industrial benchmarking, it has improved customer services in all directions.

Centering around three types of targets: users, customers, and engineers, Midea perseveres in reconstructing service procedures, upgrading service standards, improving its capability of offering free installation services for consumers who buy a collection of products, and providing better high-end brand services. 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 upgraded service standards based on the peak experience principle, updated the service procedure and technical process for various categories of home appliances and introduced them to the public through press conferences and mainstream media. It made ads of full-category service standards and transmitted them to users through its WeChat official account, which can be automatically sent to users when users place orders by themselves and allow users to review service standards online at any time. Second, Midea developed the butler-type service system with differentiated service standards for different user groups, and created the new whole-chain butler-type service pattern based on subdivided service scenarios such as pre-installation, complied installation, high-end brand and special groups. It has provided 53,000 pre-installation users with 1+N butler-type group services, ensuring high-standard and consistent long-term scenario-based services, has provided 41,000 complied installation users with 1-to-1 butler-type services, guaranteeing contract performance of one-off appointment and one-off door-to-door service, has provided 250,000 high-end brand users with exclusive customer services, meeting users' demands in a prompt manner, and has provided 340,000 special group users with green channel services. Third, Midea improved the service capabilities of complied installation and delivery, optimised the service experience of users buying a collection of products, and has upgraded more than 2,200 service outlets to complied outlets, realising the full coverage of complied installation business in regional and county markets nationwide. Engineers' service capabilities covering multiple categories have been improved. In the first half of 2023, more than 22,000 multi-skill engineers and more than 10,000 all-around engineers were trained, realising exclusive engineer services for users buying a collection of products with service network transformation and multi-skill engineer cultivation. Fourth, Midea developed the

entire-house smart service capacity, appointed competent outlets to provide one-to-one post-sales service support based on the distribution of entire-house smart sales outlets, selected "Golden Seed" engineers to establish the professional entire-house smart service team, and realised the full coverage of entire-house smart services step by step. Fifth, 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 put forward higher standards for the authorisation of high-end brand engineers, selected and trained engineers based on strict standards, and enhanced engineers' service willingness with an incentive mechanism. 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 strongly sensible high-end service experiences by rolling out key projects such as "361 Butler-like Service" and "High-end Private Care" and maintaining customer royalty during the whole cycle.

Midea has further deepened the transformation of the ToB business model. Based on the well-developed "1+3+N" business structure of the Group, it has upgraded the business model from traditional hardware product packages to scene-based solutions targeting customers in the whole industry, so as to enhance sales and brand presence in 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 at the ToB end 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 the first half of 2023, 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, and also intensified the implementation and promotion of the Group's strategies, carried out in-depth operation of major customers in the Building Technologies Division, the Robotics & Automation

Division, and the Other Innovation Business, and developed a mechanism for communication with strategic customers. As a result, particular headway was made in intelligent manufacturing and medical services and health. In terms of intelligent manufacturing, Midea supported localized development centering on industrial robots and, based on the industrial internet platform M•IoT, helped enterprises realise digital and intelligent production, smart operation and maintenance and digital services. With the platform's business integration and application innovation functions, it continued to empower different industries and sectors and drove the coordinated development of the whole industrial chain. The M•IoT platform has been applied by more than 1,000 enterprises in more than 50 segmentations. Meanwhile, Midea gave priority to the development of comprehensive solutions to new energy whole-vehicle manufacturing, continued to deepen the cooperation with major customers, and has been providing various products and integrated systems and services to various industrial sectors. In terms of medical services and health, Midea continued to further develop solutions and promote the implementation of these solutions to the medical technology building scenario, the surgery department scenario, the outpatient pharmacy scenario, the inpatient ward scenario, and the logistics command scenario. Based on the LIFE2.0 intelligent hospital framework system and joining hands with Midea Medical's medical industry complexes such as WDM, KUKA Healthcare, Midea Biomedical, Swisslog Healthcare and Midea Building Technologies, Midea realised business cooperation with key regional customers, initiated benchmark medical projects, and continued to promote the integration of sectors and channels of Midea Medical business, so as to realise information sharing, business opportunity sharing and channel sharing with customers in the medical industry, promote all-around improvement of delivery quality, efficiency and services, and help the medical industry complete intelligent hospital upgrading.

Annto, a subsidiary of Midea Group, is a technological innovation-based company and is committed to providing customers with end-to-end digital and intelligent supply chain solutions. Annto deeply fosters itself in the industrial supply chain service sector and, adhering to the "customer-centric" business philosophy, provides customers with end-to-end digital and intelligent supply chain solutions ranging from production and logistics services from raw materials to finished products, a shared inventory system from online to offline channels, ToB/C integration, to integration services of warehouse distribution logistics and integration services of delivery and installation. It helps enterprise customers promote channel reform and supply chain efficiency improvement and improve competitiveness, and keeps supporting customers'

high-quality growth and sustainable development. With the industry-leading practical experience in channel reform of major enterprise customers such as Midea and the continuous improvement of the intelligent warehouse network system for domestic supply chains, Annto has covered thousands of brand customers in daily chemical, beverage, wine, food, home appliances, home furnishing and new energy industries, with its market share and brand influence steadily enhancing. Annto continues the development of the integrated intelligent logistics platform to open up the digital chain from production and logistics to warehousing and distribution network, transportation and end services. It has realised the effective application of multiple self-developed digital control capabilities, significantly improved the efficiency of supplier operation, intelligent warehousing management, whole-process visible distribution, dynamic scheduling of transport capacity and whole-process control of delivery and installation. With further combination of supply chain logistics business and digital and intelligent technologies, a whole-chain end-to-end intelligent logistics platform has been built. In terms of production and logistics, Annto completed the pre-production and logistics model reform of product sets and quality, realised direct distribution to stations, and improved lean logistics of incoming materials and reduced factory inventories. It also supported the digital transformation of suppliers and realised whole-value-chain coordination of replenishment/pick-up plans, label and bar code management and transport-packaging integration, lowering logistics costs and enhancing delivery quality and efficiency. In terms of the warehousing and distribution network, Annto deepened the application of 5G and radio frequency technologies for warehousing management, realised whole-scene mobile operations with the digital indicator system based on production elements, enhanced its warehousing network planning capability with warehouse locating algorithm and warehousing network model planning algorithm, and provided more professional and efficient warehousing network logistics solutions. In terms of transport capacity management, Annto has put in place an urban distribution transport capacity scheduling platform, line operation and analysis platform, logistics network planning platform and other platforms based on intelligent algorithms, and optimised transport and distribution costs and distribution quality with the whole-process visible, intelligent transport scheduling application for urban trunk line distribution. By planning vehicle routes and using algorithms and tools to select superior line operators, it supported the reform of urban distribution transport capacity resources control of over 80 domestic operation centres, and matched intelligent algorithms used for the tendering and procurement of scheduling resources to supply and demand. In terms of end services, Annto focused on online management of outlet and engineer resources, developed



the intelligent management platform and "Annto Service +" mini-app to output refined services, such as installation appointment, complied delivery and installation, precise appointment and integration of delivery and installation of large home appliances, home furnishing products and new energy charging piles, based on big data and mobile technologies, and to improve customer/user service experience.

Production and logistics are important parts of the manufacturing supply chain under the "1+3" service model. Centering on the role of an expert in advanced, lean and digital logistics in the manufacturing industry, Annto applied its experienced "Lighthouse Factory" supply chain solution to manufacturing customers, and consolidated its core strengths from aspects of lean logistics and digital empowerment. In the first half of 2023, Annto developed the door-to-door parts pick-up model with HUB consolidation warehouses in terms of transportation mode and transport capacity. It piloted the model in the Yangtze River Delta Region, and has established two HUB consolidation warehouses in Changzhou and Wenzhou that provide door-to-door pick-up services for 14 parts suppliers, with the service efficiency improved by 25% and the average comprehensive cost decreased by 5%. In terms of standardised and unit-based packaging, Annto formulated the standards for packaging of incoming parts, promoted recyclable standard lease cartons in response to Midea's green strategy, and has provided tens of customers with recyclable standard lease carton services. Additionally, it developed on its own the whole-life-cycle management system for packaging devices for whole-process control from package design, production, investment to recycle operation, maintenance and scrapping. In terms of digital capacity building, it focused on the improvement of digital capacity of Midea's Lighthouse Factory, created the service model of "product set pre-service, quality pre-service and plan pre-service" for the manufacturing supply chain, and improved the full set rate of material orders of factories, management and control of quality and the turnover rate of inventories. Upstream parts suppliers were provided with label cloud service to solve their actual pain points in production delivery and inventory management and optimize the synergistic effect between upstream and downstream industrial chains. In terms of warehousing capacity building, Annto, based on warehousing network planning and centering on smart parks and digital operation, developed whole-scene and whole-chain warehousing operation solutions. Through the self-developed position determination function and system's online support of integration and optimization of the full-category warehousing network, the warehousing network plan shortened the single average mileage by 13% and the single average duration by 11% and lowered the single average cost by 3%. Smart parks have

extended to warehousing and distribution docking and in-warehouse operations after the arrival of vehicles, and drove on-demand/sequential operations with the comprehensive appointment management system and the line shift management system. Meanwhile, whole-process radio frequency identification automatic acquisition application was piloted in smart parks, covering the whole process from production line discharge to receipt, putaway, delivery and loading. In terms of digital operation, Annto realised whole-process mobile operation in warehouses, as well as visible and online business management. It has built the "Warehouse Compass" digital platform for whole-process, real-time monitoring and analysis of warehousing operation data, driving continuous improvement of operation quality. On the trunk line distribution side, Annto integrated line resources, built the line traffic monitoring system and line cost capacity and supported the optimization of transport capacity and structure as guided by line-based operation. Leveraging the transport capacity and structure model for core lines and core cities, it found the optimal transport capacity structure, and constructed line resource capacity. Meanwhile, it promoted online management of single vehicles, made the whole chain visible online, and built the high-efficiency whole-vehicle performance platform with individual transport capacity resources. It gave priority to core cities, promoted product-wise line operation on the basis of line-based operation, continued to improve operation quality through product marketing, developed the line-based operation model, and constructed the "zero-carriage" network composed of one-way short chains. Through technical tools and management reform, Annto promoted online management of business at all links, realised in-transit/node visibility, official website trajectory inquiry and supplier system inquiry functions, and thus improved customer experience. On the urban distribution side, Annto adjusted the transport capacity structure and realised direct control and direct management of vehicles through line route planning, transport capacity reform and direct-control line isolation, enabling directly controlled transport capacity to carry 35% of the total traffic. By turning personnel scheduling into line scheduling, constructing organizational capacity, managing transport capacity process and optimizing vehicle scheduling tools, it improved its scheduling capability and the utilization of transport capacity. Additionally, Annto further fostered the FMCG sector and worked with 58 partners to build and share the regional distribution network. Its network, composed of about 140 operation centres, has covered more than 96% of the towns nationwide, and more than 80% of the orders can be delivered within 24 hours and more than 94% of the orders can be delivered within 48 hours with ToC direct distribution, the integrated warehousing network and the integrated B/C terminal network. On the end delivery and installation service side, Annto highlighted the building of terminal

capabilities, and continued to optimize the delivery and installation management platform and "Annto+" mini-app. Focusing on home appliances, home furnishing, new energy, healthy travel and life services, it provided standardised service products, including the integration of delivery and installation of home appliances, "three-guarantee and five-guarantee" services, new energy-related "surveying, installation, inspection, and repair" services, and life services, as well as all-around service solutions covering delivery, installation, maintenance, reverse service, survey and cleaning. As at the end of June 2023, Annto had more than 3,600 domestic outlets, an increase of about 40% YoY. The delivery and installation capabilities related to home appliances were improved after service procedures, covering pre-appointment, user privacy protection, damage control, complied delivery and installation, delivery of the new and recovery of the old and receipt at designated locations, were improved, with the punctuality of delivery and installation up over 99% and the percentage of complied delivery orders up to 41.5%. As the inventory management procedure of outlets was optimized, Annto was able to provide quick receipt and delivery from stations, prompt distribution and user self-pickup services, and had its capabilities of end delivery and installation of home furnishing goods improved in all directions.

Annto is committed to creating a customer/user-centric service ecosystem, promoting whole-scene, whole-chain, online management of business and services, consolidating the foundation for operation, and improving customer service experience. It has realised online, mobile and visible management of orders from receipt to completion and provided data support, with the mobile collection rate of orders at core nodes being 89%. Centering on customers' contractual delivery, it has implemented visible management of PDCA from problem raising to solution, deepened VOC+VOB operation and facilitated whole-scene, omni-channel and whole-chain services. Through the customer service window, customers enjoy more precise and more professional visible delivery, with a whole-scene customer satisfaction of over 92%. The order access has been unified, the whole-process efficiency system, whole-process quality monitoring system, comprehensive operation early warning system and integrated order management platform have been built, realising the transformation from result-oriented management to process-oriented management, with a significant YoY increase in the whole-process efficiency realisation rate of orders.

**D. Promoted “Global Impact”, enhanced localized operations overseas and accelerated the**

## **cooperative integration of TLSC**

In the first half of 2023, numerous risks and challenges such as fluctuation of macro economy, fierce change of exchange rate and continuing high inflation were seen in overseas home appliance markets, yet the overseas business of Midea sustained large-scale growth and stable earnings in performance, whose operating tenacity was improved. It continued to give priority to the organisations of overseas business to meet the demands of front-line market, refined the development of organisations and teams in all overseas regions, and continuously integrated localisation talents into the system of internationalisation and optimisation talents to ensure continuing development of overseas business. Meanwhile, Midea built up the core capability system on all fronts, involving studies on front-end users' demands, definition and development of products, channel expansion, sales and operation, user service, etc.

Making continuous efforts to make breakthroughs in major markets worldwide, Midea strengthened the local advantage of supply chain and increased its input of new products in ASEAN market, and deployed numerous brands in response to various market demands of different countries. With rapid development of the business of mainstream home appliances in Middle Eastern and African markets, it realized introduction of numerous categories of home appliances by the advantages of local market and its own products, and sped up its expansion of blank market. In Latin America, Midea's business presented steadfast progress and sustained continuous large-scale expansion and stable earnings despite adversities like local high inflation and exchange fluctuation. In North America, it advanced cooperation with major channel customers steadily and gradually improved user awareness through continuous building of localised brands, whose innovative designs of core brands were recognised. Midea sped up its advancement of marketing operation system toward front-line market, resolutely facilitated the transformation to front-end digitalisation, improved its region-based systems of organising and operating step by step, and enhanced the capability building and collaboration mechanism of front-end organisations featuring effective synergy of market, products and sales; continued to optimise the visualisation of whole-process information for fulfillment of front-end orders in all regions/countries and improved user experience through development of continuous iteration; integrated resources of logistics service network and built up global logistics service platforms to realize intensified whole-process delivery

at lowest cost and highest efficiency, thus improving its capability of delivery guarantee based on overseas logistics; continued to develop the system of sales and operation plan (S&OP) system for front-end and front-line organisations and popularized its planning system geared to application demands, thus succeeding in launching the system in the markets of Latin America, Europe and other regions and significantly improving its efficiency in fulfilment and delivery. Midea sped up the expansion and refinement of its overseas channel layout and used digital tools to empower retail. In the first half of 2023, it developed more than 10,000 overseas retail outlets, whose number of retail outlets amounted to more than 100,000. Midea strengthened the retail network in scale and depth, increased the activity of retail business, improved the display of new products in retail outlets, and enhanced the interaction with customers and their brand awareness. In regard to the retail network, it strengthened the application of digital tools, thereby empowering the work in traffic acquisition, transformation and upgrade, user accumulation and other aspects. Midea continued to improve the coverage of its management system for purchase, sales and inventory in retail outlets, continuously optimised and enriched application scenarios of the system to improve the sales efficiency of retail stores, and took advantage of module- and tool-based system operating model to speed up its iteration of retail stores' promotion tools, thereby improving flexibility in promotional retail and convenience in retail operation. In the overseas market, it leveraged new media content-based marketing to enhance the interaction between products and users, facilitated the generation of apps based on contents from Artificial Intelligence Generated Content (AIGC) in different pilots, and optimised the contents launched at various contact points in quality and efficiency. Moreover, Midea further flattened its channels with continuous efforts and accelerated its endeavours to facilitate the transformation of DTC retail model in North America market, thus achieving an incremental yield as considerable as tens of millions of dollars in the first half of 2023, up approximately 60% year on year. Staying committed to exploring overseas e-commerce business and helping independent brands develop, Midea realised a year-on-year growth of e-commerce sales volume by 8% in the first half of 2023, whose core products remained competitive over its counterparts. Its more than 90 products were added to the lists of bestsellers of various categories during the e-commerce shopping festivals in numerous countries. The share of its major categories in the e-commerce market of different countries continued to increase, among which its dishwashers, microwave ovens and window (unit) residential air conditioners sustained a vigorous growth momentum in the online market of U.S.A, while the sales of its microwave ovens, range hoods and other categories was also seen with rapid growth in U.K. and

Germany. Meanwhile, the structure of its all categories of products continued to be optimised, and the shares of its microwave ovens, refrigerators, laundry appliances and other products in the high-end overseas market increased gradually. Midea was engaged in continuing accumulation and improvement of its capability of e-commerce business and bolstered more accurate and efficient plans of e-commerce products through data-driven market analysis and demand insight to operate its value chain in a more efficient manner. By the advantage of global e-commerce platforms and localised e-commerce platforms in different regions, it realised continuous business development facilitated by two drivers. With the rapid rise of overseas consumption market for youth, emerging interest- and content-based e-commerce is expanding in a faster pace. Therefore, Midea continued to focus on the rapid growth of emerging overseas e-commerce platforms. To strengthen its development of overseas self-owned brands, Midea sped up its efforts to make breakthroughs in self-owned brands worldwide, facilitated the synergy of brands, products and services, deepened its access to users in the front-end market, expanded product-based branding, and enhanced the brand awareness in all links of operation and service. Through the improvement of brand value in joint efforts with world-famous football clubs, it reached more than 300,000,000 fans, and in conjunction with local advertisement, it conducted 150,000,000 interactions with these fans. By reference to North America-specific brand development model, Midea strengthened the influence of its brands from numerous perspectives, including offline retail experience, shopping guide team development, social media launch and marketing of entire-house collection products, in Asia-Pacific and Middle Eastern markets. Besides, it boosted online content-based marketing inside and outside its websites, advanced the building of its brands' official websites, refined the brand matrix, and upgraded its content planning, visual presentation and shopping experience in all aspects. When the establishment of marketing resource pool, it cooperated with approximately 400 world-famous key opinion leaders (KOL) or Internet celebrities, thus drawing attention from tens of millions of users. Midea kept improving the overseas manufacturing layout and expedited the introduction of the "China-based Supply for the World + Local Supply" model. In the first half of 2023, it continued to facilitate the building of manufacturing bases in Brazil and Mexico, while its laundry appliances production line of the manufacturing base in Egypt had been put into operation successfully. In addition, it started the Overseas Manufacturing Plants 632 Project and thus realised standardised manufacturing flow and data management. Midea selected talents of refined manufacturing system, continued to train such talents, drew lessons from successful practice of domestic lighthouse factories, and carried out pilot work of automation-oriented transformation

in overseas manufacturing bases, thus improving its manufacturing efficiency and delivery capability. Meanwhile, it kept enhancing the EHS management system of overseas factories and established the risk prevention mechanism to ensure safe and stable operation of its overseas manufacturing bases and improve its tenacity in resisting external risks. Midea continued to deepen the development of IoT products and application scenarios. In the first half of 2023, approximately 2,000,000 IoT products were sold in the overseas market, more than 400,000 products were activated, and continuous efforts were made to promote the launch of the MSmartLife App of its international version in all major markets. Focusing on the whole-process contact points of user experience, it continued to expand the digital ecosystem, adhered to the continuous investment in development of users and interaction with users, and established the management system for user life cycle step by step to improve user experience. Midea refined its global service system and improved its service capability worldwide to expand the global service network. With its global spare parts centres being put into operation officially, it realised whole-process online operation of spare parts' storage and delivery. By accomplishing the construction of independent packaging system for all core parts, it broke the bottleneck in efficiency of the supply of key spare parts and continued to shorten the delivery cycle of spare parts, delivering more than 200,000 items in total. Besides, it sped up its test and popularization of global post sales service system while conducting service network training in all overseas regions to ensure consistency of the service system, and the completed parts of the system covered the global customer contact centres in Germany, Mexico, U.S.A, Canada and other countries. The system of customer services was launched and applied in 10 countries to impose real-time supervision on service quality and fulfilment of data and parameters, thus improving its service quality worldwide. Relying on Open AI and internal data analysis platforms, it could extract valid information fed back from customers to refine its service system.

In the first half of 2023, since the rise of commodity and energy price in Japan inhibited the consumption of home appliances, the sales volume of mainstream home appliances dropped by 11% year on year, and the market competition intensified as well. Focusing on the nature of operation consistently, TLSC stayed cool-headed when handling numerous challenges of uncertainty. By taking multiple measure like enhancing communication with key customers and strengthening retail in the market, it sustained a stable growth of market share for refrigerators, microwave ovens and other products. By taking such measures as stabilizing price and improving products structure, it effectively alleviated the adversity of market scale

downturn, and further improved its profitability. By strengthening the collaboration with the Group and related product divisions, it significantly improved the product quality and optimised the product development flow to ensure launch of new products and supply of products, thus increasing users' confidence in it. Meanwhile, 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, thereby enabling business of TLSC to expand to and cover 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**

With a focus on the "Digitization & Intelligence Driven" strategy, Midea 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. In terms of domestic sales, Midea comprehensively improved the ToC business user service experience through "one-stop reservation, one-stop service, and one-stop post-sales", and adopted measures such as "end-to-end visible orders in the whole chain " and "online visible and available, delivery commitment status" to improve the delivery efficiency of ToB business. With a focus on online and offline omnichannel consumption scenarios, Midea used digital instruments to assist users in gaining insights and multi-dimensional operations, empowered enterprises to have whole-value-chain contact with customers, and improved the "non-face-to-face" transaction model of the Midea Cloud Sales platform. Midea improved the efficiency of entire-house intelligent design by 90% with the help of entire-house design, improved the accuracy of applying intelligent location selection models by some stores to 95%, and shortened the average store building cycle by more than five days. Taking its stores with monopoly system as its core, Midea built a "Midea Cloud Sales +" ecosystem that covered all levels of the market. Through the building of a new service guarantee system and the empowerment of new digital instruments, Midea provided customers with industry-leading digital platform services, such as financial instruments, post-sales reverse mechanism, cloud warehouse services, online services of logistics, supply and delivery, improving the efficiency of inventory turnover, and store operation of retailers. By building a digital traffic centre, and taking actively marketing traffic, accurately introducing traffic, and creating traffic on new platforms as its core, Midea continuously provided traffic support for



offline stores and provided users with scenario-based and convenient purchasing channels. Midea also supported the digital transformation of direct retailing, and built a new retail store that completed the pre-installations, comprehensive upgrades and ecological transformation, and that was able to undertake global and multi-touch traffic. The number of daily active users of the MSmartLife App increased by more than five times. In terms of overseas sales, Midea focused on "Global Impact" strategic planning, deepened the development of digital capabilities of the system driven by the original equipment manufacturer (OEM) and own branding & manufacturing (OBM), and continued to create innovative products with business digital perception capability based on user insights, to meet customer needs and user experience. Midea achieved product planning and development driven by user insights and technological innovation through digital platforms, formed a business innovation mechanism for the overseas independent brand, and promoted the building and improvement of organizational capabilities for independent brand business from insights to products. Midea built an iBOS overseas sales integration platform based on a brand new technological architecture, achieving intelligent operation warning, risk control, and automated workflow. Midea also connected the end-to-end digital engineering of overseas marketing, and continuously optimized sales forecasting models, improving the fulfillment efficiency of overseas orders. Midea promoted the improvement of the overseas channel management system and overseas e-commerce platform, and strengthened the architecture system of e-commerce and channel operation, quickly reaching overseas clients and consumers. Focusing on overseas user service experience, Midea enhanced the post-sales service experience by developing digital capabilities in global spare parts centres, overseas post-sales operations, and global contact centres. Midea also optimized the digital capabilities of overseas manufacturing and completed the digital system building of overseas manufacturing bases such as Brazilian factories. In terms of R&D, with a focus on the development of "Three Generations" R&D capabilities, Midea achieved comprehensive online management of the research, reserve, and development, comprehensively established an integrated knowledge portal for R&D, and built knowledge engineering and knowledge re-innovation capabilities for R&D. Midea accelerated the promotion of digital planning instruments and approaches, expanded the application scenarios of trend analysis, selling point recognition and other functions, continued to promote module-based platforms, optimized R&D knowledge management, failure mode and effect analysis (FMEA), R&D efficiency, and further deepened global platform group planning, achieving a year-on-year reduction of 6% in the average product development cycle, and improving benchmark product efficiency. Midea used

digital models to scientifically predict product sales, analyse product potential, used multiple indicators to monitor and analyse new product performance, helping improve the hit rate and ramp rate of new product planning. Midea also developed digital planning instruments for ToB business, improving the hit rate of ToB product planning. In terms of supply chain and manufacturing, Midea promoted the transformation toward an end-to-end integrated supply chain, and established integrated supply chain (ISC) platforms, further strengthening the value-chain synergy of research, manufacturing, supply, and sales. Midea established a digital collaborative portal and built a long-term operational mechanism, achieving integrated operation of global planning and orders. Driven by digital S&OP and whole-procedure intelligent fulfillment of orders, Midea shortened delivery time, providing customers and users with a "stable, accurate, fast, and intelligent" delivery experience. By building a risk management platform for supply chain, Midea developed a scientific analysis logic, and formed a strict, reliable, safe, and efficient supply system. The proportion of centralized procurement for non-raw materials increased to 45%, the online rate of bulk commodity procurement increased to 90%, the upstream delivery cycle shortened by 40%, and the inventory turnover efficiency of bulk commodity increased by 30%. Midea continued to promote the building of dark factories, established a manufacturing and operation model centred on DMS4.0 and built a benchmark model for the factories in Thailand. EHS management in parks achieved intelligent collection, analysis, early warning, and closed-loop handling of abnormal situations at all monitoring points. M•IoT, Midea's industrial internet platform, was successfully selected as a "Cross-industry and Cross-field Industrial Internet Platform" (dual cross platform) by the Ministry of Industry and Information Technology in 2022. It can provide over 90 solutions covering nine key fields, including safe manufacturing, energy conservation and emission reduction, quality control, supply chain management, R&D design, production and manufacturing, operation management, warehousing and logistics, and operation and maintenance services. Midea served over 400 large enterprises to achieve digital transformation and upgrading, and was recognized as a leader in the IDC MarketScape: Manufacturing Vendor Assessment Report for Overall Solution of China Digital Factories.

Midea continued to strengthen the building of digital base and information security, enhanced its capability in all-weather information security operation through "cloud and ground" collaborative defense, effectively preventing network attacks, and safeguarding the safe and stable operation of its business. In terms of infrastructure, the cloud base of Midea in Guian has started construction as planned and the overall

progress has been more than half. After completion, it can support the computing needs of Midea's digital transformation in the next ten years. Meanwhile, it continuously optimized the energy consumption of data centre, with a year-on-year decrease of over 7% in H1. Midea completed the first phase of the knowledge management platform building, achieving knowledge access and global search capabilities in five major fields. Midea also completed the first phase of the AIGC application management platform building, fully integrating programs such as ChatGPT, Coplit, and Midjournal, and empowering the business in batch document scanning and generation, batch image generation, video generation, live-stream scene generation, virtual digital live streaming, automatic encoding, and testing.

Midea steadily promoted its data empowerment business around the "Three Generations", focused on the practical capabilities of digital talents, and strengthened the integration of digitalization in actual business processes. In the first half of 2023, Midea trained thousands of composite digital personnel, while also empowering core business scenarios to be digitalised, such as R&D, marketing, supply chain, manufacturing, and operation, promoting innovation and transformation in various fields. Midea also expanded its data capabilities to overseas markets and ToB business fields. In the first half of 2023, in terms of R&D, Midea utilised data methods to discover new concepts, helping to create multiple popular and innovative products. In terms of marketing, Midea supported the overall scale and efficiency of content operation from three main business directions of content planning, release, and evaluation, focusing on the content operation data of interested e-commerce. Midea also introduced privacy computing platform capabilities, supported core marketing activities, and relied on various mobile data products to build a domestic offline retail value indicator system for smart homes. In terms of supply chain, Midea optimized inventory management efficiency by strengthening the digital capability of "shared inventory system". In terms of business, Midea used digital instruments to help improve the efficiency of business data processing and significantly save labour costs. In terms of overseas market, Midea created a quasi real-time perception data base to achieve whole-chain visible orders and process nodes, continuously connected the whole chain of overseas sales, shipping, manufacturing, and inventory, providing accurate and effective analysis data for overseas business development. In terms of service, Midea connected to domestic multi-channel user voice data, built a user voice (VOC) system, and built an automatic reach capability for Net Promoter Score (NPS) research scenarios. In terms of ToB business, Midea accurately identified effective information from massive data, assisted in discovering business

opportunities based on data analysis, and achieved visualization of partial ToB business bulk orders, enhancing ToB business competitiveness.

Guided by the strategy of "Technology Leadership", Midea AI Innovation Centre deeply engaged in the research and application of AI technology. Midea AI Innovation Centre 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. By applying AI technology to empower products, Midea achieved comprehensive self-development of whole-chain voice interaction software and hardware technology, ensured independent and controllable core technology that can be adapted to major categories such as air conditioners and laundry appliances, thus improving performance and user experience while achieving cost optimization. Midea continued to optimize its independently developed instrument chain for edge deployment, Aideget, and preliminarily completed the RISC-V platform adaptation. It has been applied to products such as air conditioners, refrigerators, and floor cleaners, and has been launched simultaneously in Github and OpenAI communities, effectively promoting functional evolution. Midea launched a 360-degree industrial AI full-inspection product that empowers intelligent manufacturing, achieving multiple inspections for the first time. The quality inspection modelling time was reduced to two minutes, and all inspections only took five seconds, effectively improving quality control capabilities. Midea applied AI technology to improve development efficiency. The robot simulation scenario library has accumulated over 160,000 simulation models and over 60,000 task scenarios. Midea preliminarily developed capabilities for large model training of robot control, online simulation verification, and related algorithm development and testing. Midea seized the trend of technological development, actively built a large voice model in the vertical field, and promoted its application in different industry scenarios.

Midea promoted the strategy of "Digitization & Intelligence Driven" and accelerated the implementation of "Comprehensive Intellectualization" to "Customize a Smarter Midea Life for You" In terms of intelligent products, Midea remained committed to improving the comprehensive user experience of Midea products, consolidating the entire-house basic guarantee capability, and creating a customer-oriented Midea Smart Life solutions. In 2023, the MSmartLife App continued to improve its application experience, reducing device abnormal offline rate by 14%, plugin white screen rate by 30%, and application cold start time by

20%. The comprehensive performance indexation reached an industry-leading level, creating a stable and smooth user experience. As at June 2023, the registered users of the MSmartLife App exceeded 50 million, and the monthly active users exceeded 7.3 million. Midea accelerated the layout of the entire-house intelligence field and launched the development of distributed access devices with "1 (central control on the large screen) +N (central control on the small screen)", covering sensors, switch panels, intelligent dimmers, sensor sets, and curtain motors. Midea also improved the entire-house intelligent product category, connected the entire-house intelligent home appliances and home products with super gateways as the centre, continuously providing services for users. In addition, Midea actively participated in the drafting and formulation of relevant industry standards both domestically and internationally. In order to promote the wider popularization and application of new technologies in the industry and enhance industry influence, In the first half of 2023, Midea established working groups and assumed the chairman in the IEEE Computer Society/Artificial Intelligence Standards Committee (C/AISC) and IEEE Robotics and Automation Society's Standing Committee for Standards Activities (RAS-SCA).

**F. 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**

Midea continued to promote the "COLMO+TOSHIBA" dual premium brand strategy, and in the first half of 2023, the overall retail sales of the dual premium brands increased by 22% year-on-year. COLMO is committed to serving 1% of the world's super individuals and creating high-end intelligent life solutions with a full landscape. In terms of products, after nearly five years of development, COLMO's entire-house high-end smart products has covered multiple categories such as commercial air conditioners, entire-house water, refrigerators, wine cabinets, clothes dryers, laundry appliances, nursing cabinets, kitchen appliances, and small domestic appliances. The smart screens of commercial air conditioners have been upgraded as a new access to entire-house intelligence, fully upholding a new era of entire-house intelligence. COLMO launched the TURING advanced customised entire-house water system, using AI intelligent technology to customize the natural high-level water ecosystem through five dimensions of safety, purity, skin touch, temperature sensation, and taste. Starting from different water usage scenarios, COLMO has created five major products: TURING pre-filter, central water softener, central water purifier,

water purifier-heater, and sparkling water direct drinking machine, providing a customizable entire-house water system solution that comprehensively meets the high-end water living needs of elite users. COLMO officially rolled out a new access to villa entire-house intelligence called "COLMO AI-powered Villa Smart Screen", which simultaneously undertook the whole dimensional upgrade of COLMO Smart Villa Expert, restructuring the industry landscape of entire-house intelligence, and solidifying the industry positioning of "Smart Villa Expert". COLMO Washer-Scrubber has integrated and upgraded washer-dryers and robot vacuum cleaners, and they are equipped with AI-powered light dry-cleaning technology, creating a new form and species in the home appliance industry. Based on a profound insight into the consumption upgrading and life advancement needs of the elite population, COLMO launched the EVOLUTION New Image Suite, innovatively creating three major advantages of full hidden aesthetics, advanced functionality, and intelligent care, covering the full range of needs in COLMO Lifestyle such as nutritional food, air management, advanced customised natural water use, and exquisite washing. It has a zero-distance free embedded design and powerful compound functions, which can meet the diverse needs of the entire family and various regions throughout the day. In terms of brand, COLMO Lifestyle Festival teamed up with iQiyi variety show Folk 2022 as an entire-house intelligent partner, to accompany folk elites on the music stage to share their villa intelligent life. The brand's core exposure exceeded 300 million. Midea strengthened the industry position of COLMO's high-end entire-house smart home appliances through a new product launch event, and invited renowned actor Zhu Zhu as an experience officer of Smart Villa Expert. The COLMO Elite Life Festival combined the fashion resources and industry influence of W Magazine and Marie Claire to deeply integrate the cutting-edge technology of COLMO's entire-house intelligent voice access with the pioneering concept of W Magazine, reconstructing the intelligent mind of the whole house with high-end reconstruction. Focusing on the designer circle, the TURING product suite was showcased in "Design Shenzhen" and "Design Shanghai", gathering with top luxury home brands around the world to showcase WAD "Luxury House Refined Space", and collaborating with international brands of cabinet, home supplies, and fabrics to showcase more high-end intelligent and rational aesthetic design concepts for the whole house. COLMO Lifestyle was conceived through deep interaction with the designer circle. For four consecutive years, COLMO Lifestyle has been named Wuxi Marathon and has deeply cooperated with the Gobi Challenge, as well as upgraded its cooperation with the Golf Challenge. Through long-term cooperation with sports challenge events, COLMO Lifestyle has gradually shaped a spirit of never giving up exploration, reaching over 50,000 elite

users. According to the data from AVC, the proportion of COLMO products in the high-end market increased significantly. In the first half of 2023, with the water dispenser products occupying more than 65% of the offline high-end market, water purifier products and floor-standing air conditioners approximately 20%, and dishwashers more than 13%. In terms of sales channels, COLMO further expanded the high-end whole-scene channel by setting up 340 smart experience pavilions across more than 144 major cities.

As a world-renowned home appliances brand with a century-old history, upholding meticulous care for people and life, TOSHIBA is committed to providing users with inspiring, perfect products and services with the inherited Japanese craftsmanship and craftsmanship aesthetics. TOSHIBA is also committed to creating a breakthrough star-level lifestyle for consumers, as a pioneer with a century-old historical accumulation. In recent years, TLSC's increasing sales in China have made it a new choice for high-end home appliances in the country. In the first half of 2023, the overall retail sales of the TOSHIBA brand in the domestic market exceeded RMB1.8 billion. During the "618" period, the total online retail sales of TOSHIBA reached RMB380 million, a year-on-year increase of 92%. In the first half of 2023, TOSHIBA continued to make efforts in terms of products. It rolled out its first "Cozy Home" suite that covers multiple scenarios and categories. Focusing on kitchen, water, and bathroom scenarios, TOSHIBA created new suits of high-quality living with spatial layout, residential feel, and authentic aesthetics as the core concepts. Specifically, Pear Refrigerator in the suite was well received on the market, with retail sales exceeding RMB100 million in the first three months. In terms of brand, with a focus on the brand proposition of "Details Matter", TOSHIBA continued to carry out circle marketing activities targeting different target user groups, and accurately covering customers to facilitate the continuous flow of market brands. In terms of channel, TOSHIBA actively promoted retail transformation. Toshiba completed the cooperation with over 160 brand operators, built 165 star-level life pavilions of TOSHIBA brand, promoted the realisation of a latest unified terminal image and preliminarily completed the building of the national retail system.

