BUSINESS

MIDEA TODAY

We are a leading technology-driven global provider of Smart Home Solutions and Commercial & Industrial Solutions. Our product and service offerings cover a wide range of home appliances for consumers, and solutions for enterprise customers spanning across Energy Solutions & Industrial Technology, Intelligent Building Technology, Robotics & Automation and Other Businesses. As a Fortune Global 500 company for eight consecutive years, we operate a global business that reaches over 200 countries and regions, with 33 R&D centers, 43 major manufacturing bases and over 190,000 employees across different continents.

The chart below demonstrates the highlights of our businesses:

RMB 374 bn 2023 Revenue	Global Presence in **200+** Countries and Regions[1]	**40%+** Revenue from Overseas[2]
Largest Home Appliance Company Globally[3]	**No. 1** Commercial AC Provider in Mainland China[4]	**Big 4** Industrial Robotics Companies Globally[4]
Top 10 Largest Active Patent Family Holder Globally[5]	**RMB 39 bn** Aggregate R&D Spending in 2021-2023	**A/A3/A** S&P/Moody's/Fitch Credit Rating[1]

Notes:

(1)   As at the Latest Practicable Date
(2)   During the Track Record Period
(3)   In terms of revenue and sales volume in 2023, capturing a market share of 7.9% in terms of sales volume, according to Frost & Sullivan
(4)   In terms of revenue in 2023, according to Frost & Sullivan
(5)   As at 31 December 2023, according to Frost & Sullivan

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OUR KEY MILESTONES

Our journey commenced in 1968 in Shunde, China and we have consistently adapted to the rapidly changing global landscape. Driven by relentless innovation, organic growth, strategic acquisitions and joint ventures, we have evolved from a business with a singular focus in one market into a global technology powerhouse with a wide array of product and service offerings, catering to diverse end-markets around the world.

Set out below are our milestones in a nutshell:

|	
1968 to early-1980s: Startup years	■ 1968: founding of our predecessor that manufactured plastic and metal products
Early-1980s to late-1990s: Growth in home appliance business	■ 1980: entered the home appliance industry with electric fans ■ 1985: started to offer air conditioning products ■ 1993: Midea Electric listed on the Shenzhen Stock Exchange
Late-1990s to mid-2010s: Horizontal and vertical expansion and integration	■ 1998: bolstered our capabilities in compressors, the core component of air conditioners, through acquisition of Macro Toshiba A/C's compressor factory (東芝萬家樂); expanded into commercial air conditioners, and subsequently further enhanced our technology capabilities through the establishment of a joint venture, Chongqing Midea General Refrigeration Equipment Co., Ltd (重慶美的通用製冷設備有限公司) ■ 2000: annual sales surpassed RMB10 billion for the first time ■ 2002: entered the washing machine and refrigerator markets, and subsequently further strengthened our foothold in the markets by acquiring Little Swan (小天鵝) and WAHIN (華凌) ■ 2013: our Group listed on the Shenzhen Stock Exchange (stock code: 000333) by merging with Midea Electric

Mid-2010s to present: Upgrading Smart Home Solutions, expanding Commercial & Industrial Solutions, and deepening globalization	■ Upgrading Smart Home Solutions:
	  ○ 2018: strengthened our portfolio of premium home appliances by launching the COLMO brand
	  ○ 2021: became the No. 1 air conditioner provider in mainland China by sales volume, according to the Frost & Sullivan Report
	■ Expanding Commercial & Industrial Solutions:
	  ○ 2017: entered robotics and automation market by acquiring KUKA Group
	  ○ 2020: enriched our Intelligent Building Technology product offerings through the acquisition of elevator maker Winone (菱王)
	  ○ Entered energy storage solution business by acquiring new energy companies Hiconics (合康新能) and Clou Electronics (科陸電子) in 2020 and 2023, respectively
	■ Deepening globalization and increasing focus on branding:
	  ○ 2016: acquired Toshiba Lifestyle and Italian commercial air conditioning company Clivet
	  ○ 2017: revenue from overseas markets exceeded RMB100 billion for the first time
	  ○ 2022: revenue from our OBM (original brand manufacturer) business exceeded 40% of overseas Smart Home Solutions revenue for the first time