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". It strengthened 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. The overall operating revenue of the brand in the first half of 2023 was close to RMB6 billion. During the "618", the sales of WAHIN products reached close to RMB2.4 billion. Particularly, WAHIN air conditioning products ranked among the top three in JD.com, Tmall and Douyin, a year-on-year increase of 400% on the Douyin platform. In terms of brand, on the 2023 Youth Day, WAHIN teamed up with the champion of the China Rally Championship to roll out the "New Youth Colour", featuring the social colour, e-commerce virtual store content colour, and artist customised trendy colour of products. The metaverse marketing model represented by virtual stores was included in the "List of 2023 Metaverse Marketing Innovation Pioneers", with an overall exposure of 640 million UV, attracting 116,000 followers, and increasing the number of visitors on the site by 46% year-on-year in the first half of 2023. In the spring of 2023, WAHIN entered the campus to hold the "Spring Pre-sales" themed graffiti art exhibition at the School of Art Management and Education of Central Academy of Fine Arts. Graffiti artists were invited to create trendy home appliances on WAHIN air conditioners and refrigerator products at the exhibition. In terms of marketing, in the first half of 2023, WAHIN Air Conditioners mainly promoted structural models, such as 3-HP floor-standing, 2-HP wall-mounted and fresh air conditioners, to build the user mind of "WAHIN Magic Machine" series products. Through the matrix penetration of all-platform introduction of off-site celebrities, the search indexation of "WAHIN Air Conditioner" in Douyin and Xiaohongshu increased by more than 170% and 400% respectively year on year, with 180 million UVs of network exposure and close to one million interactions. The e-commerce search ranking of "WAHIN Air Conditioner" elevated to TOP20, which directly drove and promoted significant sales growth, achieving dual benefits of product volume and sales.

**G. 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 to focus on both independent development and acquisitions, build a root technology system with ToB characteristics, and develop modular technology for multiple industries and technology fields, 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 the first half of 2023, Midea Industrial Technology received numerous industry awards, including a first prize of Science and Technology Progress Award of China National Light Industry Council for the "Research and Application of Key Technologies for the Variable Capacitor-driven High-efficiency Miniaturized Motor System for Home Appliances", a first prize of the 2022 National Business Science and Technology Progress Award from the China General Chamber of Commerce for the "Research and Industrialization of Key Technologies for Heavy Rare Earth-free High-efficiency Low-noise Inverter Compressors", a second prize of the 2022 Science and Technology Progress Award of Guangdong Province from Guangdong Provincial Department of Science and Technology for the "Research and Industrialization of Key Technologies for the New-generation Cross-category and Low-carbon Motor Systems", and the 2023 AWE Awards for Core Components for "R290 Mini-sized Double-cylinder Large-capacity Inverter Compressors" and "Novel Ultra-high Power Density DC Brush-less Fans for Large Variable Refrigerant Flow (VRF) Air Conditioning Systems". Furthermore, four technologies of which the development was led by Midea Industrial Technology (namely, "Research and Application of Key Technologies for High Power Density Permanent Magnetic Motors and Compressors", "Research and Application of Key Technologies for Energy-efficient R290 Rotary Compressors", "Research and Application of Key Technologies for Green and High-quality Thin Permanent Magnet Motors", and "Research and Application of Key Technologies for Quasi-dual-stage Reciprocating Compressors and Cooling Systems") have been recognized by the China National Light Industry Council as "Internationally Advanced". Additionally, two subsidiaries of Midea Industrial Technology, namely Guangdong Meizhi Precision-Manufacturing Co., Ltd. and Guangdong Welling Motor Manufacturing Co., Ltd., were included by the Ministry of Industry and Information Technology into the 2022 List of Green Manufacturing and recognized as national "Green

Factories".

By maintaining the focus on the field of consumer appliances, Midea Industrial Technology continued to consolidate its leading position in the industry. First, according to the H1 2023 data from ChinaIOL.com, in terms of residential air conditioner compressors, its global market share increased to 46%, continuing to rank first in the world, while it achieved breakthroughs in overseas markets for scroll compressors, and launched the brand new product of R290 Heat Pump Compressor in the European region, providing a new experience that is energy-efficient, safe, reliable, low-carbon and environmentally friendly, and contributing to the sustainability of the heating, ventilating, and cooling industries. Second, in terms of refrigerator compressors, its global market share approached 18%, ranking second in the industry, and breakthroughs were achieved regarding the core customer base in several overseas markets such as the US, Brazil, and India. Third, in terms of motors, its global sales shares recorded 42% and 21% for residential air conditioner motors and laundry appliances motors, respectively, maintaining the advantage as an industrial leader, which, coupled with the launch of a high-efficiency silent product of Household Fresh-air Outer Rotor Motor, provided a firm support for the expansion of new market segments. 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 Thai motor factory's construction has been completed, initially establishing overseas mass production capacity for ECM motors. Third, through the facilitation of scale production in the manufacturing base in India and the delivery of its initial batch of orders by the base (which is the first self-built overseas base for A/C compressors) at the end of 2022, the global supply capacity for the core components continued to increase. Additionally, Midea Industrial Technology continued to invest more in R&D of chip products and technologies, as 12 chip products of four major series (namely, master control, touch control, inverter, and IPM) have been put into mass production, with an internationally advanced performance regarding the quality indicators for the same type of products. This is followed by the successful supply of these products to mainstream manufacturers of household appliances, and the earning of the Best MCU of the

Year of the 2023 China IC Design Achievement Award from AspenCore for MCU MR88F001 (a master control chip product).

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 10 product lines of the three major systems gradually went into production, and the total sales volume in the first half of 2023 of 150,000, representing a YoY increase of more than three times. First, in terms of technological breakthroughs, following the industrial trend of integration, the upgrading from components to modules has been implemented. Based on the solid mastery of thermal management technologies for years, Midea launched the Integrated Module for Thermal Management (Comprehensively Integrated) after the introduction of the water-end integrated modules and the refrigerant integrated modules, and creatively launched the first rotor-based motor compressor of the A00 series according to the demand for high cost performance of A00-grade vehicles. Second, in terms of market expansion, 11 new customer-oriented designated cooperation projects were initiated with the output value of potential orders expected to exceed RMB3.5 billion. Furthermore, the compressor products have been recognized by multiple customers and have covered all model types of multiple mainstream automobile manufacturers. Meanwhile, the first customer-oriented designated cooperation project for the Integrated Module for Thermal Management (Comprehensively Integrated) has been concluded, with the estimated output value of potential orders exceeding RMB300 million. Additionally, the independently developed product of the 800V Silicon Carbide High Rotation Speed Motor Compressor continues to win recognition from more new customers. Third, in terms of capacity guarantees, the monthly production capacity of compressor products has exceeded 30,000, representing a YoY increase of 1,700%. Furthermore, the construction of the factory buildings for the new energy vehicle parts manufacturing base in Anqing was completed, where the mass production of products such as compressors and valve terminals has been achieved. Fourth, Midea Industrial Technology Business Group acquired Wuhan TTium Motor in 2022, officially entering the field of two-wheeled travel and expanding its business in the core components of two-wheeled pedelecs. Furthermore, 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. Moreover,

it successfully pitched to multiple industrial leaders in Europe and concluded agreements with domestic strategic customers in the first half of 2023. Additionally, as a measure to continue to improve the product matrix of E-bikes, it launched new products such as large mid-drive motors and wheel hub motors in the Taipei International Cycle Show, the China International Bicycle Fair in Shanghai, and the Eurobike 2023.

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, and continuously provides customised motion control solutions for customers in various fields. In the first half of 2023, its revenue from linear drive products reported a significant YoY increase. Meanwhile, it continued to enhance the application of products and technologies in new fields, with a focus on customers from industries such as lithium batteries, photovoltaics, semiconductors, robots, laser processing, and consumer electronics by conducting targeted customer pitching campaigns and providing them with integrated solutions. Based on its advantage of the advanced technological strength, it launched multiple products such as the Enhanced BDHDE AC Servo System, the CDHD2S Linear Drive, the DC304 Manipulator Control System for Integrated Display and Control, the SoftMC804 Medium-sized Motion Controller, and the 3D Vision Industrial Camera within the first half of the year. Additionally, it continued to promote reforms in marketing management and enhance process management, and used digital information systems to develop the full-value-chain closed-loop management system from business leads to payment collection, so as to improve the ability to acquire business leads and achieve their successful conversion. Additionally, as its independently developed "Harmonic Reducer High Precision Long Life Design Technology Research and Application" was certified as "Internationally Advanced", Midea Industrial Technology improved its business layout regarding the reducer products for SCARA robots, six-axis robots and collaborative robots. While the new factory for reducers has completely put into operation and the previous bottleneck on the precision processing technology for harmonic reducers has been eliminated, independent production and delivery of the reducer products have been achieved.

In the field of green energy, as far as the first half of 2023 is concerned, CLOU Electronics steadily promoted business development regarding intelligent power grids. It actively participated in the relevant projects of the State Grid and China Southern Power Grid, as the total bids that CLOU Electronics made to win the procurement projects of the State Grid on electric energy meters (including information collection about electricity consumption) for 2023 exceeded RMB240 million. The overseas order intake in the first half of the year exceeded RMB350 million, representing a significant YoY increase. Moreover, it tightly grasped opportunities from the global energy storage industries by accelerating localization in Northern American markets, introducing leading teams from the industry, improving the ability to design energy storage products and provide localized services, and actively conducting business expansion in the energy storage markets of Asia, Africa and South America based on the channel advantage of foreign power grids, so as to achieve the global layout of the energy storage business. As a result, the total distributed energy of the energy storage business in the first half of 2023 approached 800 MWh, including 485 MWh of the distributed energy for the largest energy storage project in South America. In terms of products, in the field of intelligent power grids, it has obtained the required certifications for low-voltage measuring switches, and actively participated in the formulation of the State Grid's technical specifications for measuring switches for enterprises. Furthermore, it has completed the development, and submission for inspection and certification, of all series of the standard products for the State Grid and China Southern Power Grid in 2022, and the R&D of the checking device for the functional and protocol conformance of the integrated terminals for the State Grid, the simultaneous online checking line for multiple versions of single-/three-phase electric energy meters, and the remote charging pile checking system. Meanwhile, it made efforts to accelerate the international certification of new products, as a total of 24 series of new products for overseas markets have been certified by SGS (a third-party certification authority) and passed the accelerated life test (ALT). Additionally, in the field of energy storage, the Aero product series have been integrated into a platform, which supports rapid deployment and installation, thereby greatly reducing the time needed for on-site grid connection. Moreover, it launched the Aqua series (liquid-cooling product portfolio) to provide one-stop services for customers from early-stage investment to the full-life-cycle capacity increase at the DC side. Meanwhile, it is planning for the development of the second-generation liquid-cooling products in order to provide integrated energy storage solutions. In terms of the supply chain and manufacturing, the resources of the supply chain were integrated to reduce the procurement costs. Meanwhile, the reduction in the bids made to win projects related to any category

of components or parts for intelligent power grids has been achieved. Furthermore, taking the advantage of large projects, the rapid cost reduction for core energy storage components has been promoted. Additionally, the cell resources were supplemented, and leading battery suppliers were employed. On the other hand, the efficiency and automated degree of production was improved by promoting the full-automation-oriented renovation of the production line for single-phase electric energy meters, and introducing a fully-automated module production line to the energy storage base in Yichun.

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. 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 the first half of 2023. It leads the domestic brands in the VRF market with a market share exceeding 21%. According to Commercial Air Conditioner Market data, the market shares of Midea's core products, such as centrifugal units and screw chillers, are the highest among domestic brands. In the overseas market, data from ChinaIOL.com show that In the first half of 2023, Midea Commercial Air Conditioner accounted for more than 27% of China's total commercial air conditioning export value, ranking first. 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 a planned annual production capacity of 300,000 units. This production base is expected to be put into production in 2024. Upon completion, the delivery cycle of heat pump products will be shortened from five to one month, comprehensively enhancing Midea's competitiveness in the European market.

Midea Building Technologies launched the "GREEN FOR ONE" strategy and the "Digitalization, Engineering, Procurement, Construction, and Operation (DEPCO)" model at the 2nd TRUE Building Technology Summit on the theme "Make iBUILDING Come TRUE" held at the beginning of 2023.

Specifically, the "GREEN FOR ONE" strategy helps all practitioners to respond to challenges from the low-carbon industrial transformation from four dimensions, namely products, ecosystem, services, and the industry. The DEPCO model is a complete set of service standards and systems to effectively implement "smart building" projects, which is people-oriented and operating objectives-centred. In the first half of 2023, Midea Building Technologies participated in domestic and overseas industry exhibitions, such as AHR EXPO, ISH Frankfurt, the China Heat Pump Exhibition (HPE), the China Refrigeration Expo, the China International Intelligent Building Exhibition, China International Medical Equipment Fair (CMEF) (Spring), the China Hospital Construction Conference and International Hospital Build and Infrastructure Exposition (CHCC), the China Animal Husbandry Expo, the Entrepreneurs Summit of Energy Conservation Service Industry, the Industrial Green Development Achievements Exhibition, and the Shanghai International Carbon Neutrality Expo in Technologies, Products and Achievements, to demonstrate its results in product R&D and solutions and raise its reputation and influence. Specifically, multiple core heat pump products and the light storage and heat flex integrated solution were demonstrated, such as the R290 Air-source Heat Pump, the Carbon Neutrality-oriented Air-source Heat Pump Unit, the M-Thermal Air Source Heat Pump, the Full Variable Frequency Air-source Heat Pump Unit for Cooling and Heating, the R32 Variable Frequency Air-cooled Module Unit, the Variable Frequency Direct Heating Circulating Hot Water Unit, the Water-cooled Screw Variable Frequency High-temperature Heat Pump Unit, the Variable Frequency Air Source Blaze Heating Unit, and the Dual Grade I Sideward Variable Frequency Blaze Unit. Meanwhile, what was demonstrated also covered the customised HVAC solutions for scenarios, such as livestock and poultry greenhouses and slaughtering, Midea's comprehensive energy solutions for low-carbon industrial parks, the Intelligent Operation Center (IOC) Platform of Midea Building Technologies Jingzhou Factory, the "Clean Operating Department" and the "WU KONG Smart Ward Solution 2.0" for medical customers, Midea's two brand-new digital carbon reduction platforms--the "iBUILDING Product Carbon Footprint Management Platform" and the "iBUILDING Virtual Power Plant Operation and Management Platform", KONG DDC M0 and KONG NZ Systems, and the three scenario solutions, namely KONG "Meeting Space", the "WU KONG Smart Ward Solution", and the "HVAC High-efficiency Computer Rooms". Particularly, the integrated energy solution, based on the iBUILDING Midea Building Digital Platform, enhances the comfort of users through the building load sensing and prediction technology for HVAC. Concurrently, the coupling control of energy consumption facilities, such as PV, energy storage, heat pumps, and air conditioners, are achieved to

satisfy management requirements, such as green energy supply, dynamic power distribution, efficient power supply, and the interaction between power supply and load, power the whole house with renewable electricity, and create a healthy and comfortable living environment. The "Clean Operating Department" creates clean environment and spaces that are safe, intelligent, efficient, and resilient, with own products, such as HVAC, the building control system, and software platforms. The WU KONG Smart Ward Solution 2.0, based on the 1.0 solution, is a comprehensive solution that embraces the new-generation intelligent nursing call system with screen control, fully combines medical services and environment control, and incorporates solutions of medical screens, environment control, and the IoT to achieve the "integration of medical services and environment control". The iBUILDING Product Carbon Footprint Management Platform facilitates enterprises to the real-time collection, query, and integrated authentication of data on carbon footprint throughout the lifecycle of products. Additionally, this platform has multiple functional modules, such as carbon footprint modelling, carbon footprint analysis, supply chain management, carbon footprint report management, and supply chain authentication management, establishes strategic cooperation with authentication agencies, such as SGS and TÜV SUD, and can generate review reports in line with requirements of varied authentication agencies. The iBUILDING Virtual Power Plant Operation and Management Platform, based on Midea's many commercial air conditioning systems for commercial buildings nationwide, supports the power system in peak shaving. Meanwhile, through Midea Building Technologies' energy efficiency management solutions, it has accelerated the connection to the water-cooled air conditioning system, constantly expanded its adjustable load capacity, and provided new paths and an effective model of orderly and stable power supply to other places. Furthermore, this platform can assist the government in maintaining reliable power supply to residents and enterprises, support power companies to achieve peak shaving and ensure the safe and stable operation of power grids, and help users to obtain benefits of energy conservation, emission reduction, and demand response subsidies. Moreover, Midea Building Technologies signed the Load Aggregation Platform Cooperation Agreement with the China Electric Power Research Institute In the first half of 2023 to jointly create an air conditioning load aggregation platform, which will be promoted to all subsidiaries of State Grid Corporation of China, promote the digital reform of load management, and support the orderly and stable power supply in all regions.

With respect to product development, Midea Building Technologies, in the first half of 2023, successively



launched multiple new products to consolidate its business in areas such as HVAC, building automation, and elevators. For instance, the self-developed 8kW liquid-cooled unit for energy storage and heat management marks the breakthrough from zero to one of Midea Building Technologies in energy storage and heat management and features outstanding reliability and energy-saving efficiency. Meanwhile, it has passed the Conformance Europeenne (CE) certification, the certification by Underwriter Laboratories Inc. (UL), and the 6,000V surge test, has a super-wide range of refrigeration operation (-30°C-55°C), and meets the IPX6 Waterproof Rating, and the corrosion classes C4 and C5. What's more, it can operate at an elevation of 4,000 meters. The new-generation VRF VC MAX with cooling function only, equipped with an efficient and powerful scroll compressor with enhanced vapor injection, satisfies refrigeration requirements within a wide range of temperature. Atom X, specifically designed for the North American market, integrates 24V unitary units and VRF units, and combines the sideward outdoor unit and the indoor unit. It can not only reduce the installation space for the outdoor unit, but also maintain the current interior architectural style. Coupled with the automatic filling of refrigerants, it can be flexibly applied to the North American market dominated by alternative scenarios. Atom T is a series of multifunctional VRF units and products that integrate air cooling and heating and water heating functions, adopt the R32 environmentally friendly refrigerant, and are developed for the European Union market. The outdoor units of the whole series can meet the requirements of diverse family scenarios. Additionally, the series meets the EU and Australian subsidy requirements for energy efficiency. The MDV Power series of light commercial air conditioners features fully variable frequency technology, high efficiency, and energy conservation, satisfies installation requirements through long piping and high drop height. The two options of indoor units can be applied in multiple commercial scenarios, such as shops, catering, leisure, and entertainment. The TR+S Pro multi-split products employ the brand-new design of dual wind wheels and feature an annual performance factor (APF) exceeding Energy Efficiency Grade 1. Its compact body and super-long piping can adapt to different installation spaces. The KONG-MIO thermostat enables wireless and intelligent control of multifunctional environmental control, air conditioning, fresh air, and floor heating. In terms of the digital and intelligent elevator brand, LINVOL, the construction of the Phase I factory of the Xiaotang Intelligent Manufacturing Base is completed. Additionally, the digital and intelligent passenger elevator series, "EVIN Standard" Machine Room Less, is released. An intelligent elevator service system, based on the iBUILDING-based intelligent elevator management platform, offers digital and intelligent elevator services.

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 customised design based on the building's characteristics. At present, the iBUILDING smart building business has stepped into industrial parks, medical institutions like hospitals, and public facilities. In terms of market expansion, Midea Building Technologies obtained such project orders In the first half of 2023 as the National Museum of Chinese Writing, Wyndham Grand Zhaoqing Downtown, the new studio of Media Storm, the Cornex New Energy (Wuhan) Lithium Battery Industrial Park, the SEMCORP-Jiangxi Ruieryg New Material Industrial Park, the JA SOLAR Industrial Park, "Liu Chun Xing Cheng", a commercial complex in Changting County, Fujian Province, the Shunde Charity Organization Alliance, Foshan City, the Centralized Procurement Project of China Mobile for High-pressure Chiller Units, the square of the Yuanjiang Station of the China-Laos Railway, Xi'an TUS-Children's Hospital, Citigroup Center, and Guangxi Vocational College of Technology and Business. Furthermore, some of its projects have won awards, resulting in constantly improving market recognition and influence. Particularly, the three iBUILDING smart building benchmark projects--Midea Headquarter Building, the Jingzhou Factory of Midea Building Technologies, and the West District of Midea Industrial Park--won the 2023 Asia Design Prize. Three awards of the 2023 Red Dot Award: Product Design and four awards of the iF Design Award 2023 were granted to Midea Building Technologies' ChillerDoctor Gateway, the Cassette Indoor Unit with 360° Circular Air Exhaust, the R290 Air-source Heat Pump Unit, Midea Headquarters Building Intelligent Operations Center (IOC), Midea Jingzhou Factory Intelligent Operation Center (IOC), and Midea Industrial Park West District Intelligent Operation Center (IOC). Midea Headquarters Building, Shanghai Tongji Hospital, and Midea Smart Building Integrated Digital Management Cloud Platform iBUILDING Portal each winning the 16th International Design Awards (IDA). The "Midea Rubik's Cube" and "iBUILDING Edge Engine" of Midea Building Technologies were granted the Expert Award and Industry Leadership Award for Energy and Industrial Industries of EdgeX Challenge China 2022, respectively. Midea Building Technologies' "Smart Clean Space Solution" won the titles, "Preferred Solution" and "Quality Solution" of Operating Room Planning, Design and Construction of the Second "Professional Promotion Project of High-quality Development of Hospitals in China--Golden Ruyi Award". LINVOL smart elevators for villas were recognized as the "User Preferred Home Elevator Brand" at the First

National Home Elevator Summit. Additionally, West District of Midea Industrial Park was included in the "2022 Excellent Cases of Intelligent Industrial Parks", upon the selection and assessment of the "Review Meeting of the 2022 Excellent Cases of Intelligent Industrial Parks", led and organized by the Smart City Standards Task Force of the National Information Security Standardization Technical Committee. In the West District of Midea Industrial Park, the LIFE Digital Intelligent Industrial Park Solution, centering on the iBUILDING Midea Building Digital Platform, offers comprehensive services integrating software and hardware, connects all kinds of equipment, covers intelligent travel, intelligent offices, and intelligent operation and maintenance, and achieves digital and high-efficiency operation and maintenance as well as personalized and intelligent offices.

In regard to technological innovation and standardization, Midea Building Technologies continuously strengthened R&D input and made remarkable results in the first half of 2023. For example, the "Key Technologies and Industrialization of Wide Temperature Range Full Condition High-efficiency Multi-split Air Conditioning Systems", led by Midea Building Technologies and jointly completed by Shanghai Jiao Tong University, Xi'an Jiaotong University, and Guangdong Midea Environmental Technologies Co., Ltd., won the First Prize of Industry-university-research Cooperation Innovation of the China Industry-university-research Cooperation Innovation and Promotion Award. Midea Building Technologies' four products, namely the "MDV8 Unbounded VRF Unit", the "65kW-R32 Medium- And High-temperature Commercial Heat Pump Unit", the "Magnetic Levitation Ice Storage Chiller Unit", and the "Smart Building IoT Controller", were recognized as "Innovative Products of the 2023 China Refrigeration Expo" by the Organizing Committee of China Refrigeration Expo. Meanwhile, the "MDV8 Unbounded VRF Unit", the "High-efficiency Magnetic Levitation Inverter Centrifugal Ice Storage Dual-condition Unit", and the "High-efficiency Distributed Control System with Multiple Intelligent Agents for Computer Rooms and the Intelligent Operation and Maintenance Cloud Platform" were included in the 2022 China Association of Refrigeration Energy-saving and Eco-friendly Product Catalog by the Chinese Association of Refrigeration. What's more, the "Research and Application of Digital High-performance Variable Frequency Control Technology" of Midea Building Technologies was granted the Third Prize of the 2022 Science and Technology Award of the Chinese Institute of Electronics. The "Research and Application of MDV-Link Communication Technology" and the "Sealing and Heat Management of IP55 Electric Control Box and the Application of Its Automated Manufacturing Technology" of Midea Building Technologies

won the First and Second Prizes of the 2022 Science and Technology Award of the Guangdong Hi-tech Enterprise Association, respectively. The "Setting Method of the Air Gap Value for Magnetic Bearing Compressors and Air Conditioners", a patent for invention of Midea Building Technologies, was granted the 24th China Excellence Awards for Patents. Moreover, the "Magnetic Levitation Inverter Centrifugal Ice Storage Dual-condition Unit" and the "R32 All DC Inverter High-efficiency Commercial Heat Pump" won two Gold Awards and the "Air-cooled Variable Frequency Screw" won a Bronze Award at the 48th Geneva International Inventions Exhibition. With respect to industry standardization, Midea Building Technologies participated in the formulation or revision of multiple national standards, industry standards, and group standards, including the national standards of the Water-source High Temperature Heat Pumps Using The Vapor Compression Cycle and the Chiller (Heat Pump) Units for Energy Storage Batteries, the industry standards of the Magnetic Levitation Centrifugal Compressors with Refrigerants, the Air Conditioning Units for Enclosed Space of Communication Base Stations, and the Technical Specification for Field Measurement of Energy Efficiency and Energy Saving of Multi-split Air Conditioning System, and the group standards of the Green Intelligent Multi-split Air Conditioning (Heat Pump) Units. Additionally, Midea Building Technologies won the title, 2023 Organization with Outstanding Contribution to Heat Pump Standardization of the China Energy Conservation Association.

#### **H. 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 the first half of 2023, KUKA continued to promote the innovation of various products and technologies. In the field of general industry, KUKA launched KR CYBERTECH series of robots, which are suitable for processing and manufacturing scenarios from grip and handling to polish, oriented to price sensitive markets, with multiple advantages such as lower costs, higher quality, and more comprehensive functions, and thus easier for customers of small and medium-sized enterprises to achieve automation upgrades. Among the series, KR CYBERTECH KR 20 E robots can operate under different working conditions, with a payload up to 20 kg and an operation distance up to 1820 mm. At the

International Foundry Trade Fair held in Germany in 2023 (GIFA 2023), KUKA showcased KUKA cell4\_premachining manufacturing cells and KR FORTEC ultra heavy-duty robots for customisable automation. Among them, the cell4\_premachining manufacturing cells have compact modular design, can be applied in reprocessing casting scenarios such as polish and smoothing, saw cutting, milling, cleaning, and grinding, and can achieve finishing treatments of different materials, parts, and components with maximum flexibility and user-friendliness. The robotic manufacturing cells include KR QUANTEC nano robot, library milling application, powerful motor spindle, quick tool-replacing mechanism, KUKA three-axis positioner kp3-v2v-3, etc. KR FORTEC ultra heavy-duty robots can carry a payload up to 800 kg, with the shortest cycle time of 0.36 s, can quickly and accurately manipulate large workpieces, and can be used in such application scenarios as battery pack assembly and integrated car body die casting. At the Leading Exhibition for Smart Automation and Robotics held in Munich in 2023 (Automatica 2023), KUKA displayed its latest version of KR QUANTEC series robots. Compared with traditional products, the series of products can save energy consumption up to 60%, with a payload up to 300 kg and an operation distance up to 3904 mm, and can be applied in many market segments such as automobile, casting, and medicine, with such advantages as excellent performance, economy, and flexibility. In the field of human-robot collaboration, KUKA demonstrated its product mix of LBR iisy collaborative robot and the new version of operating system iiQKA.OS, and also showcased such products as KMR iisy mobile collaborative robot. Among the products, 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. Featuring an ergonomic product design, and being easy to operate, solid and durable, LBR iisy can carry a payload of 3-15 kg. In comparison, KMR iisy mobile collaborative robot is a mix of collaborative robot and transport platform that are comprehensively integrated, comprising LBR iisy collaborative robot with a payload of 11 or 15 kg, and KMP 1500P mobile platform bearing an additional load up to 200 kg. Fast, safe, and mobile, KMR iisy can be applied in various scenarios such as installation, internal logistics, and robotic service system. In the medical field, KUKA displayed at the European Robotics Forum 2023 an innovative medical product application, namely "Arthritis Ultrasound Robot", which helps physicians to quickly diagnose patients' rheumatoid arthritis through ultrasonic imaging by using KUKA's highly sensitive light-duty LBR Med medical collaborative robotics. Besides, at the International Conference on Robotics and Automation held in London in 2023 (ICRA 2023), KUKA and its partners demonstrated how

the LBR Med robotics could be applied in highly complex and sensitive medical scenarios such as brain tumour biopsies, by simulating tumour biopsies in the real-time tracking models and enabling physicians to place biopsy needles with the aid of the robotics. In addition, the extra flexible magnetic endoscopy provided by Atlas Endoscopy can effectively overcome the defects of conventional colonoscopy such as discomfort, sedation-related complications, and high variability of examination results, and this technique also mainly applies KUKA LBR Med medical collaborative robotics to achieve operation and examination. With respect to market development, In the first half of 2023, KUKA and Siemens Healthineers further expanded their cooperation in such fields as minimally invasive surgery, and in the next two years, KUKA will provide Siemens Healthineers' angiography system with 300 robots, of which, KUKA KR QUANTEC robots will be the core components. Since 2016, globally there have been more than 550 hospitals using this set of medical system. KUKA also intensified its cooperation with FAW-Volkswagen, whose Foshan plant functioning as its manufacturing base in southern China, capable of producing 300,000 sets of battery packs annually, has applied approximately 100 KUKA Robotics in multiple manufacturing links of battery pack product lines such as weld, bond, and assembly, involving KUKA's multiple series of robot products such as KR QUANTEC, KR FORTEC, and KR titan.

KUKA continuously promotes the integration and expansion of resources in the Chinese market and intensifies organizational reform and product iteration with a focus on industrial applications and key customers. In terms of market, In the first half of 2023, KUKA China once again reached a record high in production capacity and shipping volume, gradually improved its efficiency of operations, steadily boosted its profitability, and continued to intensify its cooperation with leading customers in the new energy sector, such as BYD, Tesla, FAW-Volkswagen, NIO, and CATL, by offering integrated solutions to manufacturing of mainstream finished new energy vehicles. Meanwhile, KUKA China increased its input of resources for the post sales service team, so as to continuously boost its quality of post sales service, and increase customer satisfaction and customer royalty. Regarding products, KUKA China unveiled its multiple products such as KR3 DELTA-SDR, KR20 SCARA R800/1000/1200, and KR20 R1810 Edition, and thus has further perfected its product matrix oriented to consumer electronics industry. Meanwhile, KUKA China proactively made the overall arrangement of the technologies related to its parts and components, and have made substantive breakthroughs in manufacturing on its own the core parts and components of such products as KR SCARA robots and KR C5 control cabinet. In the sector of logistic automation,

KUKA China launched in the first half of the year such products as KMP 400P, KMP 600P-C-U, and UniStore, achieving market breakthroughs in such industries as chemical engineering and liquor and spirits. With respect to capacity and supply chain, in May 2023, the second phase of Midea KUKA Intelligent Manufacturing Science and Technology Park (Shunde, Guangdong) fully went into operation, with the planned annual capacity of 100,000 robots at most, and will comprehensively promote the localization of robot supply, and support manufacturing automation and digital transformation. Additionally, the park proactively introduced upstream suppliers in the industrial chain to improve the layout of the industrial chain, with many enterprises in the industrial chain stationed in the park at present, covering the supply of the core parts and components of many models of robots. Furthermore, officially put into use in 2023, KUKA East China Manufacturing Base (Kunshan, Suzhou) has gathered the three major business segments of KUKA industrial automation, Swisslog Logistics, and Swisslog Healthcare, extending the product range to such products as stackers of Swisslog Logistics, AGV robots, and pneumatic logistic transfer system of Swisslog Healthcare. In terms R&D, In the first half of 2023, the patented technology independently developed by KUKA China, namely the "control method, device, computer equipment and storage media for robotics motion", had the honour to win the 24th China Patent Excellence Award. Besides, KUKA China, with its KR CYBERTECH nano ARC HW Edition arc welding robotics, had the honour to win the "2023 Ringier Technology Innovation Awards for Metal Processing Industry". In addition, the KUKA Robotics has been successfully listed into the fifth batch of provincial industrial design centres by the Department of Industry and Information Technology of Guangdong Province. Furthermore, KUKA also proactively assisted Midea Group in boosting its intelligent manufacturing. By June 2023, the robot density of Midea reached 550 units per 10,000 persons, and Midea Group will further increase its input to boost its intelligent manufacturing capacity.

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

In the first half of 2023, 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, seven restricted share incentive schemes, eight global partner stock ownership schemes, five business partner stock ownership schemes and the 2023 stock ownership scheme, 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 since the Group's 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.

### **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 home appliance and HVAC system manufacturer with a complete industrial chain and comprehensive product offerings, 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 31 research centers in 10 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 the ToB businesses. Meanwhile, the Company has a solid foundation in the global home appliance industry, mastering core technologies of various home appliance categories and possessing outstanding advantages in the field of core components of home appliances. It continues to upgrade towards intelligent manufacturing on the basis of its world-leading mass manufacturing capacity. Relying on the advanced technologies and experience of the five factories included in the "Global Lighthouse Network", the Company leads the way in the application and development of intelligent manufacturing in the industrial end across the world, with a competitive edge of efficient operation throughout the entire value chain. Meanwhile, supported by its diversified product coverage, manufacturing bases in major overseas markets, expanding matrix of overseas own brands, and improving overseas channel network, the Company 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 21 overseas manufacturing bases and 24 overseas operating agencies. Midea holds firm to the strategy of "Global Impact". Its global operation system has been further improved through the reform of international business entities, accelerated talent development in international entities at the front end, improved local business entities

overseas, and enhanced operational capabilities in various overseas markets. 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. It also focuses on expanding and constructing premium brand stores for COLMO and Toshiba. Centred 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 630 "home decoration + appliances" deeply integrated brand stores. Also, it continuously promotes layered operations for pre-decoration stores, creating an integrated decoration style for home appliances and home decoration, and providing one-stop services for users. In the first half of 2023, the retail sales on the pre-decoration market saw a year-on-year increase of over 100%. With exclusive stores as the core, the Company builds a "Midea Cloud Sales +" ecosystem covering markets at all tiers, establishes an exclusive store system with core competitiveness for various markets, as well as firmly promotes and transforms the exclusive

store service, operation, and all-product retailing capabilities, among others.

Annto, a technological innovation-based provider of 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 approximately 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 over 1,000 customers in more than 50 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, integrate online and offline business data as well as product and service data, and 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. So far, the Company has launched nine Stock Option Incentive Schemes, seven Restricted Share Incentive Schemes, eight Global Partner Stock Ownership Schemes, five Business Partner Stock Ownership Schemes and the 2023 Stock Ownership Scheme 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**

### **Overview**

See contents under the heading "2. Business Scope in the Reporting Period" above.

## YoY changes in key financial data:

Unit: RMB'000

	H1 2023	H1 2022	YoY Change (%)	Main reasons for change
Operating revenue	196,988,402	182,661,009	7.84%	
Cost of sales	147,276,358	140,424,168	4.88%	
Taxes and surcharges	1,040,376	798,939	30.22%	Increased urban maintenance and construction tax and education surcharge
Selling and distribution expenses	17,133,216	14,698,373	16.57%	
General and administrative expenses	5,670,400	4,951,069	14.53%	
Research and development expenses	6,610,954	5,865,033	12.72%	
Finance costs	-1,363,661	-1,735,418	-21.42%	
Investment income	410,154	607,847	-32.52%	Decreased income from the disposal of derivative financial assets and liabilities
Gains/(losses) on changes in fair value	-103,703	-749,742	86.17%	Changes in the fair value of equity instrument investments
Income tax expenses	3,578,491	2,710,551	32.02%	Increased before-tax profit
Net profit attributable to minority interests	296,525	126,901	133.67%	Increased profits of non-wholly-owned subsidiaries
Net cash flows from operating activities	29,784,674	21,394,710	39.22%	Increased cash received from sales of goods or rendering of services
Net cash flows from investing activities	-27,046,688	-6,562,852	-312.12%	Increased cash paid to acquire investments
Net cash flows from financing activities	-6,437,928	5,783,043	-211.32%	Increased cash payments for interest expenses and distribution of dividends or profits
Net increase in cash and cash equivalents	-3,571,173	20,760,688	-117.20%	Decreased net cash flows from investing activities

## Major changes to the profit structure or sources of the Company in the Reporting Period:

Applicable N/A

No such cases in the Reporting Period.

### Breakdown of operating revenue:

Unit: RMB'000

	H1 2023		H1 2022		YoY Change (%)
	Amount	As a percentage of total operating revenue (%)	Amount	As a percentage of total operating revenue (%)	
Total	196,988,402	100%	182,661,009	100%	7.84%
By business segment					
Manufacturing	177,405,216	90.06%	163,263,193	89.38%	8.67%
By product category					
HVAC	92,006,787	46.71%	83,236,383	45.57%	10.54%
Consumer appliances	68,136,204	34.59%	66,334,685	36.32%	2.73%
Robotics, automation systems and other manufactured products	17,262,225	8.76%	13,692,125	7.50%	26.07%
By geographical segment					
PRC	116,452,278	59.12%	104,822,467	57.39%	11.09%
Outside PRC	80,536,124	40.88%	77,838,542	42.61%	3.47%

During the Reporting Period, the industrial technology revenue was RMB13.6 billion, up 12% year-on-year; the building technologies revenue was RMB14.8 billion, up 21% year-on-year; and the robotics & automation revenue was RMB15.2 billion, up 24% year-on-year.

Business segments, products or geographical segments 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	177,405,216	129,949,773	26.75%	8.66%	5.33%	2.32%
By product category						
HVAC	92,006,787	70,500,436	23.37%	10.54%	7.29%	2.32%
Consumer	68,136,204	46,339,869	31.99%	2.72%	-1.32%	2.78%



appliances						
Robotics, automation systems and other manufactured products	17,262,225	13,109,468	24.06%	26.07%	22.51%	2.22%
By geographical segment						
PRC	116,452,278	87,499,362	24.86%	11.09%	9.23%	1.28%
Outside PRC	80,536,124	59,776,996	25.78%	3.47%	-0.90%	3.28%

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 period is calculated based on adjusted statistical standards at the end of the Reporting Period

Applicable N/A

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

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

	30 June 2023		31 December 2022		Change in percentage (%)	Explanation about any material change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Cash at bank and on hand	71,734,919	15.50%	55,270,099	13.08%	2.42%	
Accounts receivable	36,454,972	7.88%	28,237,973	6.68%	1.20%	
Contract assets	4,703,917	1.02%	4,498,956	1.06%	-0.04%	
Inventories	33,693,045	7.28%	46,044,897	10.90%	-3.62%	
Investment properties	1,366,242	0.30%	809,936	0.19%	0.11%	

Long-term equity investments	4,731,210	1.02%	5,188,817	1.23%	-0.21%	
Fixed assets	28,336,765	6.12%	26,082,992	6.17%	-0.05%	
Construction in progress	5,414,509	1.17%	3,843,777	0.91%	0.26%	
Right-of-use assets	2,687,642	0.58%	2,339,878	0.55%	0.03%	
Short-term borrowings	19,289,107	4.17%	5,169,480	1.22%	2.95%	
Contract liabilities	29,075,185	6.28%	27,960,038	6.62%	-0.34%	
Long-term borrowings	39,030,039	8.43%	50,685,948	12.00%	-3.57%	
Lease liabilities	1,767,894	0.38%	1,507,480	0.36%	0.02%	

## 6.2 Main assets overseas

Applicable N/A

## 6.3 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
<b>Financial assets</b>								
1. Financial assets held for trading (excluding derivative financial assets)	3,284,593	288,323	-	-	5,152,835	776,090	244,340	8,194,001
2. Derivative financial assets	752,451	-43,898	-71,970	-	1,335,628	194,374	-16,023	1,761,814
3. Receivables financing	13,526,540	-	-	-	1,940,394	-	-	15,466,934
4. Other debt investments and others	17,626,302	-	-	-	20,000	3,138,348	338,405	14,846,359

5. Investments in other equity instruments	41,359	-	-	-	-	-	-67	41,292
6. Other non-current financial assets	10,625,244	-554,403	199,609	-	159,090	1,730,138	498,473	9,197,875
Sub-total of financial assets	45,856,489	-309,978	127,639	-	8,607,947	5,838,950	1,065,128	49,508,275
Investment properties								
Productive living assets								
Others								
Sub-total of the above	45,856,489	-309,978	127,639	-	8,607,947	5,838,950	1,065,128	49,508,275
Financial liabilities	1,895,310	1,158,936	330,405	-	289,770	307,555	6,609	3,373,475

#### 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

#### 6.4 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 the same period of last year (RMB'000)	YoY Change (%)
87,829,148	60,554,514	45.04%

#### 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	Profit or loss from change in fair value during the period	Cumulative fair value change recorder in equity	Purchased in the period	Sold in the period	Profit or loss in the period	Closing carrying amount	Accounting title	Funding source
Overseas listed stock	1810	XIAOMI-W	769,972	Fair value method	586,342	-11,730	18,406			-11,730	593,018	Financial assets held for trading	Own funds
Overseas listed stock	SOUN	SoundHound AI	157,203	Fair value method	51,889	81,553	4,948			81,553	138,390	Financial assets held for trading	Own funds
Domestically listed stock	688165	EFORT	178,534	Fair value method	274,120	172,935			-28,893	169,454	414,681	Financial assets held for trading	Own funds
Domestically listed stock	688322	Orbbec	300,000	Fair value method	134,670	153,597				153,597	288,267	Other non-current financial assets	Own funds
Domestically listed stock	688159	Neoway	31,600	Fair value method	29,100	32,225			-21,353	41,728	49,475	Financial assets held for trading	Raised funds

Domestically listed stock	688162	JEE	88,180	Fair value method	153,353	-6,514				-6,514	146,839	Financial assets held for trading	Raised funds
Domestically listed stock	301135	Real-Design	40,000	Fair value method	62,101	15,552				15,552	77,653	Financial assets held for trading	Raised funds
Domestically listed stock	688097	BOZHON	55,000	Fair value method	89,746	9,308				9,308	99,054	Other non-current financial assets	Raised funds
Domestically listed stock	001283	Highpower Technology	20,000	Fair value method	38,030	-1,458				-1,458	36,572	Other non-current financial assets	Raised funds
Total			1,640,489	-	1,419,351	445,468	23,354	-	-50,246	451,490	1,843,949	-	-

## 7.4.2 Derivatives investments

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	85,017	-	-67,725	-	-	17,292	0.0118%
Forex contracts	352,895	-1,320,951	-334,650	70,365	37,722	- 1,317,003	-0.8998%
Cross-currency interest rate swaps	4,276,688	-214,809	199,609	-	-	4,174,908	2.8523%
Total	4,714,600	-1,535,760	-202,766	70,365	37,722	2,875,197	1.9644%

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-1,851.791 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.)	<p>For the sake of eliminating the cost risk of the Company's bulk purchases of raw materials as a result of significant fluctuations in raw material prices, the Company not only carried out futures business for some of the 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> <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</p>

	<p>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-1,738.526 million during the Reporting Period.</p> <ol style="list-style-type: none"> <li>1. The fair value of futures contracts was determined on the basis of publicly quoted prices in the futures market.</li> <li>2. The fair value of forex contracts was determined based on banks’ quoted prices for foreign exchange products.</li> <li>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,</li> </ol>

	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)	29 April 2023
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)	20 May 2023
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	The Company's independent directors are of the view that the futures hedging business is an effective instrument for the Company to eliminate price volatility and implement risk prevention measures through enhanced internal control, thereby improving the operation and management of the Company; the Company's foreign exchange risk management capability can be further improved through the forex funds business, so as to maintain and increase the value of foreign exchange assets and the abovementioned investment in derivatives can help the Company to fully bring out its competitive advantages. Therefore, it is practicable for the Company to carry out derivatives investment business, and the risks are controllable.

## 7.5 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



(in RMB million)

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	25,150	11,484	8,316	1,522	1,324
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	Subsidiary	Manufacturing of residential air conditioners	RMB830 million	12,787	4,608	8,411	1,463	1,241
GD Midea Heating & Ventilating Equipment Co., Ltd.	Subsidiary	Manufacturing of commercial air conditioners	RMB500 million	20,158	3,434	12,029	1,189	1,039
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	Subsidiary	Manufacturing of residential air conditioners	RMB640 million	13,350	4,803	8,286	1,131	974

#### 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 ShenZhen CLOU Electronics Co., Ltd. and its subsidiaries (referred to as "CLOU Electronics") (please refer to Note 5(1)), 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).

#### Particulars about major subsidiaries

N/A

### 10. Structured Entities 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 coordinated development of ToC and ToB businesses under the guidance of the strategic focus. The "Second Growth Engine" has been fired up. The Company drives profitability improvement through the enhancement of product strength and core technologies in the ToC end, providing strategic support for the transformation of the ToB business. Also, it continues to strengthen its globalisation capability, striving to transform from a China-based company to a global one. While maintaining its superiority in efficiency, the Company drives growth through innovation and builds product and technological advantages. 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 endeavor 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, 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.

With strategic certainty, Midea is well prepared for uncertainties in the future. It firmly upgrades its business models. In terms of the home appliance business, the key is to achieve further growth through

business model upgrades such as DTC transformation for domestic sales and OBM transformation for export, and to explore new approaches to continuously drive cost reduction and efficiency improvement through the combination of the through-value-chain, no-breakpoint, seamless, and people-never-see-people digitalisation capabilities and lean management. It is also important to insist on structural upgrading, i.e. adjusting large structures, refining small structures, and creating new structures. The key is to provide high-quality, differentiated products. The Company continues to invest in and improve the "Three Generations" R&D system to increase added value and profitability of products, better support technological research and development and structural upgrading, and continue to invest in the future in order to achieve stable and sustained high-quality growth. In addition, Midea insists on business upgrading. By further increasing investment in the ToB business, continuously improving product strength, realising value chain autonomy, grasping opportunities to quickly seize market share, the Company fully fires up the "Second Growth Engine". With the customer-oriented principle as the root of corporate innovation and reform, the Company accelerates DTC breakthroughs. Grasping capital flow, cargo flow, information flow and other information of the whole value chain through direct contact with customers/users, the Company is able to deepen the implementation of an online system for policies and visualisation of the whole order process. By doing so, it can gather retail data in real time, and acquire first-hand information on customer needs for its reform and innovation. Further, the Company shortens the factory-to-user process through the development of online capabilities and the further online-offline integration, so that the products and services can be delivered to the users at the lowest cost and the fastest speed.

**Key operation points in the first half of 2023:**

In the second half of 2023, based on the core strategic focus with "Technology Leadership" as the core, Midea will continue to "refocus and return" at the strategic and operational levels, and firmly promote the closure, discontinuation, mergers and conversion of non-core businesses. Adhering to the annual operating principle of "Stabilize Profit & Drive Growth", it will endeavour to achieve its annual objectives in a steady and high-quality manner. Meanwhile, further efforts will be made to promote the decentralisation and improvement of the governance mechanism, develop an internal entrepreneurial group, and fully stimulate entrepreneurial spirit. Midea will strive to be the best it can be in a long season.

The Company will look at its own problems and shortcomings in a calm and rational manner, focusing on "efficiency, performance and results". It will continue to drive business breakthroughs, advance faster with innovation, as well as explore new approaches, models, products and capabilities. On the product end, the Company will continue to strengthen the product structure adjustment, the development of new product categories and breakthroughs in weak product categories; on the channel end, efforts are being made to promote the expansion of new markets, the use of new approaches, and the development of new business forms such as interest-based e-commerce; and on the operation end, the Company will insist on controlling operating risks and expenses, balancing investments and returns, driving higher profitability and improving cash flow. Key tasks for the second half of 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 strengthen overseas R&D capabilities, give clear functions to overseas R&D bases, and strengthen local management of overseas entities. Continuous efforts will be made to strengthen localized R&D capabilities 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, with an aim to enhance global co-innovation strength. 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 the ToB business, it will continue to promote the industrialisation of innovative technologies, increase the research on differentiated and innovative technologies in new businesses, improve the vertical integration of the industrial chain, and join hands with strategic partners in the development of digital technologies, so as to drive a second growth curve. 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, simplify delivery rules, strengthen retail sales, and set up a professional team 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. It is also accelerating the scale expansion of premium brands and the enhancement of online content live-streaming marketing capabilities. Further, it will promote the new retail transformation of the customer system, accelerate the integration of online and offline businesses, expand store and product coverage, stabilise the supply chain system, optimise ToC retailing tools, increase the e-commerce distribution capabilities of the offline exclusive store system, and cultivate offline live-streaming and content-based marketing capabilities to enhance the sales conversion rate. With respect to marketing, Midea will empower the retail end and customers through the refinement of event operations, structured product

marketing, and standardised retail experience. With consistent online and offline branding, the Company will strengthen the node integrated marketing capability. By integrated branding strategy, content and advertising, it is able to strengthen the quality of content and branding effect, increase brand and product visibility, and reach customers effectively. Meanwhile, the Company will continuously expand the base of private domain users to enhance user satisfaction and royalty. 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, accelerate the establishment of a two-way channel to reach private domain users, and optimise the membership operation capability. The Company will continue to optimise service process reconstruction, enhance user participation in closed-loop confirmation rates, and strengthen user satisfaction in the service process. Midea will continuously upgrade service 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 professional service capabilities of suite-based service outlets, and improving the user experience of delivery, installation, product suite and entire-house smart scenario services. Also, it will further enhance the basic service capabilities of premium brand outlets and service engineers, and create differentiated service programmes for premium brands. In addition, efforts will be made to promote service-driven sales, butler-like service, product return and exchange experience improvement and other reform programmes to provide customers with one-stop service experience. With regard to the premium brands, Midea will insist on practices in four aspects. The first is to insist on being retail-oriented, deepening the retail model, accumulating sales driving approaches, strengthening customer operation, and creating multi-functional entire-house smart stores to offer immersive buyer experience as an upgrade of the retail model. The second is to insist on building smart experience stores for the premium brands, introducing high-quality customers, enabling a two-step home delivery service for customers, as well as improving service and user experience. The third is to insist on promoting entire-house solutions, deepening the solutions of "entire-house smart systems + home appliances", providing customers with product suite solutions, and deeply integrating home appliances and smart home systems through the launch of homegrown core terminals such as smart central control and household smart host. Finally, Midea will insist on building retail organizations to provide customers with differentiated entire-house smart solutions that deeply integrate smart home appliances and smart home systems, as well as on establishing a nationwide technical service system for entire-house smart solutions to support the

whole process from smart solution design, delivery and installation, debugging, acceptance, to after-sales service.

d. In the overseas market, Midea will adhere to the front-end organisational system and regionalised development as the core, accelerate the front-end infrastructure construction, build a front-end market resource sharing platform, cultivate an international organisation and talent system, firmly invest in its own brands, and focus on products, retail and channels. In terms of products, continuous efforts will be made to build localised R&D and design capabilities at the front-end of each regional organisation, accelerate product structure optimisation and new product iteration by relying on the technological advantages of core product categories and taking into account the development trends of different product categories in different regional markets, and build user experience centres based on smart life scenarios, so as to provide users with a smarter and more convenient smart home experience. At the retail end, the Company will further expand retail outlets, promote the application and iteration of empowering tools around retail operation practices, and upgrade the infrastructure of retail outlets to provide more convenient experience for customers. With regard to channels, actions to be taken include developing professional channels in regional markets and reach more customers with professional products and services, with a particular focus on the expansion of professional channels such as HVAC, built-in appliances and engineering & installation. As for service, the Company will continue to improve the global spare parts supply and service system by continuously expanding the service coverage of the global spare parts centre and optimizing the supply efficiency, improve the access efficiency of the global call centre, connect the global call centre to social media and the brands' official websites, and promote the application of new technologies, so as to enhance the comprehensive service capabilities in overseas markets.

e. Midea will continue to deepen the implementation of its dual 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. WAHIN will continue to differentiate and innovate around users, products and product accessories, build a multi-category product portfolio, and provide consumers with smart and comfortable experience. It will maintain its focus on forward-looking young consumers, continuously target young groups through school-enterprise cooperation, explore diversified cross-field modes during summer graduations and job-hunting seasons, create new shopping scenarios in e-commerce channels and on new media with more content-driven "virtual stores", and drive sales through higher brand visibility.

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 terms of domestic marketing, the Company is set to further enhance the support of new product launches through digital capabilities, deepen the application of big data and algorithms, and explore market opportunities with the help of different-industry data collision and algorithm optimisation. Also, it will empower the business team with digital tools, promote digital application, continuously optimise data quality, and improve the effectiveness of data and digital tool application. Concerning overseas marketing, Midea is poised to enhance overseas manufacturing capabilities through digital tools, continuously optimise overseas service capabilities, facilitate overseas branding and brand presence enhancement, and at the same time strengthen overseas trade compliance and risk control through digital technologies. In the ToB business, Midea will deepen business reform and data governance, improve the business continuity operation mechanism, and support the launch of "ToB Salesmart", a digital marketing platform. Regarding R&D, further efforts will be made to broaden and deepen the application of digital planning in various business areas, while exploring the application of AIGC in R&D to drive transformation towards a highly collaborative R&D model. With respect to manufacturing and the supply chain, the Company will carry on with the integrated supply chain reform campaign, strengthen the construction of the ISC operation and management system, promote order and production capacity visibility based on

the customer's perspective, as well as improve the overseas KD delivery efficiency and the delivery capability of overseas factories to increase customer satisfaction. Also, it will establish planning centres and order centres to fully deepen the application of integrated supply chain systems and support the efficient operation of the value chain. More measures to be taken include promoting the continuous enrichment of the knowledge base of the knowledge management platform, capitalize on AIGC to empower knowledge Q&A, deepen the application of intelligent logistics, and realise data interconnectivity of terminals such as access control systems and consumption terminals of Midea's industrial parks. Regarding big data, Midea is set to deeply explore the domestic ToC business, the overseas ToC business and the ToB business, focus on seven major data application areas such as domestic home appliance retailing, content marketing and global VOC, as well as accelerate business development through intelligent decision-making, digital tools and algorithms and other means of big data analysis. In the meantime, it will also further develop the comprehensive digital competence of employees and create a digital environment across the organization. In terms of digital base construction, Midea will strengthen the shift-left measure, enhance the endogenous security capacity of the application system, and provide assurance for safe and stable business operation. Meanwhile, it will see to the on-time delivery of the Gui'an Midea Cloud Base, create a hybrid cloud deployment architecture featuring global cloud-ground collaboration, fully incorporate the AIGC capability, and verify the feasibility of self-built large models.

g. Midea aims to drive further growth in its industrial technology business, continuously expand business boundaries, and accelerate growth. In the second half of 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, improve the processes and mechanisms of technology and platform research, optimise the product mix, and driving profitability. Also, it will make continuous breakthroughs in new products, technologies, and applications, providing customers with eco-friendly, efficient, and intelligent products and technology solutions. New valve, pump and other products are launched. Valve products are advancing towards mass production, while dishwasher integrated heat pumps and heat pump heat circulating pumps have entered mass production. Moreover, the Company will improve production efficiency and strengthen product cost advantages, bolster its global supply chain capabilities, enhance global competitiveness by fully leveraging the local advantages of the factories in India and

Thailand, 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 key customers and increasing the global market share of its products. The Company continues to strengthen the competitiveness of its chips for home appliances. A variety of MCU chip products such as master control, touch control, and variable frequency chips have been launched to the market, and a non-inductive FOC low-power IPM module has been developed. Relying on the advantages of the Group's industrial chain cluster, efforts are also made to attract other major home appliance makers. Regarding intelligent transportation, Midea will leverage its innovative advantages to achieve comprehensive improvements in customer base, products, and manufacturing capabilities. Meanwhile, it will continuously explore markets to attract more major customers at home and abroad, as well as expand the market coverage of various thermal management products for different car models, so as to ensure rapid sales growth. More efforts will be made in terms of the development of products and technologies, including promoting the development of surface-mounted permanent magnet synchronous motors (SPM) and interior permanent magnet synchronous motors (IPM), materialising mass production and delivery of flat-wire drive motors, and carrying out next-generation platform, product and technology development, in pursuit of a development path of "components-modules-systems". In addition, the Company's efforts will continue to improve manufacturing capability. It will complete the production ramp-up for electric power steering (EPS) motors, and advance the construction planning for overseas component factories to achieve a continuous increase in production capacity. In terms 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. New high-performance rotary and linear servo drive products, encoders and automated optical inspection (AIO) products will be launched in the second half of 2023. The Company will also put a number of harmonic reducer products into production and send testing samples to a number of major customers in the robotics industry, which has further improved the product portfolio. Swift actions will be taken to reform the marketing model, expand new channel resources, and explore business opportunities in accordance with the strategy of "maintain the existing customer base, seize business opportunities, and attract new

customers". The Company will strengthen the flexible manufacturing capability, improve product delivery efficiency, improve the entire quality control system through the digitalised information system, complete the construction of the test centre, and upgrade testing means for production lines. With respect to green energy, CLOU Electronics will promote internal business integration, explore non-power-grid markets based on the power grid market, expand the new energy market, work on the overseas market and overseas localisation, and focus on the large-scale energy storage and industrial and commercial energy storage markets in Europe. It will continue to promote localised solutions, platform-based R&D, and product technique optimisation, as well as to accelerate the development and certification of new products overseas, while leveraging Midea Group's supply chain resources to achieve synergistic integration and continue to promote cost reduction and efficiency gains. Also, it will increase investment to enhance the intelligent manufacturing capability, further layout of energy storage capacity, and strive to build a "Lighthouse" factory in the energy storage industry. And it will optimise the inventory management capability and improve the quality of operation and management.

h. Midea will accelerate project collaboration between the 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. In terms of R&D, Midea will beef up KUKA's localized operations and resource integration in China, increase investment in the development and application of robotics, foster R&D innovation of core components and software systems, as well as accelerate the promotion and application of new products. In terms of marketing, Midea will take active steps to explore new areas including new energy, general industrial manufacturing, electronics, medical care and logistics, services, etc. Meanwhile, it will strengthen resource investment in the technical service team to meet customer needs with fast and efficient response and competitive system solutions. 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.

i. Midea will adhere to the value positioning of production logistics, deeply explore the two areas of lean logistics and digital empowerment, strengthen HUB warehouse sharing and route development, promote the integrated model of reused packaging and transport package, link to more upstream component

suppliers with the help of digital service products, and build a digital collaboration platform for production logistics, so as to continuously promote the integration of the manufacturing industry and the service sector. Also, it will continue to deepen the warehouse and distribution B/C integrated business, release more operational vitality through deep mechanism change, and actively explore new business models to provide services for more customers.

### **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.

## Section IV Corporate Governance

### 1. Annual and Extraordinary General Meetings of Shareholders Convened during the Reporting Period

#### 1.1 General meetings of shareholders convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Resolution of the meeting
First Extraordinary General Meeting of Shareholders of 2023	Extraordinary	56.99%	6 January 2023	7 January 2023	Announcement No. 2023-001 on Resolutions of First Extraordinary General Meeting of Shareholders of 2023, disclosed on www.cninfo.com.cn
2022 Annual General Meeting of Shareholders	Annual	57.71%	19 May 2023	20 May 2023	Announcement No. 2023-026 on Resolutions of 2022 Annual General Meeting of Shareholders, disclosed on www.cninfo.com.cn

#### 1.2 Extraordinary general meetings of shareholders convened at the request of preference shareholders with resumed voting rights

Applicable  N/A

### 2. Changes in Directors, Supervisors and Senior Management

Applicable  N/A

The Company's directors, supervisors and senior management remained unchanged during the Reporting Period. For their information, see the 2022 Annual Report.

### 3. Preliminary Plan for Profit Distribution and Converting Capital Reserves into Share Capital for the Reporting Period

Applicable  N/A

The Company plans not to distribute cash dividends or bonus shares or convert capital reserves into share capital for the first half of 2022.

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

Applicable N/A

##### **4.1 Equity incentive schemes**

###### **A. Overview of the Fifth Stock Option Incentive Scheme**

a. 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 16th Meeting of the Fourth Board of Directors on 20 June 2023. As such, 79,180 stock options of 21 awardees that had been unexercised upon expiry were retired.

b. 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, 38,500 stock options of four awardees that had been unexercised upon expiry were retired.

c. At the above-mentioned meeting, the Proposal for the Adjustment to the Exercise Prices for the Stock Option Incentive Scheme was approved. As the 2022 Annual Profit Distribution Plan had been carried out, the exercise price for the first grant under the Fifth Stock Option Incentive Scheme was revised from RMB50.21 to RMB47.71 per share, and the exercise price for the reserved stock options under the Fifth Stock Option Incentive Scheme was revised from RMB41.04 to RMB38.54 per share.

d. 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 awardees and their exercisable stock options under the Fifth Stock Option Incentive Scheme due to the resignation, reassignment, substandard individual or business unit performance, violation of the Company's "Red Lines" or other factors of some awardees. Upon the adjustments, the number of locked-up stock options under the Fifth Stock Option Incentive Scheme was



reduced from 9,195,000 to 7,325,333.

e. At the above-mentioned meeting, the Proposal for Matters Related to the Stock Option Exercise for the Fourth Exercise Period for the First Grant under the Fifth Stock Option Incentive Scheme was approved. As the exercise conditions have been satisfied for the fourth exercise period for the first grant under the Fifth Stock Option Incentive Scheme, a total of 801 awardees who are eligible for the Fifth Stock Option Incentive Scheme have been allowed to exercise 7,325,333 stock options in the fourth exercise period (ended 6 May 2024).

f. 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 reserved stock options under the Fifth Stock Option Incentive Scheme due to the resignation, substandard individual performance, or other factors 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 1,890,000 to 1,740,000.

g. At the above-mentioned meeting, the Proposal for Matters Related to the Stock Option Exercise for the Third Exercise Period for the Reserved Stock Options under the Fifth Stock Option Incentive Scheme was approved. As the exercise conditions have been satisfied for the third exercise period for the reserved stock options under the Fifth Stock Option Incentive Scheme, a total of 61 awardees who are eligible for the Fifth Stock Option Incentive Scheme have been allowed to exercise 860,000 stock options in the third exercise period (ended 8 March 2024).

During the Reporting Period, 7,111,550 shares were exercised with respect to the first grant under the Fifth Stock Option Incentive Scheme.

During the Reporting Period, 597,000 shares were exercised with respect to the reserved stock options under the Fifth Stock Option Incentive Scheme.

## **B. 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 16th Meeting of the Fourth Board of Directors on 20 June 2023. As such, 40,591 stock options of seven 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 2022 Annual Profit Distribution, the exercise price for the Sixth Stock Option Incentive Scheme was revised from RMB48.04 to RMB45.54 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, reassignment, substandard individual/business unit performance 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 18,570,000 to 15,830,667.

d. At the above-mentioned meeting, the Proposal for Matters Related to the Stock Option Exercise for the Third Exercise Period for the Sixth Stock Option Incentive Scheme was approved. As the exercise conditions have been satisfied for the third exercise period for the Sixth Stock Option Incentive Scheme, a total of 762 awardees who are eligible for the Sixth Stock Option Incentive Scheme have been allowed to exercise 7,339,417 stock options in the third exercise period (ended 29 May 2024).

During the Reporting Period, 6,729,532 shares were exercised under the Sixth Stock Option Incentive Scheme.

### **C. 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 16th Meeting of the Fourth Board of Directors on 20 June 2023. As such, 55,200 stock options of three 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 2022 Annual Profit Distribution, the exercise price for the Seventh Stock Option Incentive Scheme was revised from RMB47.19 to RMB44.69 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 number of locked-up stock options granted to the awardees under the Seventh Stock Option Incentive Scheme from 28,680,000 to 20,867,916 due to the resignation, substandard business unit performance, substandard individual performance, reassignment or other factors of these awardees.

d. At the above-mentioned meeting, the Proposal for Matters Related to the Stock Option Exercise for the Third Exercise Period for the Seventh Stock Option Incentive Scheme was approved. As the exercise conditions have been satisfied for the third exercise period for the Seventh Stock Option Incentive Scheme, a total of 1,047 awardees who are eligible for the Seventh Stock Option Incentive Scheme have been allowed to exercise 20,867,916 stock options in the third exercise period (ended 4 June 2024).

During the Reporting Period, 12,927,840 shares were exercised under the Seventh Stock Option Incentive Scheme.

#### **D. 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 16th Meeting of the Fourth Board of Directors on 20 June 2023. According to the arrangements in the 2022 Annual Profit Distribution, the exercise price for the Eighth Stock Option Incentive Scheme was revised from RMB79.74 to RMB77.24 per share.

b. At the above-mentioned meeting, the Proposal for the Adjustments to the Awardees and Their Exercisable Stock Options for the Eighth Stock Option Incentive Scheme was approved. It was agreed to adjust the awardee list and their exercisable stock options under the Eighth Stock Option Incentive Scheme due to the resignation, substandard company performance, 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 Eighth Stock Option Incentive Scheme was reduced from 81,740,000 to 45,785,250.

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

a. The Proposal for the Adjustments to the Exercise Prices for the Stock Option Incentive Schemes was approved at the 16th Meeting of the Fourth Board of Directors on 20 June 2023. According to the arrangements in the 2022 Annual Profit Distribution, the exercise price for the Ninth Stock Option Incentive Scheme was revised from RMB54.61 to RMB52.11 per share.

#### **F. 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 First Extraordinary General Meeting of Shareholders of 2023 on 6 January 2023. 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 due to the resignation, reassignment, violation of the Company's "Red Lines" or other factors of these awardees. The retirement of the said restricted shares was completed on 18 April 2023.

b. The Proposal for the Adjustments to the Repurchase Prices for the Restricted Share Incentive Schemes was approved at the 16th Meeting of the Fourth Board of Directors on 20 June 2023. According to the 2022 Annual Profit Distribution Plan, the repurchase prices for the first grant under the 2018 Restricted Share Incentive Scheme was revised from RMB21.44 to RMB18.94 per share, and the repurchase price for the reserved restricted shares under the 2018 Restricted Share Incentive Scheme from RMB17.46 to RMB14.96 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 233,146 restricted shares that had been granted to 29 awardees but were still in lockup due to the resignation, reassignment, substandard 2022 individual/business unit performance or other factors of these awardees.

d. At the above-mentioned meeting, the Proposal on the Satisfaction of the Conditions for the Fourth Unlocking Period for the First Grant under the 2018 Restricted Share Incentive Scheme was approved. A total of 172 awardees were eligible for this unlocking, with 2,566,396 restricted shares (0.0365% of the Company's total existing share capital) unlocked for public trading, of which 25,000 shares, 25,000 shares, 25,000 shares, and 20,000 shares were unlocked for senior management Guan Jinwei, Zhang Xiaoyi, Hu Ziqiang, and Zhong Zheng, respectively.

e. At the above-mentioned meeting, the Proposal on the Satisfaction of the Conditions for the Third Unlocking Period for the Reserved Restricted Shares under the 2018 Restricted Share Incentive Scheme was approved. A total of 18 awardees were eligible for this unlocking, with 324,167 restricted shares (0.0046% of the Company's total existing share capital) unlocked for public trading, of which 25,000 shares were unlocked for senior management Zhao Wenxin.

#### **G. 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 First Extraordinary General Meeting of Shareholders of 2023 on 6 January 2023. 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 due to the resignation, reassignment or other factors of these awardees. The retirement of the said restricted shares was completed on 18 April 2023.

b. The Proposal for the Adjustments to the Repurchase Prices for the Restricted Share Incentive Schemes was approved at the 16th Meeting of the Fourth Board of Directors on 20 June 2023. According to the 2022 Annual Profit Distribution Plan, the repurchase price for the granted restricted shares under the 2019 Restricted Share Incentive Scheme was revised from RMB20.96 to RMB18.46 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 694,532 restricted shares that had been granted to 62 awardees but were still in lockup due to the resignation, reassignment, substandard 2022 individual or business unit performance

or other factors of these awardees. Also, the Proposal on the Satisfaction of the Conditions for the Third Unlocking Period for the 2019 Restricted Share Incentive Scheme was approved. A total of 308 awardees were eligible for this unlocking, with 4,897,510 restricted shares unlocked for public trading, of which 30,000 shares, 25,000 shares and 25,000 shares were unlocked for senior management Wang Jinliang, Zhao Wenxin, and Guan Jinwei, respectively.

#### **H. 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 First Extraordinary General Meeting of Shareholders of 2023 on 6 January 2023. 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 due to the resignation, reassignment, violation of the Company's "Red Lines" or other factors of these awardees. The retirement of the said restricted shares was completed on 18 April 2023.

b. The Proposal for the Adjustments to the Repurchase Prices for the Restricted Share Incentive Schemes was approved at the 16th Meeting of the Fourth Board of Directors on 20 June 2023. As the 2022 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 RMB21.18 to RMB18.68 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 2,939,626 restricted shares that had been granted to 316 awardees but were still in lockup due to the resignation, reassignment, substandard 2022 individual/business unit performance and other factors of these awardees.

d. At the above-mentioned meeting, the Proposal on the Satisfaction of the Conditions for the Third Unlocking Period for the 2020 Restricted Share Incentive Scheme was approved. A total of 394 awardees were eligible for this unlocking, with 10,851,082 restricted shares unlocked for public trading, of which 48,000 shares, 48,000 shares and 40,000 shares were unlocked for senior management Wang Jinliang,

Zhao Wenxin, and Li Guolin, respectively.

### **I. 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 First Extraordinary General Meeting of Shareholders of 2023 on 6 January 2023. 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 due to the resignation, reassignment or other factors of these awardees. The retirement of the said restricted shares was completed on 18 April 2023.

b. The Proposal for the Adjustments to the Repurchase Prices for the Restricted Share Incentive Schemes was approved at the 16th Meeting of the Fourth Board of Directors on 20 June 2023. As the 2022 Annual Profit Distribution Plan had been carried out, the repurchase price for the 2021 Restricted Share Incentive Scheme was revised from RMB38.25 to RMB35.75 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 2,576,500 restricted shares that had been granted to 112 awardees but were still in lockup due to the resignation, reassignment, substandard 2022 company performance or other factors of these awardees.

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

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2022 Restricted Share Incentive Scheme was approved at the First Extraordinary General Meeting of Shareholders of 2023 on 6 January 2023. 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 due to the resignation, reassignment or other factors of these awardees. The retirement of the said restricted shares was completed on 18 April 2023.

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

Schemes was approved at the 16th Meeting of the Fourth Board of Directors on 20 June 2023. As the 2022 Annual Profit Distribution Plan had been carried out, the repurchase price for the 2022 Restricted Share Incentive Scheme was revised from RMB26.47 to RMB23.97 per share.

c. At the above-mentioned meeting, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2022 Restricted Share Incentive Scheme was approved. As such, it was agreed to repurchase and retire 1,052,500 restricted shares that had been granted to 24 awardees but were still in lockup due to the resignation, reassignment or other factors of these awardees.

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

a. The 2023 Restricted Share Incentive Scheme (Draft) and its Abstract was approved at the 15th Meeting of the Fourth Board of Directors on 27 April 2023. And the awardee list for the 2023 Restricted Share Incentive Scheme (Draft) was reviewed at the Ninth Meeting of the Fourth Supervisory Committee.

b. The Company convened the 2022 Annual General Meeting of Shareholders on 19 May 2023, at which the following proposals in relation to the 2023 Restricted Share Incentive Scheme were approved: the Proposal on the 2023 Restricted Share Incentive Scheme (Draft) and its Abstract, the Proposal on the Formulation of the Implementation and Appraisal Measures for the 2023 Restricted Share Incentive Scheme, and the Proposal on the Request to the General Meeting of Shareholders for Authorizing the Board of Directors to Handle Matters in Relation to the 2023 Restricted Share Incentive Scheme, etc.

c. The Proposal for the Adjustments to the Repurchase Price and the Grant Price for the Restricted Share Incentive Schemes was approved at the 16th Meeting of the Fourth Board of Directors on 20 June 2023. According to the 2022 Annual Profit Distribution Plan, the grant price was revised from RMB28.39 to RMB25.89 per share.

d. On 14 July, the Company granted 18,325,000 restricted shares to 415 awardees with the grant price being RMB25.89 per share.

#### **4.2 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	55	2,826,759	N/A	0.0404%	Special fund for the scheme and part of the performance bonuses for

Stock Ownership Scheme					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	7,328,039	2,237,754	0.0319%
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 2022. 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 RMB125.79 million for the first half of 2023, which was included in the relevant expense items and capital surplus.

Termination of employee stock ownership schemes during the Reporting Period

Applicable N/A

During the Reporting Period, the 3,318,540 shares, 3,732,075 shares, 1,779,300 shares and 1,867,845 shares respectively under the Fourth and Fifth Global Partner Stock Ownership Schemes as well as the First and Second Business Partner Stock Ownership Schemes were sold by way of centralized bidding upon the expiry of the respective lock-up periods. According to the relevant provisions in the Fourth Global Partner Stock Ownership Scheme (Draft), the Fifth Global Partner Stock Ownership Scheme (Draft), the First Business Partner Stock Ownership Scheme (Draft), and the Second Business Partner Stock Ownership Scheme (Draft), the implementation of these schemes has been completed, which will be followed by the liquidation and distribution of assets. The proceeds to which the holders of the schemes are entitled will be distributed to the holders in proportion to the number of underlying shares vested in the holders, less relevant taxes.

#### **4.3 Other incentive measures for employees**

Applicable N/A

## 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**

The Company has attached great importance to environmental protection. It has been strictly abiding by the Law of the People's Republic of China on Environmental Protection, the Law of the People's Republic of China on Water Pollution Prevention and Control, the Law of the People's Republic of China on Air Pollution Prevention and Control, the Law of the People's Republic of China on Noise Pollution Prevention and Control, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Law of the People's Republic of China on Environmental Impact Assessment, the Regulations on Administration of Discharge Permits as well as other applicable laws, administrative rules and regulatory documents. The Company has been taking practical and effective environmental protection measures to protect the ecological environment and fulfil its corporate responsibility.

In terms of pollutant management, the Company has been in compliance with the existing pollutant discharge standards and limits, which are specified as follows:

With respect to wastewater management, the Company is subject to the Integrated Wastewater Discharge Standard (GB8978-1996), the Discharge

Limits of Water Pollutants (DB44/26-2001), the Discharge Standard of Water Pollutants for Electroplating (DB 44/1597-2015), and the Discharge Limits of Water Pollutants of Guangdong Province (DB44/26-2001), among other standards.

With respect to waste gas management, the Company is subject to the Integrated Emission Standard of Air Pollutants (GB16297-1996), the Emission Standard of Air Pollutants for Boiler (GB13271-2014), the Emission Control Standard of Volatile Organic Compounds for Industrial Enterprises (DB13/2322-2016), the Emission Standard of Pollutants for Synthetic Resin Industry (GB31572-2015), the Emission Limits of Air Pollutants (DB44/27-2001), the Emission Standard of Volatile Organic Compounds for Furniture Manufacturing Operations (DB44/814-2010), and the Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB 9078-1996), among other standards.

With respect to noise management, the Company is subject to the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008).

With respect to treatments of solid and hazardous waste, the Company has been in strict compliance with the Law on the Prevention and Control of the Environmental Pollution of Solid Waste, disposing of solid and hazardous waste in a compliant manner.

#### **Administrative permits in relation to environmental protection**

According to the requirements of the applicable environmental protection laws and regulations, all construction projects of the Company fulfil the procedures of environmental impact assessment and other administrative licensing procedures for environmental protection, and strictly implement the requirement that facilities for the prevention and control of pollution in construction projects should be designed, constructed and put into operation at the same time as the construction projects, among other environmental protection measures. After the completion of the project construction, according to the requirements of the environmental impact assessment documents, the Company commissions a third-party monitoring organisation to test the project's wastewater, waste gas, noise and other indicators, and applies for a discharge permit in accordance with the Regulations on the Administration

of Discharge Permits and other regulations and standards.

During the Reporting Period, the existing discharge permits of the Company's subsidiaries were all within the validity period. During the validity period of the discharge permits, if there are matters such as changes in the basic information of the discharge permits, implementation of revisions in pollutant discharge standards, changes in the total pollutant discharge limits, etc., the subsidiaries of the Company shall, in accordance with the relevant requirements, submit an application for change of the discharge permits to the local competent environmental protection authorities within a specified period of 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
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	169.5 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	17.1	70.898	No
	Ammonia-nitrogen				5.4 mg/L		0.48	2.496	No
	BOD5				34.8 mg/L		2.8	/	No
	Petroleum				< 0.06 mg/L		0.005	/	No
	Total phosphorus				0.8 mg/L		0.06	/	No
	Fluoride				0.6 mg/L		0.05	/	No
	Soot	15m high altitude discharge	45	Plants at each workshop	4.6 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Boiler (GB13271-2014)	4.63	/	No
	Sulfur dioxide				< 3 mg/m <sup>3</sup>		0.96	/	No
	Oxynitride				6.3 mg/m <sup>3</sup>		0.99	/	No
	Particles	High altitude discharge after being treated by waste gas treatment station	45	Plants at each workshop	4.3 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)	1.88	/	No
	Xylene				< 0.01 mg/m <sup>3</sup>		0.0001	/	No
	VOCs				5.77 mg/m <sup>3</sup>	Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13-2322-2016)	4.04	/	No

Wuhu Midea Smart Kitchen Appliances Manufacturing Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	Western gate of the Wuhu plant (Share a wastewater treatment station with Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.)	169.5 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	14.83	/	No
	Ammonia-nitrogen				5.4 mg/L		0.42		No
	BOD5				34.8 mg/L		2.44		No
	Petroleum				< 0.06 mg/L		0.004		No
	Total phosphorus				0.8 mg/m <sup>3</sup>		0.057		No
	Fluoride			0.6 mg/m <sup>3</sup>	0.042	/	No		
	Soot	15m high altitude discharge	10		4.9 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Boiler (GB13271-2014)	2.76	/	No
	Sulfur dioxide		6		< 3 mg/m <sup>3</sup>		0.46	/	No
	Oxynitride		6		13.3 mg/m <sup>3</sup>		1.05	/	No
	Dust	High altitude discharge after being treated by waste gas treatment station	6	Plants at each workshop	4.9 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)	0.85	/	No
	Xylene		2		< 0.0015 mg/m <sup>3</sup>		0.0002	/	No
VOCs	13		6.4 mg/m <sup>3</sup>		Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13-2322-2016)		4.09	/	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	59.17 mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and Integrated Wastewater Discharge Standard (GB8978-1996) Level 3	1.634	/	No
	Ammonia-nitrogen				1.365 mg/L		0.04		
	BOD5				28.17 mg/L		0.386		
	Total nitrogen (by N)				35.40 mg/L		1.246		
	Total phosphorus (by P)				0.032 mg/L		0.00084		
	Anionic surfactant				0.313 mg/L		0.00482		
	Suspended matters				11.17 mg/L		0.304		
	Petroleum				0.045 mg/L		0.0012		
	pH value				7.5		/		
	NMHC	RTO equipment	2	1 set at the northeastern side of 3# plant and 1 at the southwestern side of 4# plant	0.91 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants GB16279-1996 Level 2	0.0208	/	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>		0.378		
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	9.235 mg/m <sup>3</sup>	0.602				

	Particles	Filter cartridge dust collector	8	2 at 1# plant, 3 at 2# plant, 2 at 3# plant and 1 at 4# plant	6.28 mg/m <sup>3</sup>		1.732	/	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	52 mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and Integrated Wastewater Discharge Standard (GB8978-1996) Level 3	3.478	58.150	No
	Ammonia-nitrogen			The eastern side of wastewater treatment station	0.745 mg/L		0.05	/	No
	Particles	High altitude discharge after being treated by cyclone + filter cartridge dust collector/High altitude discharge after being treated by water spraying + demister + activated carbon + activated carbon	15	Plants at each workshop	< 12 mg/m <sup>3</sup>	Table 5 of the Emission Standard of Pollutants for Synthetic Resin Industry (GB 31572- 2015): Special Emission Limit Requirements	1.01	/	No
	NMHC	High altitude discharge after being treated by water spraying + demister + activated carbon + activated carbon/High altitude discharge after being treated by the two-stage activated carbon		Plants at each workshop	1.80 mg/m <sup>3</sup>		0.93	/	No
GD Midea Air-Conditioning Equipment Co., Ltd.	COD	Discharge after being treated by wastewater treatment station	1	The southeastern side of 4# plant	48 mg/L	Discharge Limits of Water Pollutants (DB44/26-2001)	1.078	9.59	No
	Ammonia-nitrogen				1.082 mg/L		0.014	/	No
	SS				14 mg/L		0.211	/	No



	Petroleum	Discharge after being treated by wastewater treatment station	1	The eastern side of 2# plant	0.32 mg/L	Discharge Limits of Water Pollutants (DB44/26-2001)	0.003	/	No
	COD				108 mg/L		1.82	9.59	No
	SS				47 mg/L		0.18	/	No
	Ammonia-nitrogen				1.832 mg/L		0.008	/	No
	Petroleum				1.99 mg/L		0.001	/	No
	VOCs (dusting)	15m high altitude discharge after being treated by spray tower + activated carbon	3	4# plant	15.94 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	0.41	14	No
	VOCs (Screen Printing)	15m high altitude discharge after being treated by environmental protection equipment	4	1# and 9# plants	3.81 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)	0.26		No
	VOCs (electronic)	15m high altitude discharge after being treated by environmental protection equipment	2	10# plants	1.65 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)	2.35		No
	NMHC (evaporator & condenser)	15m high altitude discharge after being treated by environmental protection equipment	5	2#, 5# plants	2.52 mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27- 2001) the second time period	0.605		No
	Wuhu Maty Air-Conditioning Equipment Co., Ltd.	COD	Discharge after being treated by wastewater treatment station	1	The northern side of the park	76.09 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996) Table 4, Level 3	1.98	7.5
SS		28.04 mg/L				0.73		/	No
BOD		31.07 mg/L				0.81		/	No
Ammonia-nitrogen		6.92 mg/L				0.18		0.675	No
Petroleum		2.82 mg/L				0.073		/	No
Particles		15m high altitude discharge after being treated by environmental protection equipment	5	2# plant	6.14 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)	3.78	/	No
VOCs			8	2#, 3# plants	6.17 mg/m <sup>3</sup>	Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13-2322-2016)	3.796	/	No
NOx			3	3# plant	1.46 mg/m <sup>3</sup>	Integrated Emission	0.896	2.209	No

	SO2		3	3# plant	0.42 mg/m <sup>3</sup>	Standard of Air Pollutants (GB16297-1996)	0.2557	/	No
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	34 mg/L	Discharge Standard of Water Pollutants for Electroplating DB 44/1597-2015	6.7032	16.28	No
	Suspended matters				19 mg/L		4.1328	/	No
	Petroleum				0.49 mg/L		0.108396	/	No
	Total phosphorus				0.175 mg/L		0.0594	/	No
	Total zinc				ND		0.00648	/	No
	pH value				7.15		/	/	No
	Total nitrogen				2.83 mg/L		0.59414	/	No
	Ammonia-nitrogen				0.67 mg/L		0.1507284	2.034	No
	Fluoride				0.17 mg/L		0.036144	/	No
	Particles	15m high altitude discharge after being treated by environmental protection equipment	7	Roof of the plant	< 20 mg/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)	3.6838	/	No
	SO2	15m high altitude discharge after being treated by environmental protection equipment	4	Roof of the plant	3 L (below the detection limit)	Emission Standard of Air Pollutants for Boiler (DB44/765-2019)	0	0.436	No
	NOx	15m high altitude discharge after being treated by environmental protection equipment	4	Roof of the plant	6 mg/m <sup>3</sup>		0.48888	2.039	No
	VOCs	15m high altitude discharge after being treated by environmental protection equipment	10	Roof of the plant	4.9 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Surface Coating of Automobile Manufacturing Industry (DB44/816-2010)	2.0046	4.553	No
Benzene	15m high altitude discharge after being treated by environmental protection equipment	2	Roof of the plant	0.0625 mg/m <sup>3</sup>	0.0137976		/	No	

	Total toluene and xylene	15m high altitude discharge after being treated by environmental protection equipment		Roof of the plant	0.35 mg/m <sup>3</sup>		0.1310805	/	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	42 mg/L	The Discharge Standard of Water Pollutants for Electroplating of Guangdong Province DB-441597-2015, before 1 September 2012	2.97	6.046	No
	Suspended matters				13 mg/L		1.15	/	No
	Petroleum				0.43 mg/L		0.036	/	No
	Total phosphorus				0.18 mg/L		0.0225	/	No
	Total zinc				0.05 mg/L		0.0045	/	No
	pH value				7.2		/	/	No
	Total nitrogen				3.03 mg/L		0.497	/	No
	Ammonia-nitrogen				0.856 mg/L		0.098	0.756	No
	Fluoride				0.071 mg/L		0.024	/	No
	Total nickel				ND		0	0.024	No
	Particles	15m high altitude discharge after being treated by environmental protection equipment	17	Roof of main plant and metal plate workshop	0 mg/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)	0	8.705	No
	SO <sub>2</sub>	15m high altitude discharge after being treated by environmental protection equipment	11	Roof of main plant and metal plate workshop	0 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Boiler (DB44/765-2019)	0	0.799	No
	NO <sub>x</sub>	15m high altitude discharge after being treated by environmental protection equipment	11	Roof of main plant and metal plate workshop	5 mg/m <sup>3</sup>		3.375	7.814	No
Benzene	15m high altitude discharge after being treated by environmental protection equipment	2	Roof of main plant and metal plate workshop	0.342 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Surface Coating of Automobile Manufacturing Industry (DB44/816-2010)	0.09	/	No	
Total toluene and xylene	15m high altitude discharge after being treated by environmental protection equipment	2	Roof of main plant and metal plate workshop	0.817 mg/m <sup>3</sup>		0.09	/	No	

	VOCs	15m high altitude discharge after being treated by environmental protection equipment	7	Roof of main plant and metal plate workshop	2.18 mg/m <sup>3</sup>		1.66	5.718	No
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	CODcr	Discharge after being treated by wastewater treatment system and reaching the standard	2	Waste water treatment stations 1 and 2 of 3# plant	47 mg/L	Discharge Standard of Water Pollutants for Electroplating (DB44/1597-2015)	3.6786	15.304	No
	Petroleum				0.18 mg/L		0.0145	/	No
	Ammonia-nitrogen				1.795 mg/L		0.1408	1.913	No
	Total toluene and xylene	High altitude discharge after being treated by waste gas treatment station	8	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	0.107 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	0.034	/	No
	VOCs	High altitude discharge after being treated by waste gas treatment station			1.126 mg/m <sup>3</sup>		3.578	22.72	No
	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	1.63 mg/m <sup>3</sup>	Table 4 of the Emission Standard of Pollutants for Synthetic Resin Industry (GB 31572-2015): Emission Limits of Air Pollutants	0.1747	/	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	0.4101 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	0.0734	/	No
	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	2	Oxidation wire roof of 3# plant	3.54 mg/m <sup>3</sup>		0.040	3.8231	No
	Oxynitride			Drying furnace of 3# plant	2.26 mg/m <sup>3</sup>	0.326	13.132	No	
	Cooking fume	Discharge after being treated by waste gas treatment station	2	South and north section canteens	0.2 mg/m <sup>3</sup>	Emission Standard of Cooking Fume (Trial) (GB 18483-2001)	0.046	/	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	15 mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and Integrated Wastewater Discharge Standard (GB8978-1996) Level 3	3.457681	/	No
	Ammonia-nitrogen				0.192 mg/L		0.060408	/	No

Particles	Collected by gas trap hood + 15m high exhaust cylinder	10	No. 1 workshop welding soot discharge outlet for waste gas	2.7 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)	4.717812	65.45	No
			No. 3 workshop discharge outlet for the welding waste gas	3.9 mg/m <sup>3</sup>				
			Waste gas outlet of 1# heat-treating furnace at No. 2 workshop	4.8 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	6.8 mg/m <sup>3</sup>				
			Waste gas outlet for die casting at No. 2 workshop	6.0 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)			
			Waste gas outlet for die casting at No. 4 workshop	5.9 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)			
			Waste gas outlet of 1# heat-treating furnace at No. 4 workshop	5.5 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	3.4 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB9078-1996)			
			Waste gas outlet for electrophoresis and drying at No. 1 workshop	6.1 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)			
			Waste gas outlet for electrophoresis and drying at No. 3 workshop	7.3 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)			
Sulfur dioxide	Collected by gas trap hood + 15m high exhaust cylinder	6	Outlet of 1# heat-treating furnace at No. 2 workshop	49 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996) Standard Level 2	17.42432	112.2	No
			Outlet of 2# heat-treating furnace at No. 2 workshop	40 mg/m <sup>3</sup>				
			Waste gas outlet for die casting at No. 2 workshop	4 mg/m <sup>3</sup>				
			Outlet of 1# heat-treating furnace at No. 4 workshop	94 mg/m <sup>3</sup>				
			Outlet of 2# heat-treating furnace at No. 4 workshop	33 mg/m <sup>3</sup>				

	Oxynitride	Collected by gas trap hood + 15m high exhaust cylinder	6	Waste gas outlet for die casting at No. 4 workshop	57 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996) Standard Level 2	5.697417	33.24	No
				Outlet of 1# heat-treating furnace at No. 2 workshop	10 mg/m <sup>3</sup>				
				Outlet of 2# heat-treating furnace at No. 2 workshop	6 mg/m <sup>3</sup>				
				Waste gas outlet for die casting at No. 2 workshop	9 mg/m <sup>3</sup>				
				Outlet of 1# heat-treating furnace at No. 4 workshop	15 mg/m <sup>3</sup>				
				Outlet of 2# heat-treating furnace at No. 4 workshop	6 mg/m <sup>3</sup>				
				Waste gas outlet for die casting at No. 4 workshop	4 mg/m <sup>3</sup>				
	VOCs	Collected by gas trap hood + 15m high exhaust cylinder Direct-fired waste gas incinerator + 15m high exhaust cylinder	4	Waste gas outlet of the drying furnace at No. 1 workshop	5.97 mg/m <sup>3</sup>	Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB12/ 524-2020)	0.555736	21.6	No
				Waste gas outlet of 1# drying furnace at No. 3 workshop	1.80 mg/m <sup>3</sup>				
				Die casting at No. 2 workshop	3.11 mg/m <sup>3</sup>				
Die casting at No. 4 workshop				12.4 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 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 VOCs	Zeolite drum + RTO	1	Waste gas outlet around plant C	2.47 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	0.468	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	26 mg/L	Discharge Limits of Water Pollutants in Guangdong DB-44/26-2001 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 Standard of Pollutants for Synthetic Resin Industry (GB 31572-2015)/Guangdong Province Emission Limits of Air Pollutants (DB44/27-2001)/Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)/Emission Standard of Cooking Fume (on Trial) (GB 18483-2001)	2.94	22.77	No
	Ammonia-nitrogen				0.255 mg/L		0.091	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	0.26 mg/m <sup>3</sup>		0.48	/	No
	Sulfur dioxide				3 mg/m <sup>3</sup>		0.445	1.055	No
	Oxynitride				4 mg/m <sup>3</sup>		2.64	10.314	No
	Benzene				ND		0.108	/	No
	Total toluene and xylene				0.34 mg/m <sup>3</sup>		0.761	/	No
	VOCs				3.72 mg/m <sup>3</sup>		6.13	35.051	No
	NMHC				3.43 mg/m <sup>3</sup>		0.18	/	No
	Styrene				2.89 mg/m <sup>3</sup>		0.327	/	No
	Fume	15m high altitude discharge after being treated by oil fume purification facility and reaching the standard			0.3 mg/m <sup>3</sup>		0.0589	/	No
	Anhui Meizhi Precision Manufacturing Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	2	The south side of Building 6 for night shift at the north side of the plant area		123.5 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996) Table 4, Level 3	48.549
Ammonia-nitrogen		12.02 mg/L				4.7	9.3		No
BOD		49.68 mg/L				19.59	/		No
SS		28.33 mg/L				11.36	/		No
Petroleum		0.27 mg/L				0.104	/		No
Total nickel		0.115 mg/L				0.038	0.1		No
Total zinc		0.187 mg/L	0.055	1.25	No				
NMHC		Collected by gas trap hood + 21m high exhaust cylinder	3	Outlet for molybdenum-containing waste gas	32.03 mg/m <sup>3</sup>	Relevant standard limit requirements in Table 1 of Shanghai Integrated Emission Standard of Air Pollutants (DB31/933-2015)	8.0778	/	No
		Collected by gas trap hood + 25m high exhaust cylinder	7	Outlet for waste gas from machining	16.17 mg/m <sup>3</sup>				
			4	Outlet for waste gas from coating	18 mg/m <sup>3</sup>				

	Particles	Collected by gas trap hood + 25m high exhaust cylinder	22	Outlet for heat treatment	8.83 mg/m <sup>3</sup>	Comprehensive Control Plan for Air Pollution of Industrial Furnaces (H.D.Q. [2019] No. 56)	7.03574	/	No	
				Outlet for waste gas from pre-coating treatment and kiln	11.76 mg/m <sup>3</sup>					
				Outlet for waste gas from aluminum melting	10.6 mg/m <sup>3</sup>					
		Collected by gas trap hood + 21m high exhaust cylinder	8	Outlet for the welding waste gas	4.11 mg/m <sup>3</sup>					
	Sulfur dioxide	Collected by gas trap hood + 25m high exhaust cylinder	22	Outlet for heat treatment	< 3 mg/m <sup>3</sup>	Comprehensive Control Plan for Air Pollution of Industrial Furnaces (H.D.Q. [2019] No. 56)	0.82947	/	No	
				Outlet for waste gas from pre-coating treatment and kiln	4 mg/m <sup>3</sup>					
				Outlet for waste gas from aluminum melting	< 3 mg/m <sup>3</sup>					
	Oxynitride	Collected by gas trap hood + 25m high exhaust cylinder	22	Outlet for heat treatment	17.6 mg/m <sup>3</sup>	Comprehensive Control Plan for Air Pollution of Industrial Furnaces (H.D.Q. [2019] No. 56)	7.13597	/	No	
				1# outlet for waste gas from pre-coating treatment and kiln	15 mg/m <sup>3</sup>					
				Outlet for waste gas from aluminum melting	6.5 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	1	During the screen printing process of the south plant	20 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)	3.827235	/	No
			Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	1	During the screen printing process of the north plant	22.7 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)			
NMHC		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	6	Exhaust funnel for waste gas from the baking and injection molding processes	12.4 mg/m <sup>3</sup>	Emission Standard of Pollutants for Synthetic Resin Industry (BG 31572-2015)	15.1581	/	No	
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	3	Metal plate dusting waste gas exhaust cylinder	12.33 mg/m <sup>3</sup>	Emission Standard of Pollutants for Synthetic Resin Industry (BG 31572-2015)				
		Dry filtering + direct combustion of natural gas + 15m high altitude discharge	1	Outlet for waste gas from dip coating, drying and hardening of the north plant	7.21 mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27-2001)				



		Dry filtering + RCO + 15m high altitude discharge	1	Outlet for waste gas from dip coating, drying and hardening of the south plant	13.6 mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27-2001)							
	Particles	Gas trap hood + water spraying + dry filtering + UV + activated carbon + 15m high altitude discharge	1	Metal plate dusting waste gas exhaust cylinder	3.9 mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27-2001); Time Period 2, Level 2	0.262	/	No				
	Cooking fume	Fume hood + electrostatic range hood + 15m high altitude discharge	7	Cooking fume outlet at canteen	0.13 mg/m <sup>3</sup>	Emission Standard of Cooking Fume GB18483-2001	0.0169	/	No				
	Suspended matters	Oil separation and slugging - hydrolysis and acidification - contact oxidation - MBR	1	Domestic wastewater treatment station	3.5 mg/L	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant GB18918-2002	0.0839						
	COD				18.5 mg/L		0.410	/	No				
	Animal and vegetable oil				0.07 mg/L		0.00153	/	No				
	Ammonia-nitrogen (NH <sub>3</sub> -N)				0.156 mg/L		0.00334	/	No				
	pH value				6.6		/	/	No				
	Five-day BOD				4.75 mg/L		0.106	/	No				
	Total zinc				Coagulation and sedimentation + hydrolysis and acidification + aeration + biological tank + MBR + water reuse		1	Production wastewater treatment station	0.0045 mg/L	Discharge Standard of Water Pollutants for Electroplating DB 44/1597-2015	0.000182	0.08	No
	COD	5.26 mg/L	0.223	3.9191		No							
	Suspended matters	2 mg/L	0.081	/		No							
	pH value	7.5	/	/		No							
	Total phosphorus (by P)	0.02 mg/L	0.000712	/		No							
	Ammonia-nitrogen (NH <sub>3</sub> -N)	0.0772 mg/L	0.00321	0.6279		No							
	Petroleum	0.03 mg/L	0.00121	/		No							
	Total aluminum	0.17225 mg/L	0.0086	/		No							
	Total iron	0.08 mg/L	0.00343	/		No							
	COD	Discharge to municipal domestic sewage network	1	Outlets for domestic sewage at the plant		144 mg/L			Integrated Wastewater Discharge Standard (GB8978-1996)		6.4514352	15	No
	Ammonia-nitrogen					15.8 mg/L					1.41926596	2.5	No
	BOD				28 mg/L	3.36420336	/	No					
	SS				10 mg/L	0.9667196	/	No					
	Animal and vegetable oil				1.03 mg/L	0.09140777	/	No					
	COD	After deep treatment by	1	Freezer waste water outlet	130 mg/L	Integrated Wastewater	2.009559	15	No				

	Ammonia-nitrogen	industrial waste water treatment station, discharge to municipal industrial sewage network			0.119 mg/L	Discharge Standard (GB8978-1996)	0.00767224	2.5	No
	BOD				54.5 mg/L		0.7825401	/	No
	SS				18 mg/L		0.174942	/	No
	Petroleum				4.66 mg/L		0.04102032	/	No
	Animal and vegetable oil				0.29 mg/L		0.00406599	/	No
	NMHC	After photo-catalytic oxidation + activated carbon, 15m high altitude discharge	1	First installation branch waste gas outlets	26.57 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)	9.2322	/	No
			1	Second installation branch waste gas outlets				/	No
			1	Waste gas outlets at the injection molding workshop				/	No
		1	After dry filtering + photo-catalytic oxidation + activated carbon, 15m high altitude discharge	/				No	
		1	After wet scrubber + rotating-stream-tray scrubber + demister + activated carbon, 15m high altitude discharge	/				No	
Particles	After wet scrubber + rotating-stream-tray scrubber + demister + activated carbon, 15m high altitude discharge	1	Waste gas outlets at the freezer branch	3.8 mg/m <sup>3</sup>		0.05016	/	No	
Wuxi Little Swan Electric Co., Ltd.	COD	Discharge to municipal sewage network	1	Exit at the middle gate of the plant	136.5 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	23.28	123.8994	No
	SS				56 mg/L		9.55	87.2473	No
	Animal and vegetable oil				2.44 mg/L		0.41	10.7034	No
	Total phosphorus				2.11 mg/L		0.35	1.0701	No
	Total nitrogen				24.45 mg/L		4.17	11.2612	No
	Ammonia-nitrogen				18.75 mg/L		3.19	6.6906	No

	Particles	Water spraying + UV photocatalysis + activated carbon + filter cartridge dust collection + high altitude discharge/Two-stage activated carbon + high altitude discharge/Filter cartridge dust collection + high altitude discharge/High altitude discharge	11	Plants at each workshop	0.58 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)/ Tianjin Emission Control Standard for Industrial Enterprises Volatile Organic Compounds DB12/524-2014/ Emission Standard of Pollutants for Synthetic Resin Industry (GB 31572-2015)/Emission Standard of Air Pollutants for Boiler (GB13271-2014)	0.2	2.0696	No
	VOCS	Water spraying + UV photocatalysis + activated carbon + filter cartridge dust collection + high altitude discharge/Zeolite + CO + high altitude discharge/Dry filtering + electrostatic oil removal + high altitude discharge/Two-stage activated carbon + high altitude discharge		Plants at each workshop	1.51 mg/m <sup>3</sup>		0.94	1.2218	No
	Sulfur dioxide	Hight altitude discharge		Natural gas for the metal plate process	ND		0	0.624	No
	Oxynitride	Hight altitude discharge		Natural gas for the metal plate process	6.5 mg/m <sup>3</sup>		0.03	3.38	No
Wuxi Filin Electronics Co., Ltd.	Particles	Bag + activated carbon + high altitude discharge/Activated carbon + high altitude discharge	4	Buildings A and B	0.33 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996) for particles and chemical compounds	0.1	0.2859	No
	VOCS	Activated carbon + high altitude discharge/Bag + activated carbon + high altitude discharge		Buildings A and B	2.77 mg/m <sup>3</sup>	Subject to Tianjin Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB12/524-2014)	1.0242	2.6389	No

Huaian Welling Motor Manufacturing Co., Ltd.	Particles	1#: Two-stage activated carbon;	7	DA007, DA008, and DA009	2.47 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)	0.43	2.697	No
	NMHC	5#: Grade 3 filtering + honeycomb zeolite + CO;		DA001, DA005, DA006, DA008, and DA010	2.58 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)	0.95	1.3853	No
	Styrene	6#: Electrostatic demisting + grade 2 filtering + activated carbon; 7#: Spray tower + plasma; 8#: Grade 2 filtering + two-stage activated carbon; 9#: Bag filtering; 10#: Two-stage activated carbon.		DA005 and DA008	6.38 mg/m <sup>3</sup>	Emission Standards for Odor Pollutants (GB14554-93)	1.073	/	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	7.3	Integrated Wastewater Discharge Standard GB8978-1996	/	/	No
	COD				36 mg/L		0.969075	9.951	No
	Ammonia-nitrogen				0.529 mg/L		0.020038	1.0021	No
	Suspended matters				18 mg/L		0.364236	/	No
	Petroleum				1.1 mg/L		0.0117746	/	No
	Total phosphorus				0.04 mg/L		0.0024366	/	No
	Fluoride				5.37 mg/L		0.0677961	/	No
	Total zinc				4.79 mg/L		0.0484695	/	No
	BOD5				9 mg/L		0.2051322	/	No
	Particles	Discharge after being treated by environmental protection equipment	21	1# plant, 3# plant, 4# plant, 5# plant	20 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants (GB16297-1996)	0.0273972	4.21	No
	Sulfur dioxide		16		0.311 mg/m <sup>3</sup>		0.4050330	1.68	No
	Oxynitride		16		6 mg/m <sup>3</sup>		1.2960330	7.59	No
	Tin and its compounds		3	3# plant	4*10 <sup>-4</sup> mg/m <sup>3</sup>		0.1139*10 <sup>-3</sup>	/	No
	Acrylonitrile		3		0.2 mg/m <sup>3</sup>		0.02	/	No
Styrene	3		0.145 mg/m <sup>3</sup>		0.01932		/	No	
VOCs	10		1# plant	0.311 mg/m <sup>3</sup>	0.0446292		/	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 Standard of Air Pollutants (GB16297-1996)	5.46	/	No
	Particles		7	1#, 2# plants	1.8 mg/m <sup>3</sup>		0.55	/	No
	Oxynitride		7	1#, 2# plants	6.27 mg/m <sup>3</sup>		1.59	/	No
	Sulfur dioxide		7	1#, 2# plants	< 3 mg/m <sup>3</sup>		0.94	3.241	No
	Tin and its compounds	Discharge after being treated by wastewater treatment system and reaching the standard	4	2# plant	< 3 × 10 <sup>-6</sup> mg/m <sup>3</sup>	Requirements for inflow water quality of wastewater treatment plant in Handan Economic and Technological Development Zone Integrated Wastewater Discharge Standard (GB8978-1996) Table 4, Level 3	7.83 * 10 <sup>-7</sup>	/	No
	COD		1	North side of the power house	137 mg/L		1.6	8.97	No
	Ammonia-nitrogen				4.53 mg/L		0.05	0.7	No
	pH				7.2		/	/	No
	Suspended matters				45 mg/L		0.52	/	No
	Petroleum				0.5 mg/L		0.0058	/	No
Fluoride	6.9 mg/L	0.08	/	No					
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	pH	Treatment by waste water treatment station and reaching the standard	1	West gate	7.5	Integrated Wastewater Discharge Standard (GB/T 8978-1996) Table 4, Level 3	/	/	No
	COD				173 mg/L		2.82	76.63	No
	SS				34 mg/L		0.599	/	No
	NH3-N				23.1 mg/L		0.389	5.32	No
	Petroleum				0.17 mg/L		0.002	/	No

	Fluoride				0.76 mg/L		0.146	/	No
	BOD5				51 mg/L		0.85	/	No
	LAS				0.082 mg/L		0.001	/	No
	Total zinc				0.034 mg/L		0	/	No
	Animal and vegetable oil				0.08 mg/L		0.002	/	No
	Particles	After treatment by environmental protection and treatment facilities and reaching the standard, 25m high altitude discharge	11	East, west, south and north corners of the plant	5.9 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants DB 50/418-2016 Table 1 Central Downtown	3.769	/	No
	SO2				5 mg/m <sup>3</sup>		0.355	/	No
	NOX				12 mg/m <sup>3</sup>		0.885	/	No
	Tin and its compounds				0.94 mg/m <sup>3</sup>		0.394	/	No
	NMHC				10.6 mg/m <sup>3</sup>		2.747	/	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	7.3	Integrated Wastewater Discharge Standard (GB8978-1996) Table 4, Level 3	/	/	No
	SS				8.5 mg/L		0.5786	/	No
	COD				61 mg/L		4.1522	/	No
	Ammonia-nitrogen				6.31 mg/L		0.4295	/	No
	Petroleum				2.03 mg/L		0.1382	/	No
	BOD5				24.6 mg/L		1.6745	/	No
	LAS				0.0815 mg/L		0.0055	/	No
	Phosphate				0.115 mg/L		0.0078	/	No
	Fluoride (by F-)				2.265 mg/L		0.1542	/	No
	Copper				0 mg/L		0	/	No
	Particles	High altitude discharge after being treated by waste gas treatment station	5	2 sets for paint waste gas of 1# and 4# plants each	11.73 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants DB 50/418-2016 Table 1 Central Downtown	1.302	/	No
	NMHC				1.261 mg/m <sup>3</sup>		0.135	/	No
	Sulfuric acid mist	Lye spray towers (one is out of service, and the other one is used for occasional emergency cleaning of abnormal materials)	2	Acid pickling waste gas outlets for 1# and 4# plants	1.34 mg/m <sup>3</sup>	Integrated Emission Standard of Air Pollutants DB 50/418-2016 Table 1 Central Downtown	0.0016	/	No
	Hydrogen chloride				9.395 mg/m <sup>3</sup>		0.006	/	No
Particles	1 set for direct	2	Volatile oil drying waste	6.25 mg/m <sup>3</sup>	Integrated Emission	0.3060	/	No	

	Sulfur dioxide	discharge (already out of service) 1 set of RTO		gas outlet	4.5 mg/m <sup>3</sup>	Standard of Air Pollutants DB 50/418-2016 Table 1 Central Downtown Emission Standard of Air Pollutants for Industrial Kiln and Furnace DB 50/659- 2016 Table 1/2	0.2100	/	No
	Oxynitride				13.5 mg/m <sup>3</sup>		0.6540	/	No
	NMHC				1.455 mg/m <sup>3</sup>		0.0540	/	No
	Ringelmann emittance				< 1		/	/	No
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	Waste mineral oil, waste oil-containing liquid, waste packaging, waste activated carbon, waste lead battery, waste filter cotton, waste circuit board, etc	Treatment entrusted to third-party qualified enterprise	N/A	N/A	N/A	N/A	78.48	151.523	No

### 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.

### 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**

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.

### **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.

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

No such cases during the Reporting Period.

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

None

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

Applicable  N/A

a. 21 distributed PV projects have been completed across the Company's manufacturing bases by the first half of 2023, with a total designed installed capacity of 173MW. There are 13 such projects under construction, with a total installed capacity of 101MW. Upon completion of these projects, it is expected that the annual power generation will be about 290,000,000 kWh, and the annual carbon emission will be reduced by about 232,000 tons of carbon dioxide.

b. The Company has been comprehensively promoting the construction of a green manufacturing system. As of August, 14 of its factories have been recognized as "National-level Green Factory" and three enterprises within the Group have been recognized as "National-level Green Supply Chain". All manufacturing plants kept improving their energy management systems and carried out work related to ISO 50001 (GB23331) certification. As of August,

34 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 technologies, as well as the implementation of the related projects. Energy saving and emission reduction projects are promoted from the dimensions such as compressed air, waste heat recovery, combustion efficiency, power quality and central air conditioning. The energy saving and emission reduction projects produced an income of over RMB65.34 million.

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

### **2.1 Exploring new models for rural revitalisation**

In this May, Midea Group organised a staff visit to the First Primary School of Guansuo Street, Guanling Buyi and Miao Autonomous County, Anshun City, Guizhou Province, to carry out public welfare activities under the theme of "Build Dreams together with Midea through Technology". At the event, Midea Group donated funds to assist in the construction of a science laboratory at the school and provided 600 science experiment kits to the local community.

In addition, Midea Group continued to implement the East China and West China coordination mechanism. It spent RMB1 million in Qiandongnan Prefecture, Guizhou Province as awards for teachers and students, motivating them to bear in mind the original mission of education, and driving high-quality development in the local education.

### **2.2 Keeping to the plan of “Talent First, Education First”**

In this April, Midea Group donated RMB70 million to support the introduction of the Second Affiliated Midea High School of the East China Normal

---

University into Beijiao, Shunde. As such, Midea has established cooperation with the East China Normal University on high-quality education from primary school, middle school, to high school. When the school is put into use, it will provide more than 6,000 places in the primary, middle, and high schools to meet the local demand for quality education resources and make a greater contribution to the local economic and scientific and technological development.

### **2.3 Subsequent plans**

It is Midea Group's vision to "Bring Great Innovations to Life". The Company hopes to deliver the power of science and technology through public welfare activities, keep to the plan of "Talent First, Education First", adhere to the sustainable long-termism, as well as promote both rural revitalisation and talent development, so as to play its part in creating more value for society.

## Section VI Significant Events

### 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 Overdue at the Period-end

Applicable N/A

No such cases in the Reporting Period.

### 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. Engagement and Disengagement of CPA Firm

Have the semi-annual financial statements been audited by a CPA firm?

Yes  No

The semi-annual financial statements are unaudited by a CPA firm.

### 5. Explanation of the Board of Directors and the Supervisory Committee Regarding the "Non-standard Audit Opinion" for the Reporting Period

Applicable N/A

### 6. Explanation of the Board of Directors Regarding the "Non-standard Audit Opinion" for Last Year

Applicable N/A

## 7. Bankruptcy and Reorganization

Applicable N/A

No such cases in the Reporting Period.

## 8. Litigation

Material litigation and arbitration:

Applicable N/A

No such cases in the Reporting Period.

Other legal matters:

Applicable N/A

## 9. Punishments and Rectifications

Applicable N/A

No such cases in the Reporting Period.

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

Applicable N/A

## 11. Significant Related Transactions

### 11.1 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 Procurement	Procurement	Procurement of goods	Market price	-	658,784	0.53%	1,900,000	No	Payment after delivery	-	30 April 2023	www.cninfo.com.cn
Midea Real Estate Holding Limited	Controlled by Company's actual controller	Sale	Sale of goods	Market price	-	108,564	0.06%	720,530	No	Payment after delivery	-	30 April 2023	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									

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

Applicable N/A

No such cases in the Reporting Period.

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

Applicable N/A

No such cases in the Reporting Period.

**11.4 Credits and liabilities with related parties**

Applicable N/A

No such cases in the Reporting Period.

**11.5 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.

**11.6 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.

**11.7 Other significant related transactions**

Applicable N/A

No such cases in the Reporting Period.

**12. Significant Contracts and Their Execution****12.1 Trusteeship, contracting and leasing****12.1.1 Trusteeship**

Applicable N/A

No such cases in the Reporting Period.

**12.1.2 Contracting**

Applicable N/A

**12.1.3 Leasing**

Applicable N/A

## 12.2 Major guarantees

Applicable N/A

Unit: RMB'000

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.	2023/4/29	2,000,000	2023/1/30		- Joint liability	One year	No	No
GD Midea Air-Conditioning Equipment Co., Ltd.	2023/4/29	12,400,000	2023/1/6	2,195,880	Joint liability	One year	No	No
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	2023/4/29	2,400,000	2023/1/6	740	Joint liability	One year	No	No
Foshan Midea Carrier Air-Conditioning Equipment Co., Ltd.	2023/4/29	350,000	2023/1/6		- Joint liability	One year	No	No
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	2023/4/29	4,100,000			- Joint liability	One year	No	No
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	2023/4/29	600,000	2023/1/6		- Joint liability	One year	No	No
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	2023/4/29	550,000			- Joint liability	One year	No	No
Guangdong Midea Precision Molding	2023/4/2	50,000			- Joint liability	One	No	No



Technology Co., Ltd.	9					year		
Handan Midea Air-Conditioning Equipment Co., Ltd.	2023/4/29	500,000			- Joint liability	One year	No	No
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	2023/4/29	850,000	2023/4/25	80	Joint liability	One year	No	No
Midea Group Wuhan Heating & Ventilating Equipment Co., Ltd.	2023/4/29	150,000			- Joint liability	One year	No	No
Foshan Welling Washer Motor Manufacturing Co., Ltd.	2023/4/29	170,000	2023/4/21	390	Joint liability	One year	No	No
Guangdong Welling Motor Manufacturing Co., Ltd.	2023/4/29	1,070,000	2023/1/17	125,370	Joint liability	One year	No	No
Welling (Wuhu) Motor Manufacturing Co., Ltd.	2023/4/29	130,000			- Joint liability	One year	No	No
Huaian Welling Motor Manufacturing Co., Ltd.	2023/4/29	110,000			- Joint liability	One year	No	No
Wuhu Welling Motor Sales Co., Ltd.	2023/4/29	1,900,000	2023/2/27	470,000	Joint liability	One year	No	No
Hainan Welling Motor Sales Co., Ltd.	2023/4/29	500,000			- Joint liability	One year	No	No
Anhui Welling Auto Parts Co., Ltd.	2023/4/29	150,000			- Joint liability	One year	No	No
Anqing Welling Auto Parts Co., Ltd.	2023/4/29	200,000			- Joint liability	One year	No	No
Guangdong Meizhi Compressor Limited	2023/4/29	1,130,000	2023/1/17	181,780	Joint liability	One year	No	No
Guangdong Meizhi Precision-Manufacturing Co., Ltd.	2023/4/29	515,000	2023/4/18	19,000	Joint liability	One year	No	No
Anhui Meizhi Compressor Co., Ltd.	2023/4/29	420,000			- Joint liability	One year	No	No
Anhui Meizhi Precision Manufacturing Co., Ltd.	2023/4/29	50,000			- Joint liability	One year	No	No
Zhejiang Meizhi Compressor Co., Ltd.	2023/4/29	4,500,000	2023/2/23	570,000	Joint liability	One year	No	No
Guangdong Midea Environmental Technologies Co., Ltd.	2023/4/29	20,000			- Joint liability	One year	No	No
Guangdong Midea Intelligent Technologies Co., Ltd.	2023/4/29	150,000			- Joint liability	One year	No	No
Dorna Technology Co., Ltd.	2023/4/29	50,000			- Joint liability	One year	No	No
Guangdong Midea Electromechanical Technology Co., Ltd.	2023/4/29	150,000			- Joint liability	One year	No	No
Guangdong Jiya Precision Machinery Technology Co., Ltd.	2023/4/29	150,000			- Joint liability	One year	No	No

MiSiliconn Semiconductor Technologies Co., Ltd.	2023/4/29	60,000			- Joint liability	One year	No	No
Servotronix Motion Technology Development (Shenzhen) Ltd.	2023/4/29	50,000			- Joint liability	One year	No	No
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	2023/4/29	6,417,970	2023/1/4	1,643,380	Joint liability	One year	No	No
Guangdong Witol Vacuum Electronic Manufacture Co., Ltd.	2023/4/29	85,000	2023/2/24	340	Joint liability	One year	No	No
Jiangsu Midea Cleaning Appliances Co., Ltd	2023/4/29	760,000	2023/1/9	3420	Joint liability	One year	No	No
Wuhu Midea Kitchen Appliances Manufacturing Co., Ltd.	2023/4/29	2,000,000			- Joint liability	One year	No	No
GD Midea Heating & Ventilating Equipment Co., Ltd.	2023/4/29	4,370,000	2023/1/12	131,250	Joint liability	One year	No	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	2023/4/29	45,000			- Joint liability	One year	No	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	2023/4/29	160,000	2023/2/20	7350	Joint liability	One year	No	No
Meitong Energy Technology (Chongqing) Co., Ltd.	2023/4/29	120,000			- Joint liability	One year	No	No
Guangdong MeiKong Intelligent Building Co., Ltd.	2023/4/29	80,000			- Joint liability	One year	No	No
Shanghai M-BMS Intelligent Construction Co., Ltd.	2023/4/29	80,000			- Joint liability	One year	No	No
Winone Elevator Company Limited	2023/4/29	790,000	2023/1/12	68,930	Joint liability	One year	No	No
Hubei Midea Building Technology Co., Ltd.	2023/4/29	30,000			- Joint liability	One year	No	No
Ningbo Midea United Materials Supply Co. Ltd.	2023/4/29	5,040,000	2023/1/10	45,750	Joint liability	One year	No	No
Guangzhou Kaizhao Commercial and Trading Co., Ltd	2023/4/29	20,000			- Joint liability	One year	No	No
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	2023/4/29	200,000	2023/1/9		- Joint liability	One year	No	No
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	2023/4/29	1,670,000	2023/1/9	157,110	Joint liability	One year	No	No
GD Midea Environment Appliances Mfg. Co., Ltd.	2023/4/29	1,400,000	2023/1/9		- Joint liability	One year	No	No
Wuhu Midea Life Appliances Mfg Co., Ltd.	2023/4/29	2,200,000	2023/2/23	475,200	Joint liability	One year	No	No
Foshan Midea Chungho Water Purification Equipment. Co., Ltd.	2023/4/29	130,000			- Joint liability	One year	No	No
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	2023/4/29	2,500,000	2023/1/30	104,420	Joint liability	One year	No	No

Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	2023/4/29	2,400,000	2023/1/13	490,770	Joint liability	One year	No	No
Wuhu Midea Smart Kitchen Appliance Manufacturing Co., Ltd.	2023/4/29	66,000	2023/2/21	-	Joint liability	One year	No	No
Foshan Shunde Midea Water Dispenser Manufacturing Company Limited	2023/4/29	310,000	2023/3/8	12,420	Joint liability	One year	No	No
Hubei Midea Laundry Appliance Co., Ltd.	2023/4/29	50,000		-	Joint liability	One year	No	No
Hefei Midea Laundry Appliance Co., Ltd.	2023/4/29	1,930,000	2023/1/16	288,850	Joint liability	One year	No	No
Wuxi Filin Electronics Co., Ltd.	2023/4/29	200,000		-	Joint liability	One year	No	No
Wuxi Little Swan Electric Co., Ltd.	2023/4/29	4,345,000	2023/1/10	249,900	Joint liability	One year	No	No
Hefei Midea Refrigerator Co., Ltd.	2023/4/29	3,000,000	2023/1/13	1,338,660	Joint liability	One year	No	No
Hefei Hualing Co., Ltd.	2023/4/29	700,000	2023/1/30	320,250	Joint liability	One year	No	No
Hubei Midea Refrigerator Co., Ltd.	2023/4/29	520,000		-	Joint liability	One year	No	No
Guangzhou Midea Hualing Refrigerator Co., Ltd.	2023/4/29	700,000	2023/3/22	247,950	Joint liability	One year	No	No
Little Swan (Jing Zhou) Sanjin Electronic Appliances Limited	2023/4/29	50,000		-	Joint liability	One year	No	No
Toshiba Home Appliances Manufacturing (Nanhai) Co., Ltd	2023/4/29	100,000		-	Joint liability	One year	No	No
Midea Group E-Commerce Co., Ltd.	2023/4/29	160,000		-	Joint liability	One year	No	No
Guangdong Midea Smart Link Technologies Co., Ltd.	2023/4/29	390,000	2023/1/1	1960	Joint liability	One year	No	No
Reis Robotics (Kunshan) Co., Ltd.	2023/4/29	200,000	2023/1/16	30,870	Joint liability	One year	No	No
KUKA Systems (China) CO., Ltd.	2023/4/29	400,000	2023/1/5	93,810	Joint liability	One year	No	No
KUKA Robotics Manufacturing China Co., Ltd.	2023/4/29	100,000		-	Joint liability	One year	No	No
KUKA Robotics Guangdong Co., Ltd	2023/4/29	200,000		-	Joint liability	One year	No	No
KUKA Robotics (Shanghai) Co.,Ltd.	2023/4/29	300,000	2023/1/1	46,760	Joint liability	One year	No	No
Shanghai Swisslog Healthcare Co., Ltd.	2023/4/29	65,000	2023/2/22	19,440	Joint liability	One year	No	No
Guangdong Swisslog Technology Co., Ltd.	2023/4/29	40,000		-	Joint liability	One year	No	No

Swisslog (Shanghai) Co., Ltd.	2023/4/29	80,000	2023/1/1	8790	Joint liability	One year	No	No
Shanghai Swisslog Technology Co., Ltd.	2023/4/29	200,000	2023/1/6	88,060	Joint liability	One year	No	No
Guangdong Midea Intelligent Robotics Co., Ltd.	2023/4/29	100,000			- Joint liability	One year	No	No
Guangdong Midea-SIIX Electronics Co., Ltd.	2023/4/29	100,000	2023/1/1	60	Joint liability	One year	No	No
Hefei Midea-SIIX Electronics Co., Ltd.	2023/4/29	150,000			- Joint liability	One year	No	No
Guangdong Meichuangxi Technology Co., Ltd.	2023/4/29	500,000			- Joint liability	One year	No	No
Guangdong Meicloud Technology Co., Ltd.	2023/4/29	120,000			- Joint liability	One year	No	No
Foshan Meicloud Technology Co., Ltd.	2023/4/29	30,000			- Joint liability	One year	No	No
Guangdong Yueyun Industrial Internet Innovative Technology Co., Ltd.	2023/4/29	10,000			- Joint liability	One year	No	No
Midea International Corporation Company Limited	2023/4/29	15,705,000	2023/1/1	10,734,340	Joint liability	One year	No	No
Midea Investment Development Company Limited	2023/4/29	8,100,000	2023/1/1	3,251,610	Joint liability	One year	No	No
Welling International (Hong Kong) Ltd	2023/4/29	250,000			- Joint liability	One year	No	No
Midea International Trading Company Limited	2023/4/29	650,000			- Joint liability	One year	No	No
Midea Electric Trading (Singapore) Co.,Pte. Ltd.	2023/4/29	6,375,000			- Joint liability	One year	No	No
Toshiba Lifestyle Products & Services Corporation	2023/4/29	1,154,400	2023/1/1	295,140	Joint liability	One year	No	No
Toshiba Thailand Co., Ltd	2023/4/29	152,400			- Joint liability	One year	No	No
Toshiba Vietnam Consumer Products Co., Ltd	2023/4/29	66,190	2023/2/23		- Joint liability	One year	No	No
Toshiba Lifestyle Electronics Trading Co., Ltd	2023/4/29	10,090	2023/1/1	910	Joint liability	One year	No	No
Toshiba consumer products (THAILAND) Co.,Ltd	2023/4/29	243,310	2023/1/1	300,840	Joint liability	One year	No	No
Thai Toshiba Electric Industries Co., Ltd	2023/4/29	17,760	2023/1/1	1490	Joint liability	One year	No	No
Control Component Co., Ltd	2023/4/29	14,310	2023/1/1	120	Joint liability	One year	No	No
Clivet S.p.A.	2023/4/29	100,000			- Joint liability	One year	No	No

Midea (Egypt) Kitchen & water heater appliances Co., Ltd	2023/4/29	70,000			- Joint liability	One year	No	No
Midea Electric Netherlands (I) B.V.	2023/4/29	25,000,000	2023/1/1	23,631,300	Joint liability	One year	No	No
Total guarantee line for subsidiaries approved during the Reporting Period (B1)		138,947,430			Total actual guarantee amount for subsidiaries during the Reporting Period (B2)			54,109,220
Total approved guarantee line for subsidiaries at the end of the Reporting Period (B3)		138,947,430			Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)			47,654,690
Guarantees provided by subsidiaries for their 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
Toshiba Sales & Services Sdn. Bhd.	2023/4/29	202,500	2023/1/5	4.7	Joint liability	One year	No	No
Toshiba Home Technology Corporation	2023/4/29	7,630	2023/1/1	24,440	Joint liability	One year	No	No
Midea America Corp.	2023/4/29	400,000			Joint liability	One year	No	No
Midea America (Canada) Corp	2023/4/29	67,500			Joint liability	One year	No	No
Midea Mexico, S. DE R.L. DE C.V.	2023/4/29	168,750			Joint liability	One year	No	No
Midea Consumer Appliances DMCC	2023/4/29	33,750			Joint liability	One year	No	No
Orient Household Appliances Ltd.(Orient)	2023/4/29	202,500			Joint liability	One year	No	No
Midea Italia S.r.l.	2023/4/29	13,500			Joint liability	One year	No	No
Midea Europe GmbH	2023/4/29	67,500			Joint liability	One year	No	No
Midea Electrics France	2023/4/29	13,500			Joint liability	One year	No	No
Midea Home Appliances UK Ltd	2023/4/29	13,500			Joint liability	One year	No	No
Midea Electrics Egypt	2023/4/29	175,500			Joint liability	One year	No	No

Midea Electric Espana S.R.L.	2023/4/29	13,500			Joint liability	One year	No	No
Concepcion Midea Inc.	2023/4/29	50,000			Joint liability	One year	No	No
Midea Scott & English Electronics Sdn. Bhd	2023/4/29	120,000			Joint liability	One year	No	No
Pt. Midea Planet Indonesia	2023/4/29	102,900			Joint liability	One year	No	No
Midea (Japan) Co., Ltd.	2023/4/29	20,250			Joint liability	One year	No	No
MC Innovation Center Co., Ltd.	2023/4/29	20,250			Joint liability	One year	No	No
Midea Electronics Australia Co Pty Ltd	2023/4/29	13,500			Joint liability	One year	No	No
Meco Innovations Technology, LLC	2023/4/29	6,700			Joint liability	One year	No	No
Midea India Private Limited	2023/4/29	33,750			Joint liability	One year	No	No
GMCC and Welling Appliance Component (Thailand) Co., Ltd.	2023/4/29	40,000			Joint liability	One year	No	No
Wuhu Midea Annto Logistics Co., Ltd.	2023/4/29	800,000	2023/1/5	12,740	Joint liability	One year	No	No
Ningbo Annto Logistics Co., Ltd.	2023/4/29	300,000			- Joint liability	One year	No	No
Hainan Annto Logistics Supply Chain Management Co., Ltd.	2023/4/29	200,000			- Joint liability	One year	No	No
Total line for guarantees provided by subsidiaries for their subsidiaries approved during the Reporting Period (C1)			3,086,980		Total actual guarantee amount provided by subsidiaries for their subsidiaries during the Reporting Period (C2)			37,190
Total approved line for guarantees provided by subsidiaries for their subsidiaries at the end of the Reporting Period (C3)			3,086,980		Total actual guarantee balance provided by subsidiaries for their subsidiaries at the end of the Reporting Period (C4)			37,190
Guarantees provided with the Company's asset pool								
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

GD Midea Group Wuhu Air-Conditioning Equipment Co.,Ltd.	2023/4/29	2,016,000			-	Joint liability	One year	No	No
GD Midea Air-Conditioning Equipment Co.,Ltd.	2023/4/29	2,688,000	2023/2/15	1,827,530		Joint liability	One year	No	No
Midea Group Wuhan Refrigeration Equipment Co.,Ltd.	2023/4/29	672,000			-	Joint liability	One year	No	No
Wuhu Maty Air-Conditioning Equipment Co., Ltd	2023/4/29	672,000			-	Joint liability	One year	No	No
Anhui Welling Auto Parts Co., Ltd.	2023/4/29	30,240			-	Joint liability	One year	No	No
Anqing Welling Auto Parts Co., Ltd.	2023/4/29	30,240			-	Joint liability	One year	No	No
Dorna Technology Co., Ltd.	2023/4/29	30,240			-	Joint liability	One year	No	No
Servotronix Motion Technology Development (Shenzhen) Ltd.	2023/4/29	30,240			-	Joint liability	One year	No	No
Guangdong Jiya Precision Machinery Technology Co., Ltd.	2023/4/29	75,600			-	Joint liability	One year	No	No
Guangdong Midea Electromechanical Technology Co., Ltd.	2023/4/29	0			-	Joint liability	One year	No	No
MiSiliconn SemiConductor Technologies Co., Ltd.	2023/4/29	30,240			-	Joint liability	One year	No	No
Wuhu Welling Motor Sales Co., Ltd.	2023/4/29	756,020	2023/5/23	217,740		Joint liability	One year	No	No
Zhejiang Meizhi Compressor Co., Ltd.	2023/4/29	1,028,180	2023/4/27	357,750		Joint liability	One year	No	No
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	2023/4/29	1,361,000	2023/4/12	680,820		Joint liability	One year	No	No
Jiangsu Midea Cleaning Appliances Co., Ltd	2023/4/29	454,000	2023/4/25	183,160		Joint liability	One year	No	No
Wuhu Midea Kitchen Appliances Manufacturing Co., Ltd.	2023/4/29	454,000			-	Joint liability	One year	No	No
Hefei Midea Laundry Appliance Co., Ltd.	2023/4/29	1,361,000			-	Joint liability	One year	No	No
Wuxi Little Swan Electric Co., Ltd.	2023/4/29	1,361,000	2023/5/15	350,000		Joint liability	One year	No	No
Guangzhou Midea Hualing Refrigerator Co., Ltd.	2023/4/29	91,000			-	Joint liability	One year	No	No
Hefei Midea Refrigerator Co., Ltd.	2023/4/29	1,815,000			-	Joint liability	One year	No	No
Guangdong Midea Intelligent Robotics Co., Ltd.	2023/4/29	30,000			-	Joint liability	One year	No	No
Reis Robotics (Kunshan) Co., Ltd.	2023/4/29	30,000			-	Joint liability	One year	No	No

KUKA Robotics Guangdong Co., Ltd	2023/4/29	10,000			-	Joint liability	One year	No	No
KUKA Robotics Manufacturing China Co.,Ltd	2023/4/29	0			-	Joint liability	One year	No	No
KUKA Systems (China) CO., Ltd.	2023/4/29	10,000			-	Joint liability	One year	No	No
Shanghai Swisslog Healthcare Co., Ltd.	2023/4/29	20,000			-	Joint liability	One year	No	No
Ningbo Midea United Materials Supply Co. Ltd.	2023/4/29	520,000	2023/6/29	74,940		Joint liability	One year	No	No
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	2023/4/29	665,000	2023/4/26	235,130		Joint liability	One year	No	No
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	2023/4/29	907,000			-	Joint liability	One year	No	No
Midea Group E-Commerce Co., Ltd.	2023/4/29	53,000			-	Joint liability	One year	No	No
Guangdong Midea Smart Link Technologies Co., Ltd.	2023/4/29	268,000			-	Joint liability	One year	No	No
GD Midea Heating & Ventilating Equipment Co., Ltd.	2023/4/29	368,000			-	Joint liability	One year	No	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	2023/4/29	73,000			-	Joint liability	One year	No	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	2023/4/29	49,000			-	Joint liability	One year	No	No
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	2023/4/29	302,000			-	Joint liability	One year	No	No
Guangdong Meichuangxi Technology Co., Ltd.	2023/4/29	15,000			-	Joint liability	One year	No	No
GD Midea Environment Appliances Mfg. Co.,Ltd.	2023/4/29	363,000	2023/4/27	226,560		Joint liability	One year	No	No
Wuhu Midea Life Appliances Mfg Co., Ltd.	2023/4/29	1,361,000			-	Joint liability	One year	No	No
Hainan Annto Logistics Supply Chain Management Co., Ltd.	2023/4/29	150,000			-	Joint liability	One year	No	No
Ningbo Annto Logistics Co., Ltd.	2023/4/29	100,000	2023/2/2	1270		Joint liability	One year	No	No
Shenyang Annto Logistics Technology Co., Ltd.	2023/4/29	20,000			-	Joint liability	One year	No	No
Guiyang Annto Logistics Technology Co., Ltd.	2023/4/29	20,000			-	Joint liability	One year	No	No
Wuhan Annto Logistics Technology Co., Ltd.	2023/4/29	20,000			-	Joint liability	One year	No	No
Nanjing Meian Logistics Co., Ltd.	2023/4/29	20,000			-	Joint liability	One year	No	No



Shanghai Annto Logistics Supply Chain Technology Co., Ltd.	2023/4/29	20,000	2023/4/25	90	Joint liability	One year	No	No
Jingzhou Meian Warehousing and Transportation Co., Ltd.	2023/4/29	20,000			- Joint liability	One year	No	No
Qihe Annto Logistics Technology Co., Ltd.	2023/4/29	20,000			- Joint liability	One year	No	No
Hefei Annto Logistics Technology Co., Ltd.	2023/4/29	20,000			- Joint liability	One year	No	No
Tianjin Annto Logistics Technology Co., Ltd.	2023/4/29	20,000			- Joint liability	One year	No	No
Xuzhou Annto Logistics Technology Co., Ltd.	2023/4/29	20,000			- Joint liability	One year	No	No
Zhengzhou Annto Logistics Technology Co., Ltd.	2023/4/29	20,000			- Joint liability	One year	No	No
Chongqing Annto Logistics Technology Co., Ltd.	2023/4/29	20,000			- Joint liability	One year	No	No
Wuhu Midea Annto Logistics Co., Ltd.	2023/4/29	160,000	2023/1/13	8,120	Joint liability	One year	No	No
Total line for guarantees provided with the Company's asset pool approved during the Reporting Period (D1)			20,650,000		Total actual guarantee amount provided with the Company's asset pool during the Reporting Period (D2)			4,163,110
Total approved line for guarantees provided with the Company's asset pool at the end of the Reporting Period (D3)			20,650,000		Total actual guarantee balance provided with the Company's asset pool at the end of the Reporting Period (D4)			4,163,110
Total guarantee amount (total of the above-mentioned four kinds of guarantees)								
Total guarantee line approved during the Reporting Period (A1+B1+C1+D1)			162,684,410		Total actual guarantee amount during the Reporting Period (A2+B2+C2+D2)			58,309,520
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3+D3)			162,684,410		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4+D4)			51,854,990
Proportion of the total actual guarantee amount (A4+B4+C4+D4) in net assets of the Company								35.43%
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)								47,100,910

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)	47,100,910
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

### 12.3 Entrusted asset management

Applicable  N/A

No such cases in the Reporting Period.

### 12.4 Other significant contracts

Applicable  N/A

No such cases in the Reporting Period.

## 13. Other Significant Events

Applicable  N/A

## 14. Significant Events of Subsidiaries

Applicable  N/A

The designated placement of 252,467,541 shares offered to the Company by its subsidiary, CLOU Electronics, were listed on the main board of the Shenzhen Stock Exchange on 2 June 2023. Upon the said ownership change, the Company becomes the controlling shareholder of CLOU Electronics and holds a total of 378,514,789 shares (or 22.79%) in it.

## Section VII Changes in Shares and Information about Shareholders

### 1. Changes in Shares

#### 1.1 Changes in shares

Unit: share

	Before		Increase/decrease in Reporting Period (+/-)			After	
	Shares	Percentage (%)	New issue	Others	Subtotal	Shares	Percentage (%)
1. Restricted shares	143,615,016	2.05		- 5,029,313	- 5,029,313	138,585,703	1.97
1.1 Shares held by the state							
1.2 Shares held by state-owned corporations							
1.3 Shares held by other domestic investors	141,131,474	2.02		- 4,812,063	- 4,812,063	136,319,411	1.94
Among which: Shares held by domestic corporations	2,363,601	0.03				2,363,601	0.03
Shares held by domestic individuals	138,767,873	1.98		- 4,812,063	- 4,812,063	133,955,810	1.91
1.4 Shares held by foreign investors	2,483,542	0.04		-217,250	-217,250	2,266,292	0.03
Among which: Shares held by foreign corporations							
Shares held by foreign individuals	2,483,542	0.04		-217,250	-217,250	2,266,292	0.03
2. Non-restricted shares	6,853,658,060	97.95	27,406,132	2,531,396	29,937,528	6,883,595,588	98.03
2.1 RMB common shares	6,853,658,060	97.95	27,406,132	2,531,396	29,937,528	6,883,595,588	98.03
2.2 Domestically listed foreign shares							

2.3 Overseas listed foreign shares							
2.4 Other							
3. Total shares	6,997,273,076	100.00	27,406,132	-2,497,917	24,908,215	7,022,181,291	100.00

## Reasons for the changes in shares

Applicable N/A

a. For the reasons of certain awardees' resignation, violation of the Company's "Red Lines", being reassigned or other factors, on 18 April 2023, the Company repurchased and retired 218,958 shares of 14 awardees under the 2018 Restricted Share Incentive Scheme, 431,250 shares of 14 awardees under the 2019 Restricted Share Incentive Scheme, 753,209 shares of 25 awardees under the 2020 Restricted Share Incentive Scheme, 824,500 shares of 18 awardees under the 2021 Restricted Share Incentive Scheme, and 270,000 shares of 10 awardees under the 2022 Restricted Share Incentive Scheme, totaling 2,497,917 restricted shares.

b. The 2,566,396 restricted shares of a total of 172 eligible awardees for the fourth unlocking period of the first grant under the 2018 Restricted Share Incentive Scheme were unlocked on 3 July 2023, including 144,750 restricted shares of foreign employees.

c. In the Reporting Period, the awardees of stock options chose to exercise 27,406,132 shares, which have been registered into the Company's share capital.

d. In the Reporting Period, locked-up shares held by senior management increased by 35,000 shares.

## Approval of share changes

Applicable N/A

## Transfer of share ownership

Applicable N/A

## Progress of any share repurchase

Applicable N/A

As of 10 March 2023, the Company cumulatively repurchased 48,558,888 shares (0.6927% of the

Company's total share capital). With the highest trading price being RMB60.05/share and the lowest being RMB48.08/share, the total payment amounted to RMB2,636,704,772.26 (exclusive of transaction costs). As such, the implementation of this share repurchase plan has been completed.

Progress of any repurchased share reduction through centralized price bidding

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	Increase d in current period	Repurchas ed and retired	Closing restricted shares	Reason for change	Date of unlocking
Awardees of the first grant of 2018 Restricted Share Incentive Scheme	2,947,667	2,566,396	0	148,125	233,146	Locked up according to the Scheme	3 July 2023
Zhong Zheng	187,114	0	20,000	0	207,114	Locked up for senior management	-
Zhao Wenxin	60,000	20,000	0	0	40,000	Locked up for senior management	-
Zhang Xiaoyi	211,431	0	25,000	0	236,431	Locked up for senior management	-
Wang Jinliang	35,000	20,000	0	0	15,000	Locked up for senior management	-

Jiang Peng	139,675	20,000	0	0	119,675	Locked up for senior management	-
Guan Jinwei	234,000	0	25,000	0	259,000	Locked up for senior management	-
Hu Ziqiang	275,000	0	25,000	0	300,000	Locked up for senior management	-
<b>Total</b>	<b>4,089,887</b>	<b>2,626,396</b>	<b>95,000</b>	<b>148,125</b>	<b>1,410,366</b>	<b>--</b>	<b>--</b>

## 2. Issuance and Listing of Securities

Applicable N/A

## 3. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of common shareholders at the period-end		339,281		Total number of preference shareholders with resumed voting rights at the period-end (if any)		0		
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	30.89%	2,169,178,713	-	0	2,169,178,713	In pledge	100,000,000
Hong Kong Securities Clearing Company Limited	Foreign corporation	19.72%	1,384,550,034	-48,164,542	0	1,384,550,034		
China Securities Finance Co., Ltd.	Domestic non-state-	2.82%	198,145,134	-	0	198,145,134		

	owned corporation							
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%	86,170,000	30,000	0	86,170,000		
Canada Pension Plan Investment Board— own funds (stock exchange)	Foreign corporation	0.84%	58,703,400	-3,210,503	0	58,703,400		
UBS AG	Foreign corporation	0.78%	54,464,241	34,297,436	0	54,464,241		
Li Jianwei	Foreign individual	0.66%	46,154,545	-110,000	0	46,154,545		
Huang Xiaoxiang	Domestic individual	0.54%	37,835,332	0	0	37,835,332	In pledged	20,147,914
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 2.09% 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	1,384,550,034	RMB common stock	1,384,550,034
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	86,170,000	RMB common stock	86,170,000
Canada Pension Plan Investment Board—own funds (stock exchange)	58,703,400	RMB common stock	58,703,400
UBS AG	54,464,241	RMB common stock	54,464,241
Li Jianwei	46,154,545	RMB common stock	46,154,545
Huang Xiaoxiang	37,835,332	RMB common stock	37,835,332
Merrill Lynch International	36,806,075	RMB common stock	36,806,075
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 (if any) (see Note 4)	The Company's shareholder Huang Xiaoxiang holds 28,635,332 shares in the Company through his common securities account and 9,200,000 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.		

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

#### 4. Changes in Shareholdings of Directors, Supervisors and Senior Management

Applicable N/A

No changes occurred to the shareholdings of the Company's directors, supervisors and senior management during the Reporting Period. For further information, see the 2022 Annual Report.



## **5. Change of Controlling Shareholder or Actual Controller in the Reporting Period**

Change of the controlling shareholder during the Reporting Period

Applicable N/A

No such cases in the Reporting Period.

Change of the actual controller during the Reporting Period

Applicable N/A

No such cases in the Reporting Period.

## Section VIII Preference Shares

Applicable  N/A

No such cases in the Reporting Period.

## Section IX Bonds

### 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 Changes in credit ratings in the Reporting Period

Applicable  N/A

### 2.4 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 bond holders

Applicable  N/A

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

Applicable  N/A

No such cases in the Reporting Period.

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

Unit: RMB'000

Item	30 June 2023	31 December 2022	Change
Current ratio	111.46%	126.54%	-15.08%
Debt/asset ratio	65.80%	64.05%	1.76%
Quick ratio	95.00%	98.38%	-3.38%
	H1 2023	H1 2022	Change
Net profit before non-recurring gains and losses	17,941,154	15,792,300	13.61%
EBITDA/debt ratio	28.21%	23.02%	5.20%
Interest cover (times)	15.49	22.70	-31.76%
Cash-to-interest cover (times)	38.01	31.11	22.20%
EBITDA-to-interest cover (times)	17.65	26.45	-33.25%
Loan repayment ratio (%)	100%	100%	0%
Interest payment ratio (%)	100%	100%	0%

## Section X Financial Report

### 1. Auditor's Report

Have the semi-annual financial statements been audited by a CPA firm?

Yes  No

The semi-annual financial statements are unaudited by a CPA firm.

### 2. Financial Statements

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

**MIDEA GROUP CO., LTD.**

**CONSOLIDATED AND COMPANY BALANCE SHEETS**

**AS AT 30 JUNE 2023**

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

[English translation for reference only]

ASSETS	Note	30 June 2023	31 December 2022	30 June 2023	31 December 2022
		Consolidated	Consolidated	Company	Company
<b>Current assets:</b>					
Cash at bank and on hand	4(1)	71,734,919	55,270,099	29,731,163	28,492,401
Financial assets held for trading	4(2)	8,194,001	3,284,593	414,681	274,120
Derivative financial assets		512,686	665,484	-	-
Notes receivable	4(3)	6,914,310	4,758,129	-	-
Accounts receivable	4(4)	36,454,972	28,237,973	-	-
Receivables financing	4(6)	15,466,934	13,526,540	-	-
Advances to suppliers	4(7)	4,471,677	4,367,211	28,348	34,724
Contract assets	4(8)	4,703,917	4,498,956	-	-
Loans and advances	4(9)	16,752,838	14,138,756	-	-
Other receivables	4(5), 17(1)	1,862,865	2,211,177	24,272,900	26,175,101
Inventories	4(10)	33,693,045	46,044,897	-	-
Current portion of non-current assets	4(11)	36,895,538	37,553,078	31,984,594	33,168,421
Other current assets	4(12)	42,644,014	46,542,378	31,580,726	33,476,601
<b>Total current assets</b>		<b>280,301,716</b>	<b>261,099,271</b>	<b>118,012,412</b>	<b>121,621,368</b>
<b>Non-current assets:</b>					
Other debt investments	4(13)	6,212,062	11,094,259	3,278,230	7,215,301
Long-term receivables	4(14)	621,598	614,598	-	-
Loans and advances	4(9)	1,393,851	693,294	-	-
Long-term equity investments	4(15), 17(2)	4,731,210	5,188,817	74,427,719	73,103,569
Investments in other equity instruments		41,292	41,359	-	-
Other non-current financial assets	4(16)	9,197,875	10,625,244	300,325	347,698
Investment properties		1,366,242	809,936	365,853	386,435
Fixed assets	4(17)	28,336,765	26,082,992	1,406,330	1,223,553
Construction in progress	4(18)	5,414,509	3,843,777	538,168	504,757
Right-of-use assets	4(19)	2,687,642	2,339,878	4,207	8,040
Intangible assets	4(20)	18,953,786	16,908,915	645,400	653,320
Goodwill	4(21)	30,925,071	28,548,653	-	-
Long-term prepaid expenses	4(22)	1,613,099	1,579,899	78,183	85,109
Deferred tax assets	4(23)	12,439,908	10,244,296	270,370	327,251
Other non-current assets	4(24)	58,503,009	42,840,079	49,649,040	35,423,939
<b>Total non-current assets</b>		<b>182,437,919</b>	<b>161,455,996</b>	<b>130,963,825</b>	<b>119,278,972</b>
<b>TOTAL ASSETS</b>		<b>462,739,635</b>	<b>422,555,267</b>	<b>248,976,237</b>	<b>240,900,340</b>

Legal representative:  
Fang Hongbo

Principal in charge of accounting:  
Zhong Zheng

Head of accounting department:  
Chen Lihong

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D)

AS AT 30 JUNE 2023

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

[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2023	31 December 2022	30 June 2023	31 December 2022
		Consolidated	Consolidated	Company	Company
<b>Current liabilities:</b>					
Short-term borrowings	4(27)	19,289,107	5,169,480	400,000	-
Customer deposits and deposits from banks and other financial institutions		47,551	77,469	-	-
Financial liabilities held for trading		1,434,319	1,580,771	-	-
Derivative financial liabilities		584,017	234,606	-	-
Notes payable	4(28)	14,236,566	25,572,421	-	-
Accounts payable	4(29)	71,684,891	64,233,225	-	-
Contract liabilities	4(30)	29,636,542	27,960,038	-	-
Employee benefits payable	4(31)	6,160,366	7,152,217	83,773	173,824
Taxes payable	4(32)	6,343,751	4,955,335	566,374	718,181
Other payables	4(33)	4,941,956	4,322,025	181,629,265	159,953,351
Current portion of non-current liabilities	4(34)	21,798,602	7,240,626	12,424,968	5,896,701
Other current liabilities	4(35)	75,314,120	57,843,528	57,946	77,066
<b>Total current liabilities</b>		<b>251,471,788</b>	<b>206,341,741</b>	<b>195,162,326</b>	<b>166,819,123</b>
<b>Non-current liabilities:</b>					
Long-term borrowings	4(36)	39,030,039	50,685,948	9,000,000	15,619,900
Debentures payable	4(37)	3,281,840	3,163,616	-	-
Lease liabilities	4(38)	1,767,894	1,507,480	-	2,350
Provisions		650,873	394,977	-	-
Deferred income	4(39)	1,772,248	1,721,092	190,941	152,548
Long-term employee benefits payable	4(40)	1,410,678	1,488,456	-	-
Deferred tax liabilities	4(23)	5,081,727	4,647,673	-	-
Other non-current liabilities		30,033	680,482	-	-
<b>Total non-current liabilities</b>		<b>53,025,332</b>	<b>64,289,724</b>	<b>9,190,941</b>	<b>15,774,798</b>
<b>Total liabilities</b>		<b>304,497,120</b>	<b>270,631,465</b>	<b>204,353,267</b>	<b>182,593,921</b>
<b>Shareholders' equity:</b>					
Share capital	4(41)	7,022,181	6,997,273	7,022,181	6,997,273
Capital surplus	4(43)	20,918,536	19,693,139	29,136,349	27,826,208
Less: Treasury stock	4(42)	(13,819,040)	(14,933,944)	(13,819,040)	(14,933,944)
Other comprehensive income	4(44)	125,391	108,289	11,701	(5,679)
General risk reserve		677,971	671,999	-	-
Special reserve		16,721	16,350	-	-
Surplus reserve	4(45)	10,702,928	10,702,928	10,702,928	10,702,928
Undistributed profits	4(46)	120,723,905	119,679,202	11,568,851	27,719,633
Total equity attributable to shareholders of the Company		146,368,593	142,935,236	44,622,970	58,306,419
Minority interests		11,873,922	8,988,566	-	-
<b>Total shareholders' equity</b>		<b>158,242,515</b>	<b>151,923,802</b>	<b>44,622,970</b>	<b>58,306,419</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>462,739,635</b>	<b>422,555,267</b>	<b>248,976,237</b>	<b>240,900,340</b>

Legal representative:  
Fang Hongbo

Principal in charge of accounting:  
Zhong Zheng

Head of accounting department:  
Chen Lihong

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

[English translation for reference only]

Item	Note	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022
		Consolidated	Consolidated	Company	Company
<b>Total revenue</b>		197,795,614	183,663,399	552,756	824,660
Including: Operating revenue	4(47), 17(3)	196,988,402	182,661,009	552,756	824,660
Interest income	4(48)	806,891	1,001,960	-	-
Fee and commission income		321	430	-	-
<b>Total operating cost</b>		(176,388,077)	(165,037,325)	411,775	206,836
Including: Cost of sales	4(47)	(147,276,358)	(140,424,168)	(20,582)	(20,820)
Interest costs	4(48)	(19,681)	(33,643)	-	-
Fee and commission expenses		(753)	(1,518)	-	-
Taxes and surcharges	4(49)	(1,040,376)	(798,939)	(11,951)	(10,053)
Selling and distribution expenses	4(50)	(17,133,216)	(14,698,373)	-	-
General and administrative expenses	4(51)	(5,670,400)	(4,951,069)	(579,154)	(785,386)
Research and development expenses	4(52)	(6,610,954)	(5,865,033)	-	-
Finance income	4(53)	1,363,661	1,735,418	1,023,462	1,023,095
Including: Interest expenses		(1,525,683)	(867,954)	(1,445,938)	(1,264,787)
Interest income		3,280,782	2,764,267	2,471,387	2,294,576
Add: Other income	4(59)	772,764	644,525	23,448	18,782
Investment income	4(57), 17(4)	410,154	607,847	189,439	272,392
Including: Investment income from associates and joint ventures		348,545	263,014	124,458	126,297
Gains/(Losses) on changes in fair value	4(56)	(103,703)	(749,742)	126,469	(80,116)
Asset impairment losses	4(54)	(189,060)	(230,679)	-	-
Credit impairment losses	4(55)	(221,424)	(192,891)	551	(567)
Losses on disposal of assets	4(58)	8,525	18,962	(65)	(280)
<b>Operating profit</b>		22,084,793	18,724,096	1,304,373	1,241,707
Add: Non-operating income		124,256	162,480	1,715	27,359
Less: Non-operating expenses		(101,742)	(53,628)	(333)	(247)
<b>Total profit</b>		22,107,307	18,832,948	1,305,755	1,268,819
Less: Income tax expenses	4(60)	(3,578,491)	(2,710,551)	(274,921)	(364,840)
<b>Net profit</b>		18,528,816	16,122,397	1,030,834	903,979
(1) Classified by continuity of operations					
Net profit from continuing operations		18,528,816	16,122,397	1,030,834	903,979
Net profit from discontinued operations		-	-	-	-
(2) Classified by ownership of the equity					
Attributable to shareholders of the Company		18,232,291	15,995,496	1,030,834	903,979
Minority interests		296,525	126,901	-	-
<b>Other comprehensive income, net of tax</b>		36,373	406,142	17,380	1,021
Other comprehensive income attributable to equity owners of the Company, net of tax		17,102	470,720	17,380	1,021
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss		(21,788)	185,263	-	-
1) Changes arising from remeasurement of defined benefit plan		(21,788)	183,574	-	-
2) Changes in fair value of investments in other equity instruments		-	1,689	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss		38,890	285,457	17,380	1,021
1) Other comprehensive income that will be transferred subsequently to profit or loss under the equity method		35,908	47	17,380	1,021
2) Cash flow hedging reserve		(124,535)	(613,659)	-	-
3) Differences on translation of foreign currency financial statements		153,161	899,069	-	-
4) Others		(25,644)	-	-	-
Other comprehensive income attributable to minority shareholders, net of tax		19,271	(64,578)	-	-
<b>Total comprehensive income</b>		18,565,189	16,528,539	1,048,214	905,000
Attributable to equity owners of the Company		18,249,393	16,466,216	1,048,214	905,000
Attributable to minority interests		315,796	62,323	-	-
<b>Earnings per share</b>					
(1) Basic earnings per share	4(61)	2.67	2.34	Not applicable	Not applicable
(2) Diluted earnings per share	4(61)	2.66	2.34	Not applicable	Not applicable

Legal representative:  
Fang Hongbo

Principal in charge of accounting:  
Zhong Zheng

Head of accounting department:  
Chen Lihong



MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

Item	Note	For the six months ended 30 June 2023	For the six months ended 30 June 2022	For the six months ended 30 June 2023	For the six months ended 30 June 2022
		Consolidated	Consolidated	Company	Company
<b>1. Cash flows from operating activities</b>					
Cash received from sales of goods or rendering of services		174,235,446	153,366,180	-	-
Net increase in customer deposits and deposits from banks and other financial institutions		-	20,646	-	-
Net decrease in loans and advances		-	4,692,117	-	-
Net decrease in deposits with the Central Bank, banks and other financial institutions		-	7,470	-	-
Net increase in borrowings from the Central Bank		-	70,261	-	-
Cash received from interest, fee and commission		816,416	1,000,789	-	-
Refund of taxes and surcharges		4,053,564	5,236,807	-	-
Cash received relating to other operating activities	4(62)(a)	3,291,850	3,354,892	24,634,108	30,323,333
<b>Sub-total of cash inflows</b>		<b>182,397,276</b>	<b>167,749,162</b>	<b>24,634,108</b>	<b>30,323,333</b>
Cash paid for goods and services		(100,290,626)	(104,212,384)	-	-
Net increase in loans and advances		(3,312,680)	-	-	-
Net decrease in customer deposits and deposits from banks and other financial institutions		(29,918)	-	-	-
Net increase in deposits with the Central Bank		(251,030)	-	-	-
Cash paid for interest, fee and commission		(20,434)	(35,840)	-	-
Cash paid to and on behalf of employees		(20,253,369)	(18,431,348)	(271,129)	(241,178)
Payments of taxes and surcharges		(9,975,407)	(8,683,607)	(333,143)	(352,102)
Cash paid relating to other operating activities	4(62)(b)	(18,479,138)	(14,991,273)	(1,193,353)	(1,107,662)
<b>Sub-total of cash outflows</b>		<b>(152,612,602)</b>	<b>(146,354,452)</b>	<b>(1,797,625)</b>	<b>(1,700,942)</b>
<b>Net cash flows from operating activities</b>	4(62)(c)	<b>29,784,674</b>	<b>21,394,710</b>	<b>22,836,483</b>	<b>28,622,391</b>
<b>2. Cash flows from investing activities:</b>					
Cash received from disposal of investments		56,866,188	50,554,179	44,664,000	33,400,000
Cash received from returns on investments		3,426,440	3,023,041	2,811,327	1,889,667
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		113,016	64,531	-	23
Net cash received from disposal of subsidiaries and other business units		3,000	14,829	-	6,500
Cash received relating to other investing activities		373,816	335,082	-	-
<b>Sub-total of cash inflows</b>		<b>60,782,460</b>	<b>53,991,662</b>	<b>47,475,327</b>	<b>35,296,190</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,794,669)	(2,868,894)	(340,029)	(283,430)
Cash paid to acquire investments		(84,960,686)	(57,309,340)	(53,052,212)	(41,670,159)
Net cash paid to acquire subsidiaries and other business units		-	(376,280)	-	-
Cash paid relating to other investing activities		(73,793)	-	-	-
<b>Sub-total of cash outflows</b>		<b>(87,829,148)</b>	<b>(60,554,514)</b>	<b>(53,392,241)</b>	<b>(41,953,589)</b>
<b>Net cash flows from investing activities</b>		<b>(27,046,688)</b>	<b>(6,562,852)</b>	<b>(5,916,914)</b>	<b>(6,657,399)</b>
<b>3. Cash flows from financing activities:</b>					
Cash received from capital contributions		1,870,241	1,134,582	1,859,226	1,133,582
Including: Cash received from capital contributions by minority shareholders of subsidiaries		11,015	1,000	-	-
Cash received from borrowings		14,310,153	16,025,436	400,000	4,000,000
Cash received from issuance of medium-term debentures		-	2,841,690	-	-
Cash received from issuance of short-term financing bonds		-	3,999,500	-	3,999,500
Cash received relating to other financing activities		282,897	89,498	-	-
<b>Sub-total of cash inflows</b>		<b>16,463,291</b>	<b>24,090,706</b>	<b>2,259,226</b>	<b>9,133,082</b>
Cash repayments of borrowings		(3,772,807)	(3,916,525)	(89,900)	(89,900)
Cash paid for repayment of short-term financing bonds		-	-	-	-
Cash payments for interest expenses and distribution of dividends or profits		(18,167,904)	(12,537,953)	(18,760,464)	(13,313,757)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(100,216)	(49,705)	-	-
Cash payments relating to other financing activities		(960,508)	(1,853,185)	(69,822)	(1,357,933)
<b>Sub-total of cash outflows</b>		<b>(22,901,219)</b>	<b>(18,307,663)</b>	<b>(18,920,186)</b>	<b>(14,761,590)</b>
<b>Net cash flows from financing activities</b>		<b>(6,437,928)</b>	<b>5,783,043</b>	<b>(16,660,960)</b>	<b>(5,628,508)</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>128,769</b>	<b>145,787</b>	<b>-</b>	<b>-</b>
<b>5. Net increase in cash and cash equivalents</b>		<b>(3,571,173)</b>	<b>20,760,688</b>	<b>258,609</b>	<b>16,336,484</b>
Add: Cash and cash equivalents at the beginning of the period		51,131,968	40,550,039	27,904,229	21,957,042
<b>6. Cash and cash equivalents at the end of the period</b>	4(62)(d)	<b>47,560,795</b>	<b>61,310,727</b>	<b>28,162,838</b>	<b>38,293,526</b>

Legal representative:  
Fang Hongbo

Principal in charge of accounting:  
Zhong Zheng

Head of accounting department:  
Chen Lihong

MIDEA GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

Item	Amount in the current period									Total shareholders' equity
	Attributable to equity owners of the Company									
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Undistributed profits	Minority interests	
<b>Balance at the end of the prior year</b>	6,997,273	19,693,139	(14,933,944)	108,289	671,999	16,350	10,702,928	119,679,202	8,988,566	151,923,802
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
<b>Balance at the beginning of the current year</b>	6,997,273	19,693,139	(14,933,944)	108,289	671,999	16,350	10,702,928	119,679,202	8,988,566	151,923,802
<b>Movements for the current period</b>	24,908	1,225,397	1,114,904	17,102	5,972	371	-	1,044,703	2,885,356	6,318,713
(1) Total comprehensive income	-	-	-	17,102	-	-	-	18,232,291	315,796	18,565,189
(2) Capital contribution and withdrawal by shareholders	24,908	1,302,058	1,114,904	-	-	-	-	-	2,563,748	5,005,618
1). Capital contribution by shareholders	27,406	1,660,427	-	-	-	-	-	-	17,897	1,705,730
2). Business combinations	-	-	-	-	-	-	-	-	2,551,324	2,551,324
3). Share-based payment included in shareholders' equity	-	187,687	-	-	-	-	-	-	21,862	209,549
4) Others	(2,498)	(546,056)	1,114,904	-	-	-	-	-	(27,335)	539,015
(3) Profit distribution	-	-	-	-	5,972	-	-	(17,187,588)	(62,054)	(17,243,670)
1). Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-
2). Appropriation to general risk reserve	-	-	-	-	5,972	-	-	(5,972)	-	-
3). Profit distribution to shareholders	-	-	-	-	-	-	-	(17,181,616)	(62,054)	(17,243,670)
4) Others	-	-	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-
1). Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-	-
2). Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-
3). Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-
4) Others	-	-	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-	-	371	-	-	123	494
1). Appropriation in the current period	-	-	-	-	-	1,768	-	-	472	2,240
2). Use in the current period	-	-	-	-	-	(1,397)	-	-	(349)	(1,746)
(6) Others	-	(76,661)	-	-	-	-	-	-	67,743	(8,918)
<b>Balance at the end of the current period</b>	7,022,181	20,918,536	(13,819,040)	125,391	677,971	16,721	10,702,928	120,723,905	11,873,922	158,242,515

Legal representative: Fang Hongbo

Principal in charge of accounting: Zhong Zheng

Head of accounting department: Chen Lihong

MIDEA GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

Item	Amount in the prior year									Minority interests	Total shareholders' equity
	Attributable to equity owners of the Company										
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Undistributed profits			
<b>Balance at the end of the prior year</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	
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	
<b>Balance at the beginning of the current year</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 current year</b>	10,709	(823,791)	(889,394)	1,867,237	(47,923)	808	1,253,027	16,696,439	(968,386)	17,098,726	
(1) Total comprehensive income	-	-	-	1,865,886	-	-	-	29,553,507	283,760	31,703,153	
(2) Capital contribution and withdrawal by shareholders	10,709	680,417	(889,394)	-	-	-	-	-	(969,698)	(1,167,966)	
1). Capital contribution by shareholders	18,602	1,123,649	-	-	-	-	-	-	26,815	1,169,066	
2). Business combinations	-	-	-	-	-	-	-	-	89,520	89,520.00	
3). Share-based payment included in shareholders' equity	-	765,914	-	-	-	-	-	-	45,583	811,497	
4) Others	(7,893)	(1,209,146)	(889,394)	-	-	-	-	-	(1,131,616)	(3,238,049)	
(3) Profit distribution	-	-	-	-	(47,923)	-	1,253,027	(12,857,129)	(291,638)	(11,943,663)	
1). Appropriation to surplus reserve	-	-	-	-	-	-	1,253,027	(1,253,027)	-	-	
2). Appropriation to general risk reserve	-	-	-	-	(47,923)	-	-	47,923	-	-	
3). Profit distribution to shareholders	-	-	-	-	-	-	-	(11,652,025)	(291,638)	(11,943,663)	
4) Others	-	-	-	-	-	-	-	-	-	-	
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-	
1). Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-	-	
2). Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-	
3). Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	
4) Others	-	-	-	-	-	-	-	-	-	-	
(5) Specific reserve	-	-	-	-	-	808	-	-	202	1,010	
1). Appropriation in the current period	-	-	-	-	-	3,313	-	-	828	4,141	
2). Use in the current period	-	-	-	-	-	(2,505)	-	-	(626)	(3,131)	
(6) Others	-	(1,504,208)	-	1,351	-	-	-	61	8,988	(1,493,808)	
<b>Balance at the end of the current year</b>	6,997,273	19,693,139	(14,933,944)	108,289	671,999	16,350	10,702,928	119,679,202	8,988,566	151,923,802	

Legal representative: Fang Hongbo

Principal in charge of accounting: Zhong Zheng

Head of accounting department: Chen Lihong

**MIDEA GROUP CO., LTD.**

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

Item	Amount in the current period							
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
<b>Balance at the end of the prior year</b>	6,997,273	27,826,208	(14,933,944)	(5,679)	-	10,702,928	27,719,633	58,306,419
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
<b>Balance at the beginning of the current year</b>	6,997,273	27,826,208	(14,933,944)	(5,679)	-	10,702,928	27,719,633	58,306,419
<b>Movements for the current period</b>	24,908	1,310,141	1,114,904	17,380	-	-	(16,150,782)	(13,683,449)
(1) Total comprehensive income	-	-	-	17,380	-	-	1,030,834	1,048,214
(2) Capital contribution and withdrawal by shareholders	24,908	1,310,189	1,114,904	-	-	-	-	2,450,001
1). Capital contribution by shareholders	27,406	1,660,427	-	-	-	-	-	1,687,833
2). Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-	-
3). Share-based payment included in owners' equity	-	197,769	-	-	-	-	-	197,769
4) Others	(2,498)	(548,007)	1,114,904	-	-	-	-	564,399
(3) Profit distribution	-	-	-	-	-	-	(17,181,616)	(17,181,616)
1). Appropriation to surplus reserve	-	-	-	-	-	-	-	-
2). Profit distribution to shareholders	-	-	-	-	-	-	(17,181,616)	(17,181,616)
3) Others	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-
1). Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-
2). Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-
3). Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-
4) Others	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-	-	-	-	-
1). Appropriation in the current year	-	-	-	-	-	-	-	-
2). Use in the current year	-	-	-	-	-	-	-	-
(6) Others	-	(48)	-	-	-	-	-	(48)
<b>Balance at the end of the current period</b>	7,022,181	29,136,349	(13,819,040)	11,701	-	10,702,928	11,568,851	44,622,970

Legal representative: Fang Hongbo

Principal in charge of accounting: Zhong Zheng

Head of accounting department: Chen Lihong

MIDEA GROUP CO., LTD.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)  
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

[English translation for reference only]

Item	Amount in the prior year							
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at the end of the prior year	6,986,564	27,105,153	(14,044,550)	(7,295)	-	9,449,901	28,094,420	57,584,193
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Balance at the beginning of the current year	6,986,564	27,105,153	(14,044,550)	(7,295)	-	9,449,901	28,094,420	57,584,193
Movements for the current year	10,709	721,055	(889,394)	1,616	-	1,253,027	(374,787)	722,226
(1) Total comprehensive income	-	-	-	1,616	-	-	12,530,265	12,531,881
(2) Capital contribution and withdrawal by shareholders	10,709	704,352	(889,394)	-	-	-	-	(174,333)
1). Capital contribution by shareholders	18,602	1,123,649	-	-	-	-	-	1,142,251
2). Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-	-
3). Share-based payment included in owners' equity	-	789,849	-	-	-	-	-	789,849
4) Others	(7,893)	(1,209,146)	(889,394)	-	-	-	-	(2,106,433)
(3) Profit distribution	-	-	-	-	-	1,253,027	(12,905,052)	(11,652,025)
1). Appropriation to surplus reserve	-	-	-	-	-	1,253,027	(1,253,027)	-
2). Profit distribution to shareholders	-	-	-	-	-	-	(11,652,025)	(11,652,025)
3) Others	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-
1). Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-
2). Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-
3). Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-
4) Others	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-	-	-	-	-
1). Appropriation in the current year	-	-	-	-	-	-	-	-
2). Use in the current year	-	-	-	-	-	-	-	-
(6) Others	-	16,703	-	-	-	-	-	16,703
Balance at the end of the current year	6,997,273	27,826,208	(14,933,944)	(5,679)	-	10,702,928	27,719,633	58,306,419

Legal representative: Fang Hongbo

Principal in charge of accounting: Zhong Zheng

Head of accounting department: Chen Lihong

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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-conditioners, central air-conditioners, heating and ventilation systems, kitchen appliances, refrigerators, washing machines and various small appliances, robotics and automation systems. Other services include the smart supply chain; sales, wholesale and processing of raw materials of household electrical appliances; and financial business involving customer deposits, interbank lendings and borrowings, consumption credits, buyers’ 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 30 June 2023, the Company’s share capital was RMB 7,022,181,291, and the total number of shares in issue was 7,022,181,291, of which 138,585,703 shares were restricted tradable A shares and 6,883,595,588 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 included Shenzhen Clou Electronics Co., Ltd. and its subsidiaries (hereinafter referred to as “Clou Electronics”), and are detailed in Note 5(1); 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 30 August 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 inventories (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).

##### (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 *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting* issued by the China Securities Regulatory Commission (“CSRC”).

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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 (Cont'd)

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 six months ended 30 June 2023 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 30 June 2023 and their financial performance, cash flows and other information for the six months 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 currencies 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.

(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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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 (Cont'd)

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 SIX MONTHS ENDED 30 JUNE 2023**

(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 attributed 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.

(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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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 (Cont'd)

(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.

(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:

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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 (Cont'd)

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 rate 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. 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 rate method which are recognised in profit or loss for the current period. Such financial assets mainly include receivables financing and other debt investments. 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 SIX MONTHS ENDED 30 JUNE 2023**

(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.

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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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 (Cont'd)

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 SIX MONTHS ENDED 30 JUNE 2023**

(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:

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)

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
	Security deposit and guarantee receivables grouping
Grouping of other receivables 1	Receivables from related parties grouping
Grouping of other receivables 2	Other receivables grouping
Grouping of other receivables 3	Finance lease receivables grouping
Grouping of long-term receivables	Loans business grouping
Grouping of loans and advances	

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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)

(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.

(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 rate 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.



**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)

(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.

(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 and expenditures.

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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)

(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.

(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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(11) Long-term equity investments (Cont'd)

(a) Determination of investment cost (Cont'd)

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.

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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(11) Long-term equity investments (Cont'd)

(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.

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% to 10%	2.25% 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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(12) Investment properties (Cont'd)

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.

(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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(13) Fixed assets (Cont'd)

(b) Depreciation method of fixed assets (Cont'd)

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)).

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(16) Intangible assets (Cont'd)

(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)).

(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.



## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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)

##### (16) Intangible assets (Cont'd)

##### (f) Research and development (R&D) (Cont'd)

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)).

##### (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 an asset group to which the asset belongs is determined. An asset group is the smallest group of asset groups 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.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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)

### (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.

#### (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, labour union funds and employee education funds and short-term paid absences. 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 the bases and percentage prescribed 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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(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) Dividends distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(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 or deactivation date, the estimate is revised to equal to the number of actual vested equity instruments.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(23) Share-based payment (Cont'd)

(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.

(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 desterilisation 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, 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 desterilisation date 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.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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)

### (25) Revenue (Cont'd)

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.

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) and consumer appliances (mainly comprise kitchen appliances, refrigerators, washing machines and various small appliances), 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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(25) Revenue (Cont'd)

(a) Sales of goods (Cont'd)

Revenue from sales of materials is recognised when the buyer has confirmed the acceptance of the products, 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.

(b) Rendering of services

The Group provides robotics and automation system construction services, intelligent logistics integration solution, storage services, delivery services, installation services and transportation services, 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 services, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(25) Revenue (Cont'd)

(b) Rendering of services (Cont'd)

Contract costs include contract performance costs and contract acquisition costs. The costs incurred by the Group for the rendering 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 rate 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 rate 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 instruments (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.

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.



**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(25) Revenue (Cont'd)

(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.

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.

Loans to the Group at political preferential rate are recorded at the actual amount received, and the related borrowing costs are calculated based on the principal and the political preferential rate. Finance discounts directly received offset related borrowing costs.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(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 differences will not be reversed 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 SIX MONTHS ENDED 30 JUNE 2023

(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)

### (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 and motor vehicles. 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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(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 lease 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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(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:

(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 and discount rate, which involved critical accounting estimates and judgements.

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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

(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)**

(30) Critical accounting estimates and judgements (Cont'd)

(i) Provision for impairment of goodwill (Cont'd)

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.

Deferred tax assets are recognised for the deductible 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 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 differences between the reality and the estimate may result in adjustment to the carrying amount of deferred tax assets.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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)

### (31) Significant changes in accounting policies

The Ministry of Finance released the *Circular on Issuing Interpretation No. 16 of Accounting Standards for Business Enterprises* in 2022, in which the provision "On the inapplicability of exemption at initial recognition to the accounting treatment of deferred income tax related to assets and liabilities arising from individual transactions" took effect on 1 January 2023. The Ministry of Finance released the *Q&A on Implementation of Accounting Standards for Business Enterprises* in 2023. The financial statements for the six months ended 30 June 2023 have been prepared by the Group and the Company in accordance with the above circular and Q&A. The revisions 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.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

[English translation for reference only]

#### 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 2023 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



## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

[English translation for reference only]

#### 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 2023 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
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
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

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

[English translation for reference only]

#### 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 2023 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
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
Shenzhen Clou Electronics Co., Ltd.	GR202044203594	11 December 2020	3 years
Shenzhen Clou Intelligent Industry Co., Ltd.	GR202144200806	23 December 2021	3 years
Shenzhen Hongzhi Software Co., Ltd.	GR202144200284	23 December 2021	3 years
Sichuan Clou New Energy and Electric Co., Ltd.	GR202051003762	3 December 2020	3 years
Guangdong Shunde Switch Factory Co., Ltd.	GR202044005703	9 December 2020	3 years
Suzhou Clou Dongzi Electric Co., Ltd.	GR202032007954	2 December 2020	3 years
Shenzhen Clou Precision Instruments Co., Ltd.	GR202144202249	23 December 2021	3 years
Clou Global Technology Co., Ltd.	GR202144206543	23 December 2021	3 years

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

#### 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) According to the *Administration on Further Implementing the Preferential Income Tax Policies for Small Low-Profit Enterprises* (Cai Shui [2022], No. 13) and the *Announcement on the Matters Concerning the Implementation of Preferential Income Tax Policies for the Development of Small Low-Profit Enterprises and Individual Industrial and Commercial Households* (Cai Shui [2023], No. 6) jointly issued by the Ministry of Finance and the State Taxation Administration, for Shenzhen Midea Capital Corporation Limited, Guangdong Lingmei Technology Co., Ltd., Shanghai Mei'an Logistics Co., Ltd., Foshan Annto Logistics Technology Co., Ltd., Shenzhen Annto Intelligent Technology Co., Ltd., Tianjin Annto Network Technology Co., Ltd., Jingzhou Meian Storage and Transportation Co., Ltd. and Hangzhou Long-termism Tech Co., Ltd., subsidiaries of the Company and qualified as small low-profit enterprises, in 2023, EIT is based on a 20% rate applied to 25% of its annual taxable income amount.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

[English translation for reference only]

#### 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-6) The Company's subsidiaries in the Chinese mainland other than those mentioned in (a-1) to (a-5) are subject to enterprise income tax at the rate of 25%.

(a-7) 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 2023. 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-8) 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., Chairing Holding Limited, Main Power Electrical Factory Limited and Midea Investment (Asia) Company Limited.

(a-9) 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-10) Springer Carrier Ltda., the Company's subsidiary in Brazil, is subject to Brazil enterprise income tax at the rate of 34%.

(a-11) Some subsidiaries of TLSC, the Company's subsidiary in Japan, are subject to Japan enterprise income tax at the rate of 34.01%.

(a-12) 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-13) KUKA Group, the Company's subsidiary in Germany, is subject to Germany enterprise income tax at the rate of 32%.

(a-14) Servotronix Motion Control Ltd. ("SMC"), the Company's subsidiary in Israel, is subject to Israel enterprise income tax at the rate of 23%.

(a-15) 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 SIX MONTHS ENDED 30 JUNE 2023

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

[English translation for reference only]

#### 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-16) Midea America Corp., the Company's subsidiary in the USA, is subject to the USA enterprise income tax at the rate of 21%.

(a-17) 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-18) 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 the *Announcement on Exempting Small-Scale Value-Added Tax Taxpayers from Value-Added Tax* (Cai Shui [2023] No. 1) jointly 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 5% additional VAT deduction based on deductible input VAT in the current year from 1 January 2023 to 31 December 2023.

(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 SIX MONTHS ENDED 30 JUNE 2023

(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

Item	Ending balance	Opening balance
Cash on hand	3,894	1,645
Cash at bank (a)	40,724,931	28,581,529
Other cash balances (b)	2,554,672	1,688,278
Statutory reserve with the Central Bank (c)	579,439	328,409
Surplus reserve with the Central Bank	179,898	172,394
Deposits with banks and other financial institutions (d)	27,348,448	24,287,610
Accrued interest	343,637	210,234
Total	71,734,919	55,270,099
Including: Total amounts deposited with banks overseas (including Hong Kong, China, Macau, China, Singapore, Japan, Italy, Brazil and Germany)	10,318,654	7,133,785

- (a) As at 30 June 2023, cash at bank included fixed deposits with the term of over 3 months but less than 1 year, amounting to RMB 20,696,376,000 (31 December 2022: RMB 1,911,210,000).
- (b) Other cash balances mainly include deposits for letters of guarantee, bank acceptance notes 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 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.

##### (2) Financial assets held for trading

Item	Ending balance	Opening balance
Structural deposits (a)	6,090,706	1,606,608
Investments in equity instrument held for trading (b)	1,537,870	1,264,595
Others	565,425	413,390
Total	8,194,001	3,284,593

- (a) As at 30 June 2023, structural deposits were deposits with financial institutions due within 1 year, which were measured at fair value through profit or loss.
- (b) As at 30 June 2023, investments in equity instrument held for trading referred to equity investments in listed companies, which were measured at fair value through profit or loss.

**MIDEA GROUP CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**4 Notes to the consolidated financial statements (Cont'd)**

## (3) Notes receivable

Item	Ending balance	Opening balance
Bank acceptance notes	6,783,260	4,705,290
Trade acceptance notes	185,261	114,595
Less: Provision for bad debts (a)	(54,211)	(61,756)
Total	6,914,310	4,758,129

## (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 loss provision based on the lifetime ECL regardless of whether there exists a significant financing component. As at 30 June 2023, 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 30 June 2023, notes receivable endorsed or discounted but unmatured are as follows:

Item	Derecognised	Not derecognised
Bank acceptance notes	66,060	4,274,053

## (4) Accounts receivable

Item	Ending balance	Opening balance
Accounts receivable	38,000,493	29,570,582
Less: Provision for bad debts	(1,545,521)	(1,332,609)
Total	36,454,972	28,237,973

## (a) The ageing of accounts receivable is analysed as follows:

Ageing	Ending balance	Opening balance
Within 1 year	36,698,872	28,142,167
1 to 2 years	857,602	1,099,842
2 to 3 years	207,209	140,153
3 to 5 years	159,151	101,202
Over 5 years	77,659	87,218
Sub-total	38,000,493	29,570,582

As at 30 June 2023, the Group had no significant overdue accounts receivable.

**MIDEA GROUP CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

## (4) Accounts receivable (Cont'd)

- (b) Under the new financial instruments standards, the Group measures the loss provision for accounts receivable based on the lifetime ECL.

As at 30 June 2023, accounts receivable for which the related provision for bad debts was provided on an individual basis are analysed as follows:

Category	Ending balance			Reason
	Book balance	Lifetime ECL rate	Provision for bad debts	
Domestic customers	748,236	86.86%	(649,952)	The debtor encountered financial distress, etc.
Overseas customers	15,504	100.00%	(15,504)	The debtor encountered financial distress, etc.
Total	763,740		(665,456)	

As at 30 June 2023, accounts receivable for which the related provision for bad debts was provided on the grouping basis are analysed as follows:

Category	Ending balance		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Domestic business grouping	15,256,863	2.71%	(413,459)
Overseas business grouping	21,979,890	2.12%	(466,606)
Total	37,236,753		(880,065)

- (c) For the six months ended 30 June 2023, the provision for bad debts reversed amounted to RMB 206,610,000.

For the six months ended 30 June 2023, the accounts receivable written off by the Group were arising from transactions with third parties and no accounts receivable with significant amounts were written off.

- (d) As at 30 June 2023, the five largest accounts receivable aggregated by debtor are summarised and analysed as follows:

Item	Amount	Provision for bad debts	% of total balance
Total amount of the five largest accounts receivable	2,296,018	(57,400)	6.04%

## (5) Other receivables

Item	Ending balance	Opening balance
Other receivables	1,904,198	2,249,186
Less: Provision for bad debts	(41,333)	(38,009)
Total	1,862,865	2,211,177

- (a) Other receivables mainly include security deposit and guarantee, receivables related to share options, current accounts and petty cash to staff.

The ageing of other receivables is analysed as follows:



**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**4 Notes to the consolidated financial statements (Cont'd)**

(5) Other receivables (Cont'd)

Ageing	Ending balance	Opening balance
Within 1 year	1,523,828	1,932,646
1 to 2 years	123,417	137,213
2 to 3 years	114,406	97,205
3 to 5 years	85,506	48,616
Over 5 years	57,041	33,506
Sub-total	1,904,198	2,249,186

(b) Provision for bad debts and changes in book balance statement

Item	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	
1 January 2023	2,176,965	33,747	67,959	-	4,262	4,262	38,009
Transfer to Stage 3	(1,876)	(188)	-	-	1,876	188	-
Net (decrease)/increase in the current year	(305,692)	5,876	(39,066)	-	(230)	1,367	7,243
Including: Written-off in the current period	-	-	-	-	(230)	(230)	(230)
Derecognition	-	-	-	-	-	-	-
Differences on translation of foreign currency financial statements		(4,010)		-		91	(3,919)
30 June 2023	1,869,397	35,425	28,893	-	5,908	5,908	41,333

(i) As at 30 June 2023, 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	28,893	0%	-	Low risk of expected losses
Stage 3	5,908	100.00%	(5,908)	The debtor encountered financial distress, etc.

(ii) As at 30 June 2023, 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:

Stage 1	Ending balance			Opening balance		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	Provision ratio	Amount	Amount	Provision ratio
Security deposit/guarantee and other receivables grouping	1,869,397	(35,425)	1.89%	2,176,965	(33,747)	1.55%

(c) For the six months ended 30 June 2023, the provision for bad debts reversed amounted to RMB 23,567,000.

For the six months ended 30 June 2023, no other receivables with significant amounts were written off.

(d) As at 30 June 2023, the five largest other receivables aggregated by debtor are summarised and analysed as follows:

Item	Amount	Provision for bad debts	% of total balance
Total amount of the five largest other receivables	179,285	(4,865)	9.42%

(e) As at 30 June 2023, the Group had no significant government grants recognised at amounts receivable.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

#### 4 Notes to the consolidated financial statements (Cont'd)

##### (6) Receivables financing

Item	Ending balance	Opening balance
Receivables financing	15,466,934	13,526,540

The Group's receivables financing were mainly bank acceptance notes transferred, discounted and endorsed for the purpose of daily treasury management and were qualified for derecognition.

As at 30 June 2023 and 31 December 2022, the Group measured provision for bad debts based on the lifetime ECL. As the credit risk characteristics of these bank acceptance notes were similar, no provision for impairment was made individually. The Group 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 30 June 2023, the Group's bank acceptance notes endorsed or discounted but not matured that were presented in receivables financing are as follows:

Item	Derecognised	Not derecognised
Receivables financing	22,299,376	-

##### (7) Advances to suppliers

Item	Ending balance	Opening balance
Prepayments for raw materials and others	4,471,677	4,367,211

##### (a) The ageing of advances to suppliers is analysed below:

Ageing	Ending balance		Opening balance	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	4,346,531	97.20%	4,238,120	97.04%
1 to 2 years	68,310	1.53%	83,905	1.92%
2 to 3 years	19,951	0.45%	17,820	0.41%
Over 3 years	36,885	0.82%	27,366	0.63%
Total	4,471,677	100.00%	4,367,211	100.00%

As at 30 June 2023, advances to suppliers with ageing over 1 year with a carrying amount of RMB 125,146,000 (31 December 2022: RMB 129,091,000) were mainly unsettled prepayments for raw materials.

As at 30 June 2023, the five largest advances to suppliers aggregated by debtor are summarised and analysed as follows:

Item	Amount	% of total balance
Total amount of the five largest advances to suppliers	1,000,990	22.39%

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**4 Notes to the consolidated financial statements (Cont'd)**

(8) Contract assets

Item	Ending balance	Opening balance
Contract assets	4,779,910	4,572,177
Less: Provision for impairment of contract assets	(75,993)	(73,221)
Total	4,703,917	4,498,956

For contract assets, the Group measures the loss provision based on the lifetime ECL regardless of whether there exists a significant financing component.

As at 30 June 2023, contract assets for which the related provision for bad debts was provided on the grouping basis are analysed as follows:

Grouping	Ending balance		Provision for bad debts
	Book balance	Lifetime ECL rate	
Domestic business grouping	1,371,191	3.00%	(41,091)
Overseas business grouping	3,408,719	1.02%	(34,902)
Total	4,779,910		(75,993)

(9) Loans and advances

(a) By individual and corporation:

Item	Ending balance	Opening balance
Loans and advances measured at amortised cost		
Loans and advances to individuals	1,947,940	1,820,952
Loans and advances to corporations	16,662,316	13,475,027
Including: Loans	10,391,343	11,138,739
Note discounting	6,270,973	2,336,288
Sub-total	18,610,256	15,295,979
Less: Provision for loan losses	(463,567)	(463,929)
Total	18,146,689	14,832,050

As at 30 June 2023, loans and advances over 1 year amounted to RMB 1,393,851,000 (31 December 2022: RMB 693,294,000).

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

(9) Loans and advances (Cont'd)

(b) By type of collateral held:

Item	Ending balance	Opening balance
Unsecured loans	1,947,508	1,818,768
Guaranteed loans	512,890	598,437
Pledged loans	16,149,858	12,878,774
Sub-total	18,610,256	15,295,979
Less: Provision for loan losses	(463,567)	(463,929)
Total	18,146,689	14,832,050

(10) Inventories

(a) Inventories are summarised by category as follows:

Item	Ending balance			Opening balance		
	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	22,718,188	(308,087)	22,410,101	34,753,459	(458,121)	34,295,338
Raw materials	8,714,024	(339,837)	8,374,187	8,675,143	(241,247)	8,433,896
Work in progress	2,259,214	-	2,259,214	2,519,241	-	2,519,241
Consigned processing materials	385,740	-	385,740	427,838	-	427,838
Contract fulfilment costs	263,803	-	263,803	368,584	-	368,584
Total	34,340,969	(647,924)	33,693,045	46,744,265	(699,368)	46,044,897

(b) Analysis of provision for decline in the value of inventories is as follows:

Item	Opening balance	Increase in provision for the current period	Decrease in reversal or write-off for the current period	Differences on translation of foreign currency financial statements	Ending balance
Finished goods	458,121	83,915	(249,902)	15,953	308,087
Raw materials	241,247	108,900	(27,508)	17,198	339,837
Total	699,368	192,815	(277,410)	33,151	647,924

(c) Provision for decline in the value of inventories is as follows:

Item	Basis of provision for decline in the value of inventories	Reason for write-off of provision for decline in the value of inventories in the current period
Finished goods	Stated at the lower of cost and net realisable value	Sales
Raw materials and others	Stated at the lower of cost and net realisable value	Requisition for production

(11) Current portion of non-current assets

Item	Ending balance	Opening balance
Long-term receivables due within 1 year	477,613	553,591
Other debt investments due within 1 year	8,481,151	5,875,076
Current portion of other non-current assets	27,936,774	31,124,411
Total	36,895,538	37,553,078

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

#### 4 Notes to the consolidated financial statements (Cont'd)

##### (12) Other current assets

Item	Ending balance	Opening balance
Fixed-income products (a)	35,248,611	38,748,850
Input VAT to be deducted	3,259,529	3,875,519
Prepaid expenses	1,196,588	856,455
Others	2,939,286	3,061,554
Total	42,644,014	46,542,378

- (a) As at 30 June 2023, fixed-income products were mainly monetary investment products which were 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 30 June 2023, the Group's transferable certificates of deposit due within 1 year since the time of acquisition amounted to approximately RMB 153,146,000 (31 December 2022: RMB 656,967,000), and were measured at fair value through other comprehensive income.
- (c) As at 30 June 2023, the Group considered that there was no significant increase in credit risk of fixed-income products and transferable certificates 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

Item	Ending balance	Opening balance
Fair value through other comprehensive income		
- Transferable certificates of deposit	14,693,213	16,969,335
Less: Other debt investments due within 1 year	(8,481,151)	(5,875,076)
Total	6,212,062	11,094,259

As at 30 June 2023, the cost of the Group's transferable certificates of deposit approximated its fair value.

As at 30 June 2023, the Group expected that there was no significant increase in credit risk of transferable certificates 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 certificates of deposit, and did not expect that there would be any significant losses from non-performance by these banks.

##### (14) Long-term receivables

Item	Ending balance	Opening balance
Long-term receivables	1,108,299	1,176,968
Less: Provision for bad debts	(9,088)	(8,779)
Total	1,099,211	1,168,189
Less: Long-term receivables due within 1 year	(477,613)	(553,591)
Total	621,598	614,598

The Group's long-term receivables are mainly presented in net amount of finance lease receivables after offsetting the unrealised financing income.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

#### 4 Notes to the consolidated financial statements (Cont'd)

##### (15) Long-term equity investments

Long-term equity investments are classified as follows:

Item	Ending balance	Opening balance
Investments in associates (a)	4,731,210	5,188,817
Less: Provision for impairment of long-term equity investments	-	-
Total	4,731,210	5,188,817

- (a) Investments in associates mainly refer to the investments in Guangdong Shunde Rural Commercial Bank Co., Ltd., ShenZhen CEGN Co.,Ltd. and Hefei Royalstar Motor Co., Ltd. and other enterprises by the Group.
- (b) For the six months ended 30 June 2023, the Group's revenue from sales to associates accounted for approximately 1% of the operating revenue for the reporting period, and the balance of the Group's receivable from associates at the end of the period accounted for approximately 2% of the balance of accounts receivable. These transactions are negotiated on normal commercial terms with reference to market prices.

##### (16) Other non-current financial assets

Item	Ending balance	Opening balance
Measured at fair value		
— Equity investments	6,145,336	6,348,556
— Others	3,052,539	4,276,688
Total	9,197,875	10,625,244

- (a) As at 30 June 2023, the main information of the Group's unmatured cross-currency interest rate swaps is set out in Note 4(37).

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

(17) Fixed assets

Item	Buildings	Overseas land	Machinery and equipment	Motor vehicles	Electronic equipment and others	Total
<b>Original carrying amount</b>						
Opening balance	22,049,136	1,335,277	24,331,913	773,893	6,376,643	54,866,862
Increase in the current period	2,133,308	-	1,553,598	102,993	630,300	4,420,199
1) Purchase	24,728	-	1,111,575	12,362	476,679	1,625,344
2) Transfer from construction in progress	1,009,940	-	74,962	-	45,084	1,129,986
3) Increase by business combinations	1,083,399	-	367,061	90,631	108,537	1,649,628
4) Others	15,241	-	-	-	-	15,241
Decrease in the current period	(182,358)	(19,377)	(576,835)	(24,111)	(210,382)	(1,013,063)
1) Disposal or retirement	(55,339)	-	(442,117)	(24,111)	(116,541)	(638,108)
2) Others	(127,019)	(19,377)	(134,718)	-	(93,841)	(374,955)
Differences on translation of foreign currency financial statements	79,996	6,392	54,428	(1,139)	52,117	191,794
Ending balance	24,080,082	1,322,292	25,363,104	851,636	6,848,678	58,465,792
<b>Accumulated depreciation</b>						
Opening balance	9,928,550	-	13,686,225	552,718	4,560,855	28,728,348
Increase in the current period	541,003	-	829,076	17,914	449,754	1,837,747
1) Provision	530,061	-	829,076	17,914	449,754	1,826,805
2) Others	10,942	-	-	-	-	10,942
Decrease in the current period	(90,833)	-	(348,496)	(13,250)	(108,198)	(560,777)
1) Disposal or retirement	(34,681)	-	(330,833)	(13,250)	(77,653)	(456,417)
2) Others	(56,152)	-	(17,663)	-	(30,545)	(104,360)
Differences on translation of foreign currency financial statements	8,788	-	27,671	(566)	30,381	66,274
Ending balance	10,387,508	-	14,194,476	556,816	4,932,792	30,071,592
<b>Provision for impairment</b>						
Opening balance	9,425	5,365	12,238	20,891	7,603	55,522
Increase in the current period	-	-	4,501	-	-	4,501
1) Provision	-	-	4,501	-	-	4,501
Decrease in the current period	-	-	(433)	-	(2,084)	(2,517)
1) Disposal or retirement	-	-	(433)	-	(2,084)	(2,517)
Differences on translation of foreign currency financial statements	(127)	(63)	(8)	4	123	(71)
Ending balance	9,298	5,302	16,298	20,895	5,642	57,435
Carrying amount at the end of the period	13,683,276	1,316,990	11,152,330	273,925	1,910,244	28,336,765
Carrying amount at the beginning of the period	12,111,161	1,329,912	10,633,450	200,284	1,808,185	26,082,992

- (a) For the six months ended 30 June 2023, the depreciation of fixed assets amounted to RMB 1,826,805,000 (for the six months ended 30 June 2022: RMB 1,575,791,000) and was included in the income statement in full amount.
- (b) As at 30 June 2023, the Company was still in the course of obtaining the ownership certificate for the fixed asset with a carrying amount of RMB 1,543,547,000 (31 December 2022: RMB 1,359,215,000).

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

(18) Construction in progress

Project name	Ending balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Shanghai Global Innovation Center Project	1,622,667	-	1,622,667	1,427,405	-	1,427,405
Intelligent Energy Industrial Park	1,267,264	-	1,267,264	-	-	-
Midea Headquarters A08 Land Parcel Project	537,888	-	537,888	357,612	-	357,612
Thailand Factories	371,247	-	371,247	347,207	-	347,207
Midea Xingtan Industrial Park Project	269,220	-	269,220	153,893	-	153,893
Welling Auto Parts Project	178,578	-	178,578	152,457	-	152,457
Midea Headquarters A04 Land Parcel Project	278		278	147,143		147,143
Midea Digital Factory Project	314,853		314,853	142,595		142,595
Other projects	888,724	(36,210)	852,514	1,149,607	(34,142)	1,115,465
Total	5,450,719	(36,210)	5,414,509	3,877,919	(34,142)	3,843,777



**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**4 Notes to the consolidated financial statements (Cont'd)**

(18) Construction in progress (Cont'd)

(a) Movements of significant projects of construction in progress

Project name	Opening balance	Increase in the current period	Transfer to fixed assets	Other decreases	Translation of foreign currency financial statements	Ending balance	Source of funds
Shanghai Global Innovation Center Project	1,427,405	195,262	-	-	-	1,622,667	Self-financing
Intelligent Energy Industrial Park	-	1,267,264	-	-	-	1,267,264	Self-financing
Midea Headquarters A08 Land Parcel Project	357,612	180,276	-	-	-	537,888	Self-financing
Thailand Factories	347,207	20,300	-	-	3,740	371,247	Self-financing
Midea Xingtan Industrial Park Project	153,893	115,327	-	-	-	269,220	Self-financing
Welling Auto Parts Project	152,457	26,121	-	-	-	178,578	Self-financing
Midea Headquarters A04 Land Parcel Project	147,143	99,075	(245,940)	-	-	278	Self-financing
Midea Digital Factory Project	142,595	172,258	-	-	-	314,853	Borrowings/ Self-financing
Other projects	1,149,607	662,398	(884,046)	(40,862)	1,627	888,724	Self-financing
Total	3,877,919	2,738,281	(1,129,986)	(40,862)	5,367	5,450,719	

(i) For the six months ended 30 June 2023, no significant borrowing costs were capitalised.

(ii) As at 30 June 2023, the cost of construction in progress matched the budget amount, and the projects were carried out on schedule.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

(19) Right-of-use assets

Item	Buildings	Machinery and equipment	Land use rights and others	Total
<b>Original carrying amount</b>				
Opening balance	3,542,397	292,273	121,807	3,956,477
Increase in the current period	1,023,709	72,534	28,079	1,124,322
1) New lease contracts	1,005,456	45,296	26,187	1,076,939
2) Lease modifications and others	18,253	27,238	1,892	47,383
Decrease in the current period	(695,597)	(60,109)	(25,783)	(781,489)
1) Expiration of lease contract	(444,451)	(36,388)	(11,639)	(492,478)
2) Lease modifications and others	(251,146)	(23,721)	(14,144)	(289,011)
Differences on translation of foreign currency financial statements	52,976	11,981	836	65,793
Ending balance	3,923,485	316,679	124,939	4,365,103
<b>Accumulated depreciation</b>				
Opening balance	1,391,933	189,696	34,970	1,616,599
Increase in the current period	500,627	43,053	15,244	558,924
1) Provision	500,627	43,053	15,244	558,924
Decrease in the current period	(460,246)	(47,175)	(14,345)	(521,766)
1) Expiration of lease contract	(444,451)	(36,388)	(11,639)	(492,478)
2) Lease modifications and others	(15,795)	(10,787)	(2,706)	(29,288)
Differences on translation of foreign currency financial statements	16,296	7,490	(82)	23,704
Ending balance	1,448,610	193,064	35,787	1,677,461
Carrying amount at the end of the period	2,474,875	123,615	89,152	2,687,642
Carrying amount at the beginning of the period	2,150,464	102,577	86,837	2,339,878

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

(20) Intangible assets

Item	Land use rights	Patents and non-patent technologies	Trademark rights	Trademark use rights	Others	Total
<b>Original carrying amount</b>						
Opening balance	7,623,704	3,232,374	4,894,654	2,188,283	5,841,999	23,781,014
Increase in the current period	602,875	1,055,483	-	-	612,854	2,271,212
1) Purchase	62,870	2,115	-	-	5,329	70,314
2) Increase by business combinations	538,827	1,053,368	-	-	474,111	2,066,306
3) Others	1,178	-	-	-	133,414	134,592
Decrease in the current period	-	(6,832)	-	-	(176,818)	(183,650)
1) Disposal	-	(6,832)	-	-	(146,829)	(153,661)
2) Others	-	-	-	-	(29,989)	(29,989)
Differences on translation of foreign currency financial statements	(806)	85,599	294,619	(94,294)	235,347	520,465
Ending balance	8,225,773	4,366,624	5,189,273	2,093,989	6,513,382	26,389,041
<b>Accumulated amortisation</b>						
Opening balance	1,278,249	1,172,588	219,885	383,604	3,589,984	6,644,310
Increase in the current period	77,152	120,574	35,761	25,307	251,829	510,623
1) Provision	76,123	120,574	35,761	25,307	251,829	509,594
2) Others	1,029	-	-	-	-	1,029
Decrease in the current period	-	(6,381)	-	-	(146,289)	(152,670)
1) Disposal	-	(6,381)	-	-	(128,080)	(134,461)
2) Others	-	-	-	-	(18,209)	(18,209)
Differences on translation of foreign currency financial statements	49	44,531	11,442	(14,948)	146,471	187,545
Ending balance	1,355,450	1,331,312	267,088	393,963	3,841,995	7,189,808
<b>Provision for impairment</b>						
Opening balance	-	107,427	-	-	120,362	227,789
Increase in the current period	-	-	-	-	2,989	2,989
1) Provision	-	-	-	-	2,989	2,989
Decrease in the current period	-	-	-	-	-	-
1) Disposal	-	-	-	-	-	-
Differences on translation of foreign currency financial statements	-	4,354	-	-	10,315	14,669
Ending balance	-	111,781	-	-	133,666	245,447
Carrying amount at the end of the period	6,870,323	2,923,531	4,922,185	1,700,026	2,537,721	18,953,786
Carrying amount at the beginning of the period	6,345,455	1,952,359	4,674,769	1,804,679	2,131,653	16,908,915

- (a) For the six months ended 30 June 2023, the amortisation of intangible assets amounted to RMB 509,594,000 (for the six months ended 30 June 2022: RMB 518,387,000) and was included in the income statement in full amount.
- (b) As at 30 June 2023, the Company had no significant intangible assets which were still in the course of obtaining the ownership certificate (31 December 2022: the carrying amount was RMB 33,814,900).

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**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, and the allocation is as follows:

Name of investee	Ending balance	Opening balance
KUKA Group	22,415,423	21,122,932
TLSC Group	2,332,497	2,437,914
Little Swan	1,361,306	1,361,306
Others	5,387,851	4,149,906
Sub-total	31,497,077	29,072,058
Less: Provision for impairment	(572,006)	(523,405)
Total	30,925,071	28,548,653

(22) Long-term prepaid expenses

Long-term prepaid expenses mainly include expenses prepaid for software and project reconstruction.

(23) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

Item	Ending balance		Opening balance	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	8,503,051	1,800,470	6,424,498	1,500,622
Provision for asset impairment	4,975,452	1,030,122	3,562,556	753,511
Employee benefits payable	745,461	150,233	931,503	190,398
Other current liabilities	41,892,650	7,804,468	35,502,379	6,534,476
Others	17,091,205	3,493,678	14,889,531	3,233,559
Total	73,207,819	14,278,971	61,310,467	12,212,566

(b) Deferred tax liabilities before offsetting

Deferred tax liabilities	Ending balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value	845,422	207,792	1,043,209	236,440
Business combinations involving enterprises not under common control	13,708,467	3,351,386	10,898,558	2,921,290
Others	16,277,483	3,361,612	16,872,927	3,458,213
Total	30,831,372	6,920,790	28,814,694	6,615,943

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**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:

Item	Balance after offsetting at the end of the period	Balance after offsetting at the beginning of the period
Deferred tax assets	12,439,908	10,244,296
Deferred tax liabilities	5,081,727	4,647,673

(24) Other non-current assets

Item	Ending balance	Opening balance
Fixed-income products (a)	85,282,339	73,157,118
Less: Fixed-income products due within 1 year	(27,936,774)	(31,124,411)
Sub-total	57,345,565	42,032,707
Others	1,157,444	807,372
Total	58,503,009	42,840,079

- (a) As at 30 June 2023, fixed-income products were mainly monetary investment products which were deposited in financial institutions with maturities of more than 1 year at the time of acquisition, and were subsequently measured at amortised cost.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**4 Notes to the consolidated financial statements (Cont'd)**

(25) Asset impairment and provision for loss

Item	1 January 2023	Increase in the current period	Decrease in the current period		Differences on translation of foreign currency financial statements and others	30 June 2023
			Reversal	Write-off		
Provision for bad debts	1,905,082	465,333	(243,909)	(19,166)	6,380	2,113,720
Including: Provision for bad debts of accounts receivable	1,332,609	429,568	(206,610)	(18,936)	8,890	1,545,521
Provision for losses of loans and advances	463,929	-	(1,907)	-	1,545	463,567
Provision for bad debts of notes receivable	61,756	1,375	(8,920)	-	-	54,211
Provision for bad debts of other receivables	38,009	31,040	(23,567)	(230)	(3,919)	41,333
Provision for bad debts of long-term receivables	8,779	3,350	(2,905)	-	(136)	9,088
Provision for decline in the value of inventories	699,368	192,815	(9,033)	(268,377)	33,151	647,924
Provision for impairment of fixed assets	55,522	4,501	-	(2,517)	(71)	57,435
Provision for impairment of intangible assets	227,789	2,989	-	-	14,669	245,447
Provision for impairment of contract assets	73,221	1,624	(3,836)	-	4,984	75,993
Provision for impairment of investment properties	12,576	-	-	-	-	12,576
Provision for impairment of construction in progress	34,142	-	-	-	2,068	36,210
Provision for impairment of goodwill	523,405	-	-	-	48,601	572,006
Total	3,531,105	667,262	(256,778)	(290,060)	109,782	3,761,311

**MIDEA GROUP CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**4 Notes to the consolidated financial statements (Cont'd)****(26) Main assets with use rights restricted**

As at 30 June 2023, main assets with use rights restricted are as follows:

Item	Ending balance	Opening balance
Cash at bank and on hand		
Including: Cash at bank (Note 4(1))	20,696,376	1,911,210
Other cash balances (Note 4(1))	2,554,672	1,688,278
Statutory reserve with the Central Bank (Note 4(1))	579,439	328,409
Total	23,830,487	3,927,897

**(27) Short-term borrowings**

Item	Ending balance	Opening balance
Unsecured borrowings	7,838,055	3,192,163
Guaranteed borrowings	8,154,543	1,399,219
Pledged borrowings	3,246,509	578,098
Mortgage borrowings	50,000	-
Total	19,289,107	5,169,480

As at 30 June 2023, the annual interest rate range of short-term borrowings was 1.40% to 16.01% (31 December 2022: 1.40% to 15.45%).

**(28) Notes payable**

Item	Ending balance	Opening balance
Bank acceptance notes	14,236,566	25,572,421

**(29) Accounts payable**

Item	Ending balance	Opening balance
Materials cost payable	65,767,401	59,880,772
Others	5,917,490	4,352,453
Total	71,684,891	64,233,225

As at 30 June 2023, accounts payable with ageing over 1 year with a carrying amount of RMB 1,218,518,000 (31 December 2022: RMB 1,168,348,000) were mainly unsettled accounts payable for materials.

**(30) Contract liabilities**

Item	Ending balance	Opening balance
Advances on sales and services, etc.	26,184,214	25,143,337
Advances for construction projects	2,890,971	2,816,701
Total	29,075,185	27,960,038

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**4 Notes to the consolidated financial statements (Cont'd)**

(31) Employee benefits payable

Item	Ending balance	Opening balance
Short-term employee benefits payable (a)	6,037,790	7,041,973
Others	122,576	110,244
<b>Total</b>	<b>6,160,366</b>	<b>7,152,217</b>

(a) Short-term employee benefits

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Wages and salaries, bonus, allowances and subsidies	6,539,923	15,255,769	(16,393,705)	5,401,987
Staff welfare	326,811	1,132,989	(1,018,027)	441,773
Social security contributions	79,340	1,111,990	(1,093,924)	97,406
Including: Medical insurance	78,163	1,071,905	(1,054,272)	95,796
Work injury insurance	778	26,877	(26,625)	1,030
Maternity insurance	399	13,208	(13,027)	580
Housing funds	25,687	352,910	(358,741)	19,856
Labour union funds and employee education funds	22,002	68,867	(66,235)	24,634
Other short-term employee benefits	48,210	375,533	(371,609)	52,134
<b>Sub-total</b>	<b>7,041,973</b>	<b>18,298,058</b>	<b>(19,302,241)</b>	<b>6,037,790</b>

(32) Taxes payable

Item	Ending balance	Opening balance
Enterprise income tax payable	3,525,337	2,813,522
Unpaid VAT	1,642,236	975,035
Others	1,176,178	1,166,778
<b>Total</b>	<b>6,343,751</b>	<b>4,955,335</b>

(33) Other payables

Item	Ending balance	Opening balance
Other payables	4,941,956	4,322,025

- (a) Other payables are mainly restricted share repurchase obligation, deposit and security deposit payable and reimbursed logistics expense.
- (b) As at 30 June 2023, other payables with ageing over 1 year with a carrying amount of RMB 1,297,284,000 (31 December 2022: RMB 1,538,928,000) were mainly those recognised for performing equity incentive plan and deposit and security deposit payable, which were unsettled since related projects were uncompleted.



**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

(34) Current portion of non-current liabilities

Item	Ending balance	Opening balance
Current portion of long-term borrowings	19,540,780	6,248,484
Current portion of lease liabilities	1,069,977	992,142
Current portion of equity purchase payables	662,773	-
Current portion of debentures payable	525,072	-
Total	21,798,602	7,240,626

(35) Other current liabilities

Item	Ending balance	Opening balance
Accrued sale rebates	51,625,736	40,041,953
Others	23,688,384	17,801,575
Total	75,314,120	57,843,528

(36) Long-term borrowings

Item	Ending balance	Opening balance
Guaranteed, mortgage and pledged borrowings (a)	36,784,462	35,073,994
Unsecured borrowings	21,786,357	21,860,438
Total	58,570,819	56,934,432
Less: Current portion of guaranteed, mortgage and pledged borrowings	(6,758,395)	(10,755)
Current portion of unsecured borrowings	(12,782,385)	(6,237,729)
Total	39,030,039	50,685,948

- (a) As at 30 June 2023, bank guaranteed borrowings mainly included: (i) guaranteed borrowings equivalent to RMB 2,134,694,000 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 4,581,157,000 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 1,209,599,000 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 24,626,477,000 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 3,938,550,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, which will be due in May 2025.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

#### 4 Notes to the consolidated financial statements (Cont'd)

##### (36) Long-term borrowings (Cont'd)

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.

(b) As at 30 June 2023, the annual interest rate range of long-term borrowings was 0.30% to 5.99% (31 December 2022: 0.30% to 5.99%).

(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.

For the six months ended 30 June 2023, 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.

##### (37) Debentures payable

Name of debentures	Par value	Value date	Maturity	Issuance amount	Coupon rate	Opening balance	Ending balance
Debentures denominated in USD (a)	2,848,500	24 February 2022	5 years	2,848,500	2.88%	3,163,616	3,281,840
2022 corporate debentures (b)	500,000	5 August 2022	2 years	500,000	6.00%	-	525,072
Sub-total						3,163,616	3,806,912
Less: Current portion of debentures payable						-	(525,072)
Total						3,163,616	3,281,840

(a) The Group issued 5-year USD corporate debentures guaranteed by the Company on 24 February 2022 amounting to USD 450,000,000 (equivalent to RMB 2,848,500,000) with a fixed coupon rate of 2.88%, and the interest is paid semi-annually.

(b) The corporate debentures were issued in 2022 by the Company's subsidiary, Clou Electronics, and were expected to be redeemed within one year.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**4 Notes to the consolidated financial statements (Cont'd)**

(38) Lease liabilities

Item	Ending balance	Opening balance
Lease liabilities	2,837,871	2,499,622
Less: Current portion of lease liabilities	(1,069,977)	(992,142)
	1,767,894	1,507,480

(39) Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Government grants	1,721,092	177,068	(125,912)	1,772,248

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance	Asset related/ Income related
Government grants related to industrial upgrading	1,394,882	140,803	(122,622)	1,413,063	Asset related
Other government grants	326,210	36,265	(3,290)	359,185	Asset related/ Income related
	1,721,092	177,068	(125,912)	1,772,248	

(40) Long-term employee benefits payable

Item	Ending balance	Opening balance
Supplementary retirement benefits	1,294,306	1,368,513
Others	116,372	119,943
Total	1,410,678	1,488,456

(41) Share capital

Item	Opening balance	Movements in the current period				Ending balance
		Share-based payment incentive plan	Desterilisation	Repurchases and write-offs	Sub-total	
RMB-denominated ordinary shares -						
RMB-denominated ordinary shares subject to trading restriction	143,615	-	(2,531)	(2,498)	(5,029)	138,586
RMB-denominated ordinary shares not subject to trading restriction	6,853,658	27,406	2,531	-	29,937	6,883,595
Total	6,997,273	27,406	-	(2,498)	24,908	7,022,181

- (a) For the six months ended 30 June 2023, the share-based payment incentive plan increased the share capital by 27,406,000 shares.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

(42) Treasury stock

Item	Opening balance	Movements in the current period		Ending balance
		Increase in the current period	Decrease in the current period	
Treasury stock used for share-based payment incentive plan	14,933,944	-	(1,114,904)	13,819,040
Total	14,933,944	-	(1,114,904)	13,819,040

The restricted shares and employee stock ownership plans granted for the six months ended 30 June 2023 were approximately RMB 2,089,493,000. As at 30 June 2023, treasury stock mainly comprised treasury stock of approximately RMB 8,748,331,000 used for share-based payment incentive plan, as well as treasury stock amounting to approximately RMB 5,070,709,000 recognised by share-based payment incentive plan that has not met unlock condition, amounting to approximately RMB 13,819,040,000 in total.

(43) Capital surplus

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Share premium (a)	15,507,577	2,288,260	(570,496)	17,225,341
Share-based payment incentive plan (b)	2,279,108	558,688	(974,394)	1,863,402
Others	1,906,454	8,073	(84,734)	1,829,793
Total	19,693,139	2,855,021	(1,629,624)	20,918,536

- (a) The increase in share premium arose from the exercise of share options with the amount of approximately RMB 1,660,427,000, the unlocking of restricted shares and employee stock ownership plans with the amount of approximately RMB 627,833,000; the decrease in share premium arose from the repurchase and cancellation of restricted shares with the amount of approximately RMB 153,201,000. The unlocking of restricted shares and employee stock ownership plans decreased by approximately RMB 417,295,000.
- (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 558,688,000, while the decrease arose from the transfer of approximately RMB 974,394,000 to share premium due to exercise of share-based payment incentive plan.
- (c) Others in capital surplus mainly included the impact of the Group's capital injection on Guangdong Meicloud Technology Co., Ltd., a non-wholly-owned subsidiary of the Group.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

(44) Other comprehensive income

Item	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement				
	Opening balance	Attributable to the parent company after tax	Other comprehensive income transferred to retained earnings	Ending balance	Amount arising before income tax for the current period	Less: Reclassification of previous 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	220,387	(21,788)	-	198,599	(26,101)	-	4,313	(21,788)	-
Changes in fair value of investments in other equity instruments	(1,490)	-	-	(1,490)	-	-	-	-	-
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	(71,822)	35,908	-	(35,914)	36,188	(280)	-	35,908	-
Effective portion of gains or losses on hedging instruments in a cash flow hedge (Note 4(36))	699,961	(124,535)	-	575,426	(457,329)	280,206	43,274	(124,535)	(9,314)
Differences on translation of foreign currency financial statements	(808,629)	153,161	-	(655,468)	181,746	-	-	153,161	28,585
Others (Note 4(36))	69,882	(25,644)	-	44,238	(28,512)	(54,156)	-	(25,644)	-
Total	108,289	17,102	-	125,391	(236,984)	225,770	47,587	17,102	19,271

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

[English translation for reference only]

#### 4 Notes to the consolidated financial statements (Cont'd)

##### (45) Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	10,702,928	-	-	10,702,928

##### (46) Undistributed profits

Item	Current period	Same period of prior year
Undistributed profits at the beginning of the period	119,679,202	102,982,763
Add: Net profit attributable to owners of the parent company for the current period	18,232,291	15,995,496
Others	-	33,631
Less: Ordinary share dividends payable (a)	(17,181,616)	(11,671,286)
Appropriation to general risk reserve	(5,972)	-
Undistributed profits at the end of the period	120,723,905	107,340,604

##### (a) Ordinary share dividends distributed in the current year

In accordance with the resolution at the Board of Shareholders' meeting, dated 19 May 2023, the Company distributed a cash dividend to the shareholders at RMB 2.50 per share, amounting to approximately RMB 17,188,858,000 calculated by 6,875,543,000 issued shares less those repurchased; 2,498,000 repurchased incentive shares in the restricted shares incentive plan were written off (Note 4(41)), and cash dividend amounting to approximately RMB 7,242,000 was cancelled. The actual cash dividend distributed in the current year amounted to approximately RMB 17,181,616,000.

##### (47) Operating revenue and cost of sales

Item	Current period	Same period of prior year
Revenue from main operations	182,685,148	167,496,125
Revenue from other operations	14,303,254	15,164,884
Sub-total	196,988,402	182,661,009

Item	Current period	Same period of prior year
Cost of sales from main operations	134,877,274	127,456,627
Cost of sales from other operations	12,399,084	12,967,541
Sub-total	147,276,358	140,424,168

##### (a) Revenue and cost of sales from main operations

Product or business category	Current period		Same period of prior year	
	Revenue	Cost of sales	Revenue	Cost of sales
HVAC	92,006,787	70,500,436	83,236,383	65,712,490
Consumer appliances	68,136,204	46,339,869	66,334,685	46,958,140
Robotics and automation system	16,240,463	12,457,600	13,259,483	10,447,185
Others	6,301,694	5,579,369	4,665,574	4,338,812
Sub-total	182,685,148	134,877,274	167,496,125	127,456,627

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

[English translation for reference only]

#### 4 Notes to the consolidated financial statements (Cont'd)

##### (47) Operating revenue and cost of sales (Cont'd)

###### (a) Revenue and cost of sales from main operations (Cont'd)

For the six months ended 30 June 2023, 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 (for the six months ended 30 June 2022: over 80%).

###### (b) Revenue and cost of sales from other operations

Item	Current period		Same period of prior year	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from sales of materials	12,589,004	11,883,071	13,451,028	12,600,574
Others	1,714,250	516,013	1,713,856	366,967
Sub-total	14,303,254	12,399,084	15,164,884	12,967,541

For the six months ended 30 June 2023, cost of sales from other operations was mainly material costs, which accounted for over 80% of total cost of sales from other operations (for the six months ended 30 June 2022: over 80%).

- (c) For the six months ended 30 June 2023, above 90% of the total amount of the Group's revenue from main operations was recognised at a point in time, 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.

##### (48) Interest income and interest costs

The Group's interest income and expenses arising from financial business are presented as follows:

Item	Current period	Same period of prior year
Interest income from loans and advances	706,004	910,289
Including: Interest income from loans and advances to corporations and individuals	659,331	873,969
Interest income from note discounting	46,673	36,320
Interest income from deposits with banks, other financial institutions and the Central Bank	100,887	91,671
Interest income	806,891	1,001,960
Interest costs	(19,681)	(33,643)

##### (49) Taxes and surcharges

Item	Current period	Same period of prior year
City maintenance and construction tax	379,949	288,461
Educational surcharge	283,215	212,661
Others	377,212	297,817
Total	1,040,376	798,939

##### (50) Selling and distribution expenses

Item	Current period	Same period of prior year
Selling and distribution expenses	17,133,216	14,698,373

For the six months ended 30 June 2023, 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 (for the six months ended 30 June 2022: over 70%).

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

#### 4 Notes to the consolidated financial statements (Cont'd)

##### (51) General and administrative expenses

Item	Current period	Same period of prior year
General and administrative expenses	5,670,400	4,951,069

For the six months ended 30 June 2023, 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 70% of total general and administrative expenses (for the six months ended 30 June 2022: over 70%).

##### (52) R&D expenses

Item	Current period	Same period of prior year
R&D expenses	6,610,954	5,865,033

For the six months ended 30 June 2023, R&D expenses were mainly employee benefits, depreciation and amortisation expenses and trial products and material inputs expenses, which accounted for over 80% of total R&D expenses (for the six months ended 30 June 2022: over 80%).

##### (53) Financial income

The Group's financial income, other than those arising from financial business (Note 4(48)), are presented as follows:

Item	Current period	Same period of prior year
Interest expenses	(1,525,683)	(867,954)
Less: Interest income	3,280,782	2,764,267
Add: Exchange gains or losses	(384,103)	(71,019)
Add: Others	(7,335)	(89,876)
Total	1,363,661	1,735,418

##### (54) Asset impairment losses

Item	Current period	Same period of prior year
Losses on decline in the value of inventories (Note 4(10))	183,782	200,660
Impairment losses on contract assets (Note 4(8))	(2,212)	23,619
Impairment losses on fixed assets (Note 4(17))	4,501	-
Impairment losses on intangible assets (Note 4(20))	2,989	6,400
Total	189,060	230,679



**MIDEA GROUP CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)****(55) Credit impairment losses**

Item	Current period	Same period of prior year
Losses on bad debts of accounts receivable (Note 4(4))	222,958	95,157
Losses on bad debts of other receivables (Note 4(5))	7,473	(8,878)
Impairment losses on notes receivable (Note 4(3))	(7,545)	60,481
Impairment losses on loans and advances (Note 4(9))	(1,907)	38,619
Losses on impairment of long-term receivables (Note 4(14))	445	7,512
<b>Total</b>	<b>221,424</b>	<b>192,891</b>

**(56) Gains/(Losses) on changes in fair value**

Item	Current period	Same period of prior year
Derivative financial instruments	(170,550)	(62,667)
Investments in equity instruments	6,370	(658,058)
Others	60,477	(29,017)
<b>Total</b>	<b>(103,703)</b>	<b>(749,742)</b>

**(57) Investment income**

Item	Current period	Same period of prior year
Investment income from holding of financial assets held for trading	27,261	107,261
Investment income from disposal of derivative financial assets and liabilities	70,165	257,463
Investment income from associates and joint ventures	348,545	263,014
Others	(35,817)	(19,891)
<b>Total</b>	<b>410,154</b>	<b>607,847</b>

There is no significant restriction on recovery of investment income of the Group.

**(58) Losses on disposal of assets**

Item	Current period	Same period of prior year
Gains on disposal of non-current assets	38,188	53,776
Losses on disposal of non-current assets	(29,663)	(34,814)
<b>Total</b>	<b>8,525</b>	<b>18,962</b>

**(59) Other income**

Item	Current period	Same period of prior year	Asset related/ Income related
Special subsidy, etc.	772,764	644,525	Income related

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

[English translation for reference only]

#### 4 Notes to the consolidated financial statements (Cont'd)

##### (60) Income tax expenses

Item	Current period	Same period of prior year
Current income tax expenses calculated based on tax law and related regulations	5,274,130	4,089,024
Deferred income tax	(1,695,639)	(1,378,473)
Total	3,578,491	2,710,551

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:

Item	Current period	Same period of prior year
Total profit	22,107,307	18,832,948
Income tax calculated at tax rate of 25%	5,526,827	4,708,237
Effect of different tax rates applicable to subsidiaries	(1,306,414)	(1,493,631)
Effect of income tax annual filing for prior periods	82,378	(166,848)
Income not subject to tax	(174,666)	(163,217)
Costs, expenses and losses not deductible for tax purposes	283,154	276,483
Utilisation of previous temporary differences or deductible losses for which no deferred tax assets were recognised in prior periods	(73,589)	(43,536)
Others	(759,199)	(406,937)
Income tax expenses	3,578,491	2,710,551

##### (61) 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 Company by the weighted average number of outstanding ordinary shares:

Item	Unit	Current period	Same period of prior year
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	18,232,291	15,995,496
Less: Dividends affected by the share-based payment incentive plan	RMB'000	(78,122)	(94,081)
Consolidated net profit attributable to ordinary shareholders of the parent company (net of share-based payment incentive plan)	RMB'000	18,154,169	15,901,415
Weighted average number of outstanding ordinary shares	Thousand shares	6,802,764	6,794,724
Basic earnings per share	RMB Yuan/share	2.67	2.34

###### (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:

Item	Unit	Current period	Same period of prior year
Adjusted consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	18,163,579	15,995,496
Weighted average number of outstanding ordinary shares	Thousand shares	6,802,764	6,794,724
Weighted average number of ordinary shares increased from the share-based payment incentive plan	Thousand shares	13,202	35,505
Weighted average number of diluted outstanding ordinary shares	Thousand shares	6,815,966	6,830,229
Diluted earnings per share	RMB Yuan/share	2.66	2.34

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

[English translation for reference only]

#### 4 Notes to the consolidated financial statements (Cont'd)

(62) Notes to the cash flow statement

(a) Cash received relating to other operating activities

Item	Current period	Same period of prior year
Non-operating income	117,370	148,065
Other income	1,039,322	929,267
Revenue from other operations	1,639,020	1,637,751
Financial interest income	288,732	317,399
Others	207,406	322,410
Total	3,291,850	3,354,892

(b) Cash paid relating to other operating activities

Item	Current period	Same period of prior year
General and administrative expenses and R&D expenses (excluding employee benefits and taxes and surcharges)	4,104,482	4,113,948
Selling and distribution expenses (excluding employee benefits and taxes and surcharges)	11,919,414	10,355,366
Others	2,455,242	521,959
Total	18,479,138	14,991,273

(c) Supplementary information to the cash flow statement

Reconciliation of net profit to cash flows from operating activities is as follows:

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

(62) Notes to the cash flow statement (Cont'd)

(c) Supplementary information to the cash flow statement (Cont'd)

Supplementary information	Current period	Same period of prior year
1) Reconciliation of net profit to cash flows from operating activities:		
Net profit	18,528,816	16,122,397
Add: Asset impairment losses	189,060	230,679
Credit impairment losses	221,424	192,891
Depreciation and amortisation	3,300,549	3,255,456
Losses on disposal of assets	(8,525)	(18,962)
Losses on changes in fair value	103,703	749,742
Financial expenses	(1,653,898)	(1,557,613)
Investment income	(410,154)	(607,847)
Decrease in deferred tax assets	(1,561,223)	(892,692)
Increase in deferred tax liabilities	(99,937)	(353,888)
Decrease in inventories	14,200,052	8,541,659
Decrease in operating receivables	(13,908,092)	(5,945,656)
Increase in operating payables	10,301,904	843,457
Share-based payments and others	580,995	835,087
Net cash flows from operating activities	29,784,674	21,394,710
2) Net increase/(decrease) in cash and cash equivalents:		
Cash and cash equivalents at the end of the period	47,560,795	61,310,727
Less: Cash and cash equivalents at the beginning of the period	(51,131,968)	(40,550,039)
Net increase in cash and cash equivalents	(3,571,173)	20,760,688

(d) Composition of cash and cash equivalents

Item	Current period	Same period of prior year
Cash on hand	3,894	2,447
Cash at bank that can be readily drawn on demand	20,028,555	32,996,806
Deposits with the Central Bank that can be readily drawn on demand	179,898	154,409
Deposits with banks and other financial institutions	27,348,448	28,157,065
Cash and cash equivalents at the end of the period	47,560,795	61,310,727

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

(63) Monetary items denominated in foreign currencies

Item	30 June 2023		
	Foreign currency balance	Exchange rate	RMB balance
<b>Cash at bank and on hand</b>			
USD	1,426,630	7.2258	10,308,543
JPY	52,840,400	0.0501	2,646,987
HKD	12,745,027	0.9220	11,750,660
EUR	96,713	7.8771	761,818
BRL	67,344	1.4994	100,974
VND	393,160,000	0.0003	117,948
Other currencies	Not applicable	Not applicable	2,340,288
Sub-total			28,027,218
<b>Accounts receivable</b>			
USD	1,722,042	7.2258	12,443,131
JPY	16,103,286	0.0501	806,678
HKD	71,837	0.9220	66,232
EUR	569,835	7.8771	4,488,644
BRL	991,182	1.4994	1,486,155
VND	947,770,000	0.0003	284,331
Other currencies	Not applicable	Not applicable	3,015,290
Sub-total			22,590,461
<b>Other receivables</b>			
USD	47,975	7.2258	346,655
JPY	1,376,173	0.0501	68,938
HKD	28,630	0.9220	26,396
EUR	29,524	7.8771	232,563
BRL	54,990	1.4994	82,451
Other currencies	Not applicable	Not applicable	298,161
Sub-total			1,055,164
Total			51,672,843

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

(63) Monetary items denominated in foreign currencies (Cont'd)

Item	30 June 2023		
	Foreign currency balance	Exchange rate	RMB balance
<b>Short-term borrowings</b>			
USD	1,366,000	7.2258	9,870,443
EUR	279,479	7.8771	2,201,484
Other currencies	Not applicable	Not applicable	2,334,186
Sub-total			14,406,113
<b>Accounts payable</b>			
USD	228,110	7.2258	1,648,277
JPY	4,545,095	0.0501	227,682
HKD	19,906	0.9220	18,353
EUR	259,500	7.8771	2,044,107
BRL	56,197	1.4994	84,260
Other currencies	Not applicable	Not applicable	2,046,129
Sub-total			6,068,808
<b>Other payables</b>			
USD	3,853	7.2258	27,840
JPY	5,417,036	0.0501	271,361
HKD	1,810	0.9220	1,669
EUR	615	7.8771	4,846
Other currencies	Not applicable	Not applicable	121,573
Sub-total			427,289
<b>Current portion of non-current liabilities</b>			
EUR	304,783	7.8771	2,400,806
USD	684,543	7.2258	4,946,371
Other currencies	Not applicable	Not applicable	100,465
Sub-total			7,447,642
<b>Long-term borrowings</b>			
USD	3,575,532	7.2258	25,836,076
Other currencies	Not applicable	Not applicable	3,941,481
Sub-total			29,777,557
<b>Debentures payable</b>			
USD	454,184	7.2258	3,281,840
Sub-total			3,281,840
<b>Lease liabilities</b>			
EUR	90,928	7.8771	716,250
JPY	1,234,839	0.0501	61,858
Other currencies	Not applicable	Not applicable	72,150
Sub-total			850,258
Total			62,259,507

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

(63) Monetary items denominated in foreign currencies (Cont'd)

Item	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
Sub-total			9,845,671
<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
Sub-total			16,646,173
<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
Sub-total			1,021,839
<b>Total</b>			<b>27,513,683</b>

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**4 Notes to the consolidated financial statements (Cont'd)**

(63) Monetary items denominated in foreign currencies (Cont'd)

Item	31 December 2022		
	Foreign currency balance	Exchange rate	RMB balance
<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
Sub-total			4,221,227
<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
Sub-total			6,568,814
<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
Sub-total			657,251
<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
Sub-total			714,039
<b>Long-term borrowings</b>			
USD	3,405,553	6.9646	23,718,315
Other currencies	Not applicable	Not applicable	11,307,295
Sub-total			35,025,610
<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
Sub-total			842,990
Total			48,029,931



**MIDEA GROUP CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**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 Clou Electronics and its subsidiaries in May 2023.

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

Nil.

(b) Decrease of consolidation scope

Decrease of consolidation scope in the current period 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
Swisslog Technology Center Netherlands B.V.	Deregistration	January 2023
Shenzhen Hekang Motor System Co., Ltd.	Change of equity	March 2023
Wuhu Midea Washing Appliance Manufacturing Co., Ltd.	Change of equity	May 2023
Verkauf Reis Holding GmbH	Change of equity	June 2023
Verkauf KUKA Industries GmbH & Co. KG	Change of equity	June 2023

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

#### 6 Interests in other entities

##### (1) Interests in subsidiaries

##### (a) Composition of significant subsidiaries

Subsidiaries	Major business location	Place of incorporation	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
GD Midea Air-Conditioning Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture and sales of air conditioners	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 conditioners	93%	7%	Business combinations involving enterprises not under common control
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of air conditioners	87%	13%	Establishment
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	Chongqing, PRC	Chongqing, PRC	Manufacture and sales of air conditioners	95%	5%	Establishment
GD Midea Heating & Ventilating Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of air conditioners	90%	10%	Establishment
Zhejiang Meizhi Compressor Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Manufacture of air conditioners	100%	-	Establishment
Hefei Midea Refrigerator Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of refrigerators	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 Washing Appliances Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	75%	25%	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 machines	100%	-	Establishment
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of air conditioner	99%	1%	Establishment
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	Guangzhou, PRC	Guangzhou, PRC	Manufacture and sales of air conditioners	75%	25%	Establishment
Wuhu Midea Life Appliances Mfg Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	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
Foshan Shunde Midea Household Appliances Industry Co., Ltd.	Foshan, PRC	Foshan, PRC	Investment	100%	-	Establishment
Midea International Corporation Company Limited	Hong Kong	Hong Kong	Investment holding	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
TLSC	Japan	Japan	Manufacture of household 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
Annto Logistics Supply Chain Technology Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Investment holding	-	77%	Establishment
Midea Capital Corporation Limited	Foshan, PRC	Foshan, PRC	Investment	95%	5%	Business combinations involving enterprises not under common control
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
Midea Investment Development Company Limited	British Virgin Islands	British Virgin Islands	Investment	-	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

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

#### 6 Interests in other entities (Cont'd)

##### (2) Interests in associates ventures

The associates ventures of the Group have no significant influence on the Group and are summarised as follows:

Item	Current period	Same period of prior year
Aggregated carrying amount of investments	4,731,210	3,769,304
Aggregate of the following items in proportion		
Net profit (i)	348,545	263,014
Other comprehensive income (i)	36,188	47
Total comprehensive income	384,733	263,061

(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 joint ventures and the unification of accounting policies adopted by the associates and joint ventures to those adopted by the Company.

##### (3) Structured entities not included in the consolidation scope

The Group had no significant structured entities not included in the consolidation scope.

#### 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 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 expenses.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**8 Segment reporting**

(a) Information on the profit or loss, assets and liabilities of reported segment

Segment information as at and for the six months ended 30 June 2023 is as follows:

Item	Current period					Total
	Heating & ventilation, as well as air- conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Offsetting	
Revenue from external customers	102,081,554	72,090,725	16,415,970	7,207,365	-	197,795,614
Inter-segment revenue	1,700,542	431,191	207,239	3,143,282	(5,482,254)	-
Operating expenses	(91,806,494)	(64,098,118)	(16,569,793)	(9,179,710)	5,266,038	(176,388,077)
Segment profit	11,975,602	8,423,798	53,416	1,170,937	(216,216)	21,407,537
Other profit or loss						699,770
Total profit						22,107,307
Total assets	206,653,458	174,772,080	42,413,492	238,278,221	(199,377,616)	462,739,635
Total liabilities	145,053,148	131,067,029	35,217,226	232,764,048	(239,604,331)	304,497,120
Long-term equity investments in associates and joint ventures	372,493	121,024	6,675	4,231,018	-	4,731,210
Investment income from associates and joint ventures	176,833	1,860	1,014	168,838	-	348,545
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	2,614,762	1,018,190	445,409	6,309,441	-	10,387,802
Losses on/(Reversal of) asset impairment	127,243	(50,654)	102,331	10,140	-	189,060
Losses on/(Reversal of) credit impairment	109,005	73,334	(14,215)	19,570	33,730	221,424
Depreciation of right-of-use assets	48,125	69,121	118,900	293,897	28,881	558,924
Depreciation and amortisation expenses	1,058,084	923,273	500,692	259,576	-	2,741,625

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**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 six months ended 30 June 2022 is as follows:

Item	Same period of prior year					Total
	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Offsetting	
Revenue from external customers	93,948,227	70,340,259	13,426,372	5,948,541	-	183,663,399
Inter-segment revenue	1,657,240	370,055	190,159	3,832,595	(6,050,049)	-
Operating expenses	(86,626,933)	(62,098,046)	(13,412,943)	(8,868,417)	5,969,014	(165,037,325)
Segment profit	8,978,534	8,612,268	203,588	912,719	(81,035)	18,626,074
Other profit or loss						206,874
Total profit						18,832,948
Total assets	179,930,301	158,277,514	35,267,424	210,934,435	(171,305,529)	413,104,145
Total liabilities	127,693,219	115,379,530	25,961,405	203,275,449	(199,603,928)	272,705,675
Long-term equity investments in associates and joint ventures	276,107	115,248	36,620	3,341,329	-	3,769,304
Investment income from associates and joint ventures	92,873	(2,111)	665	171,587	-	263,014
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	2,338,948	1,837,378	386,462	518,570	-	5,081,358
Losses on/(Reversal of) asset impairment	114,138	46,838	69,703	-	-	230,679
Losses on/(Reversal of) credit impairment	88,037	53,919	(1,980)	95,022	(42,107)	192,891
Depreciation of right-of-use assets	51,085	63,381	118,900	298,677	-	532,043
			519,771			
Depreciation and amortisation expenses	1,114,427	957,254		131,961	-	2,723,413

**MIDEA GROUP CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]**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, Japan, Hong Kong, Macau, Singapore and Brazil) are as follows:

Revenue from external customers	Current period	Same period of prior year
Domestic	117,259,490	105,824,857
In other countries/geographical areas	80,536,124	77,838,542
<b>Total</b>	<b>197,795,614</b>	<b>183,663,399</b>

  

Total non-current assets	Current period	Same period of prior year
Domestic	41,274,102	32,732,170
In other countries/geographical areas	18,255,385	16,821,780
<b>Total</b>	<b>59,529,487</b>	<b>49,553,950</b>

**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 incorporation	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

Name of the parent company	Registered capital
Midea Holding Co., Ltd.	330,000

## (c) The percentages of shareholding and voting rights in the Company held by the parent company

Name of the parent company	Ending			Opening		
	Shareholding (%)		Voting rights (%)	Shareholding (%)		Voting rights (%)
	Direct	Indirect		Direct	Indirect	
Midea Holding Co., Ltd.	30.89%	-	30.89%	31.00%	-	31.00%

## (2) Information of the Company's subsidiaries

Please refer to Note 6(1) for the information of the Company's main subsidiaries.

**MIDEA GROUP CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]**9 Related parties and significant related party transactions (Cont'd)****(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	Current period	Same period of prior year
Orinko Advanced Plastics Co., Ltd.	Purchase of goods	658,784	697,804
Foshan Micro Midea Filter Mfg. Co., Ltd.	Purchase of goods	158,878	161,191
Total		817,662	858,995

**(b) Sales of goods:**

Related parties	Content of related party transactions	Current period	Same period of prior year
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Sales of goods	90,344	74,357

**(c) Investment income and interest income of monetary products**

Related parties	Current period	Same period of prior year
Guangdong Shunde Rural Commercial Bank Co., Ltd.	145,197	159,386

**(5) Receivables from and payables to related parties**

Receivables from related parties:

Item	Related parties	Ending Balance	Opening balance
Cash at bank and on hand, other current assets and other non-current assets, etc.	Guangdong Shunde Rural Commercial Bank Co., Ltd.	5,497,221	11,177,251

Payables to related parties:

Item	Related parties	Ending Balance	Opening balance
Accounts payable	Orinko Advanced Plastics Co., Ltd.	38,832	93,665
	Foshan Micro Midea Filter Mfg. Co., Ltd.	82,766	65,207
Total		121,598	158,872

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

#### 10 Share-based payment

(1) Share option incentive plan

(a) Movements in share options during the six months ended 30 June 2023

Item	For the six months ended 30 June 2023 (Share in thousands)
Share options issued at the beginning of the year	275,548
Share options granted during the period	-
Share options exercised during the period	(27,406)
Share options lapsed during the period	(48,900)
Share options issued at the end of the period	199,242

As at 30 June 2023, 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 2023 approved at the 2022 annual shareholders' meeting in 2023 (the "Restricted Shares Incentive Plan for 2023"), the Company granted 18,325,000 restricted shares with exercise price of RMB 25.89 to 415 incentive recipients. Under the circumstance that the Company meets expected performance, 40%, 30% and 30% of the total restricted shares granted will be unlocked after 1 year, 2 years and 3 years respectively since 20 June 2023. The listing date for the granted restricted shares of this plan is 14 July 2023.

(b) Movements in restricted shares during the six months ended 30 June 2023

Item	For the six months ended 30 June 2023 (Share in thousands)
Restricted shares issued at the beginning of the year	50,211
Restricted shares granted during the period	18,325
Restricted shares unlocked during the period	(18,639)
Restricted shares lapsed during the period	(9,994)
Restricted shares issued at the end of the period	39,903

The Company held the 16th session of the 4th Board of Directors on 20 June 2023, at which, the Proposal of the Accomplishment of the Unlocking Conditions of the Lock-up Period for the Restricted Shares was reviewed. 2,566,396 restricted shares in 2018, which were listed for trade on 3 July 2023, were applied for unlocking; 324,167 shares under the restricted share incentive plan in 2018, which were listed for trade on 7 July 2023, were applied for unlocking; 4,897,510 shares under the restricted share incentive plan in 2019, which were listed for trade on 13 July 2023, were applied for unlocking; and 10,851,082 shares under the restricted share incentive plan in 2020, which were listed for trade on 18 July 2023, were applied for unlocking.



**MIDEA GROUP CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**10 Share-based payment (Cont'd)**

(3) Employee stock ownership plan

Pursuant to the 2023 stock ownership plan of the Midea Group (the "2023 Stock Ownership Plan") approved at the shareholders' meeting for the year ended 31 December 2022 held during the year 2023, the Company repurchased 9,946,276 shares of Midea Group over the securities account for repurchase, with an average purchase price of RMB 56.79 per share. The purchase fund was the performance bonus of approximately RMB 564,849,000 accrued by the Company.

(4) For the six months ended 30 June 2023, the total expenses due to the above share-based payment incentive plan were RMB 580,550,000. As at 30 June 2023, the balance relating to the share-based payment incentive plan and accrued from capital surplus was approximately RMB 1,863,402,000.

**11 Contingencies**

As at 30 June 2023, the amount in tax disputes involving Brazilian subsidiary with 51% interests held by the Company was about BRL 764 million (equivalent to RMB 1,145 million) (Some cases have lasted for more than 10 years. The above amount included the principal and interest). As at 30 June 2023, relevant cases were still at court. 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 235 million). With reference to judgements of third-party attorneys, management believes that the probability of losing lawsuits and making compensation is small, and expects no significant risk of tax violation.

**12 Commitments**

The Group had no significant commitments at the balance sheet date.

**13 Events after the balance sheet date**

Nil.

**14 Financial risk**

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.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

#### 14 Financial risk (Cont'd)

(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 30 June 2023, the Group's long-term interest bearing borrowings at floating rate were certain 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.

(c) Other price risk

The Group's other price risk mainly arises from financial instruments measured at fair value. As at 30 June 2023, if expected price of the investments held by the Group fluctuated, the Group's gains or losses on changes in fair value would be affected accordingly.

(2) Credit risk

Credit risk is managed on the grouping basis. The Group's credit risk mainly arises from cash at bank, 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 and 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. The Group does not expect that there will be any significant losses from non-performance by these banks.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**14 Financial risk (Cont'd)**

(2) Credit risk (Cont'd)

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, for loans and advances, the amount and type of collateral required depend on an assessment of the credit risk of the counterparty. The collaterals for loans mainly include receivables and inventories. The Group monitors the market value of the collateral, requests additional collateral when needed according to contracts and performs and valuation for impairment valuation assessment when applicable. As at 30 June 2023, the Group had no other significant collateral or other credit enhancements held as securities from debtors.

(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.

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**14 Financial risk (Cont'd)**

(3) Liquidity risk (Cont'd)

The financial liabilities of the Group at the balance sheet date are analysed by their maturity dates below at their undiscounted contractual cash flows:

30 June 2023					
Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings (including interest)	19,693,457	-	-	-	19,693,457
Customer deposits and deposits from banks and other financial institutions (including interest)	47,584	-	-	-	47,584
Notes payable	14,236,566	-	-	-	14,236,566
Accounts payable	71,684,891	-	-	-	71,684,891
Other payables	4,941,956	-	-	-	4,941,956
Financial liabilities held for trading	1,434,319	-	-	-	1,434,319
Derivative financial liabilities	584,017	-	-	-	584,017
Other current liabilities	23,688,384	-	-	-	23,688,384
Current portion of non-current liabilities (including interest)	21,026,155	-	-	-	21,026,155
Long-term borrowings (including interest)	462,911	9,593,819	28,763,693	155,750	38,976,173
Debentures payable (including interest)	93,646	93,646	3,314,041	-	3,501,333
Lease liabilities (including interest)	-	822,053	971,876	390,597	2,184,526
Other non-current liabilities	-	-	30,033	-	30,033
Sub-total	157,893,886	10,509,518	33,079,643	546,347	202,029,394

31 December 2022					
Ending Balance	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
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
Sub-total	127,254,236	13,480,031	41,174,783	312,797	182,221,847

**MIDEA GROUP CO., LTD.****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**15 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.

**(1) Assets and liabilities measured at fair value on a recurring basis**

As at 30 June 2023, the financial assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Fair value at the end of the period			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value -				
Financial assets held for trading	1,537,870	6,656,131	-	8,194,001
Derivative financial assets	-	512,686	-	512,686
Receivables financing	-	15,466,934	-	15,466,934
Other current assets - hedging instruments and transferable certificates of deposit	-	1,402,274	-	1,402,274
Other debt investments	-	14,693,213	-	14,693,213
Investments in other equity instruments	-	-	41,292	41,292
Other non-current financial assets	-	3,052,539	6,145,336	9,197,875
<b>Total assets</b>	<b>1,537,870</b>	<b>41,783,777</b>	<b>6,186,628</b>	<b>49,508,275</b>
Financial liabilities measured at fair value -				
Financial liabilities held for trading	-	-	1,434,319	1,434,319
Derivative financial liabilities	-	584,017	-	584,017
Other current liabilities - hedging instruments	-	1,355,139	-	1,355,139
<b>Total liabilities</b>	<b>-</b>	<b>1,939,156</b>	<b>1,434,319</b>	<b>3,373,475</b>

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**15 Fair value estimates (Cont'd)**

(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

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:

Item	Fair value at the beginning of the year			
	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 certificates of deposit	-	743,934	-	743,934
Other debt investments	-	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
<b>Total assets</b>	<b>1,264,595</b>	<b>38,201,979</b>	<b>6,389,915</b>	<b>45,856,489</b>
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
<b>Total liabilities</b>	<b>-</b>	<b>314,539</b>	<b>1,580,771</b>	<b>1,895,310</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, estimated interest rate and estimated annual yield.

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:

Item	Investments in other equity instruments and other non-current financial assets	Financial liabilities held for trading
1 January 2023	6,389,915	(1,580,771)
Increase	159,090	-
Decrease	(160,792)	150,903
Transfer out of Level 3	(69,044)	-
<b>Total gains for the current period</b>		
Investment (loss)/income recognised in the income statement	(171,611)	(4,451)
Gains recognised in other comprehensive income	39,070	-
<b>30 June 2023</b>	<b>6,186,628</b>	<b>(1,434,319)</b>

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

#### 15 Fair value estimates (Cont'd)

##### (1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

The changes in Level 3 assets and liabilities are analysed below (Cont'd):

Item	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 into Level 3	(838,345)	-
Total gains for the current period		
Investment income recognised in the income statement	(409,005)	86,306
Losses recognised in other comprehensive income	123,059	-
31 December 2022	6,389,915	(1,580,771)

- (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 certificates of deposit and cross-currency interest rate swaps, and are evaluated by discounted cash flows approach, market approach and income approach.

- (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 30 June 2023 and 31 December 2022 approximated to their fair value.

#### 16 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 debt-to-asset ratio (total liabilities divide total assets).

**MIDEA GROUP CO., LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**  
(All amounts in RMB'000 Yuan unless otherwise stated)  
[English translation for reference only]

**16 Capital management (Cont'd)**

As at 30 June 2023 and 31 December 2022, the Group's debt-to-asset ratio is as follows:

Item	Ending balance	Opening balance
Total liabilities	304,497,120	270,631,465
Total assets	462,739,635	422,555,267
Debt-to-asset ratio	65.80%	64.05%

**17 Notes to the Company's financial statements**

(1) Other receivables

Item	Ending balance	Opening balance
Other receivables	24,280,173	26,182,925
Less: Provision for bad debts	(7,273)	(7,824)
Total	24,272,900	26,175,101

(a) The ageing of other receivables is analysed as follows:

Ageing	Ending balance	Opening balance
Within 1 year	24,239,923	26,069,074
1 to 2 years	26,230	110,631
Over 2 years	14,020	3,220
Total	24,280,173	26,182,925

(b) Provision for losses and changes in book balance statement

Item	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	
1 January 2023	26,114,966	7,824	67,959	-	-	-	7,824
Transfer to Stage 3 in the current year	-	-	-	-	-	-	-
Net increase in the current period	(1,863,686)	(551)	(39,066)	-	-	-	(551)
Including: Write-off in the current period	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-
30 June 2023	24,251,280	7,273	28,893	-	-	-	7,273

(c) As at 30 June 2023, other receivables of the Company at Stage 1 are analysed as follows:

(i) As at 30 June 2023, other receivables in Stage 1 for which the related provision for bad debts was provided on an individual basis are analysed as follows:

Category	Ending balance			
	Book balance	12-month ECL rates	Provision for bad debts	Reason
Stage 1	28,893	0%	-	The risk of expected loss is low



**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**17 Notes to the Company's financial statements (Cont'd)**

(1) Other receivables (Cont'd)

(c) As at 30 June 2023, other receivables of the Company at Stage 1 are analysed as follows (Cont'd):

(ii) As at 30 June 2023, 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:

Stage 1	Ending balance			Opening balance		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	Provision ratio	Amount	Amount	Provision ratio
Security deposit/guarantee and other receivables grouping	24,251,280	(7,273)	0.03%	26,114,966	(7,824)	0.03%

(d) As at 30 June 2023, the five largest other receivables aggregated by debtor are analysed as follows:

Name of entity	Nature of payment	Book balance	Ageing	% of total balance	Provision for bad debts
Company A	Current accounts	21,650,000	Within 1 year	89.17%	(6,495)
Company B	Current accounts	1,248,000	Within 1 year	5.14%	(374)
Company C	Current accounts	478,672	Within 1 year	1.97%	(144)
Company D	Current accounts	245,000	Within 1 year	1.01%	(74)
Company E	Current accounts	144,998	Within 1 year	0.60%	(43)
Sub-total		23,766,670		97.89%	(7,130)

(2) Long-term equity investments

Long-term equity investments are classified as follows:

Item	Ending balance	Opening balance
Subsidiaries (a)	71,827,998	69,705,046
Associates (b)	2,599,721	3,398,523
Sub-total	74,427,719	73,103,569
Less: Provision for impairment	-	-
Total	74,427,719	73,103,569

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

[English translation for reference only]

**17 Notes to the Company's financial statements (Cont'd)**

(2) Long-term equity investments (Cont'd)

(a) Subsidiaries

Name of investee	Opening balance	Movements in the current period			Ending Balance	Cash dividends attributable to the parent company declared in the current period
		Increase in investment	Decrease in investment	Others		
Wuxi Little Swan Electric Co., Ltd.	20,313,623	-	-	28,651	20,342,274	-
Foshan Shunde Midea Household Appliances Industry Co., Ltd.	5,950,999	-	-	868	5,951,867	-
Guangdong Midea Electric Co., Ltd.	5,001,072	-	-	656	5,001,728	-
Beijing Wandong Medical Technology Co., Ltd.	4,349,003	-	-	-	4,349,003	38,350
Midea Group Finance Co., Ltd.	3,363,479	-	-	832	3,364,311	-
Midea Innovation Investment Co., Ltd.	2,135,000	-	-	-	2,135,000	-
GD Midea Air-Conditioning Equipment Co., Ltd.	1,987,281	-	-	49,309	2,036,590	-
Guangdong Midea Microwave Oven Manufacturing Co., Ltd.	1,880,041	-	-	-	1,880,041	-
Guangdong Midea Intelligent Technologies Co., Ltd.	1,860,540	-	-	536	1,861,076	-
Shenzhen Clou Electronics Co., Ltd.	-	828,094	-	832,614	1,660,708	-
Guangdong Meizhi Compressor Co., Ltd.	1,418,863	-	-	13,008	1,431,871	-
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	1,201,861	-	-	19,231	1,221,092	-
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	1,083,420	-	-	2,012	1,085,432	-
Hainan Midea Building Technology Co., Ltd.	921,500	-	-	-	921,500	-
Midea Group (Shanghai) Co. Ltd.	920,427	-	-	6,096	926,523	-
GD Midea Heating & Ventilating Equipment Co., Ltd.	899,435	-	-	26,520	925,955	-
Hubei Midea Refrigerator Co., Ltd.	885,138	-	-	6,154	891,292	-
Anhui Meizhi Precision Manufacturing Co., Ltd.	834,812	-	-	1,959	836,771	-
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	776,756	-	-	2,601	779,357	-
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.	625,877	-	-	6,689	632,566	-
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	595,045	-	-	15,304	610,349	-
Hefei Midea Refrigerator Co., Ltd.	556,199	-	-	3,660	559,859	-
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	533,343	-	-	4,140	537,483	-
Ningbo Midea United Materials Supply Co., Ltd.	503,420	-	-	1,204	504,624	-
Guangdong Midea Electromechanical Technology Co., Ltd.	500,000	-	-	-	500,000	-
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	481,769	-	-	-	481,769	-
Guangzhou Midea Hualing Refrigerator Co., Ltd.	444,415	-	-	1,657	446,072	-
GD Midea Environment Appliances Mfg. Co., Ltd.	417,382	-	-	4,634	422,016	-
Anhui Meizhi Compressor Co., Ltd.	391,518	-	-	4,857	396,375	-
Others	7,360,714	1,119	(9,000)	269,547	7,622,380	18,000
Total	69,705,046	829,213	(9,000)	1,302,739	71,827,998	56,350

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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

**17 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. and Hefei Royalstar Motor Co., Ltd. and other enterprises 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

Item	Current period	Same period of prior year
Income from long-term equity investments under cost method	56,350	52,799
Investment income from holding of financial assets held for trading	7,389	95,277
Income from long-term equity investments under equity method	124,458	126,297
Others	1,242	(1,981)
Total	189,439	272,392

There is no significant restriction on repatriation of the Company's investment income.

## 1 Details of non-recurring profit or loss

Item	Current period	Same period of prior year
Profit or loss from disposals of non-current assets, including the write-off portion for which provision for asset impairment has been made	(169,544)	22,156
Except for the effective hedging activities related to the Company'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 and 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 and other non-current financial assets	25,019	(434,341)
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)	817,450	772,377
Sub-total	672,925	360,192
Less: Effect of enterprise income tax	(85,263)	(30,095)
Effect of minority interests (after tax)	(7,224)	(26,113)
Net non-recurring profit or loss attributable to equity owners of the Company	580,438	303,984

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:

Item	Earnings per share (RMB/share)					
	Weighted average return on net assets		Basic earnings per share		Diluted earnings per share	
	Current period	Same period of prior year	Current period	Same period of prior year	Current period	Same period of prior year
Net profit attributable to ordinary shareholders of the Company	12.14%	12.18%	2.67	2.34	2.66	2.34
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	11.76%	11.95%	2.58	2.30	2.58	2.30

## 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       Not applicable

- (2) Differences in the net profit and net assets disclosed in the financial reports prepared under CAS and foreign accounting standards

Applicable       Not applicable