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This journey brought us to where we stand today, with numerous extraordinary achievements associated with the Midea name. To give a few examples (each according to the Frost & Sullivan Report):

- We are the world's largest home appliance company in terms of both sales volume and revenue in 2023, capturing a market share of 7.9% in terms of sales volume. In 2023, in terms of sales volume, we ranked among the top three home appliance companies in the world in each of residential air conditioners, laundry appliances, refrigerators, as well as kitchen and other appliances, with a market share of 23.7%, 14.2%, 10.5% and 6.0%, respectively. During the same period, we also ranked among the top three home appliance companies in these markets in terms of retail sales value, with a market share of 21.1%, 12.5%, 7.7% and 4.6%, respectively. Among these markets, we ranked first in residential air conditioners as well as kitchen and other appliances.

- Our home appliance compressor business ranked No. 1 in the global market in terms of manufacturing volume in 2023, capturing a market share of 30.3%. Our residential air conditioner compressor business also ranked No. 1 in the global market in the same period in terms of manufacturing volume, commanding a global market share of 45.1%.

- We are the largest commercial air conditioner provider in mainland China, capturing a market share of 14.3%, and one of the top five globally, capturing a market share of 6.6%, both in terms of revenue in 2023.

- Our subsidiary KUKA Group is one of the world's "big four" industrial robotics companies, and it ranked second in terms of sales volume and revenue of heavy-payload robots in 2023, capturing a market share of 18.6% and 17.9%, respectively.

Looking ahead, our fundamental strategies of "technology leadership, direct to users, digitalization & intelligence driven, and global impact" (科技領先、用戶直達、數智驅動、全球突破) will continue to guide us on our path forward. We aim to bolster our Commercial & Industrial Solutions as a powerful growth engine while remaining committed to the continual expansion of our Smart Home Solutions.

OUR BUSINESS

Our business is divided primarily into Smart Home Solutions and Commercial & Industrial Solutions. The following diagram illustrates our current business layout.
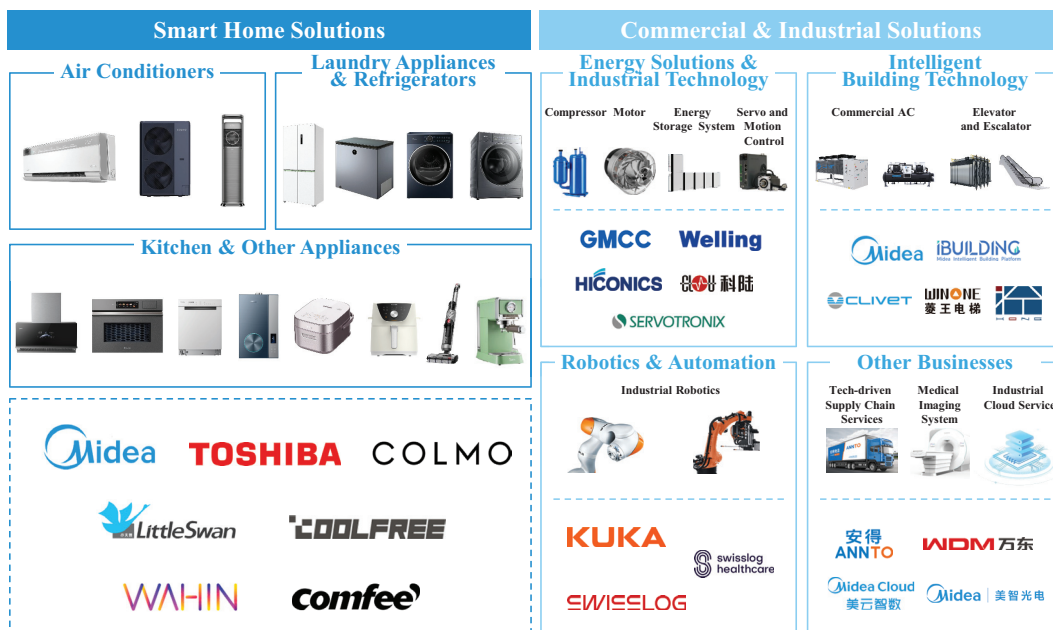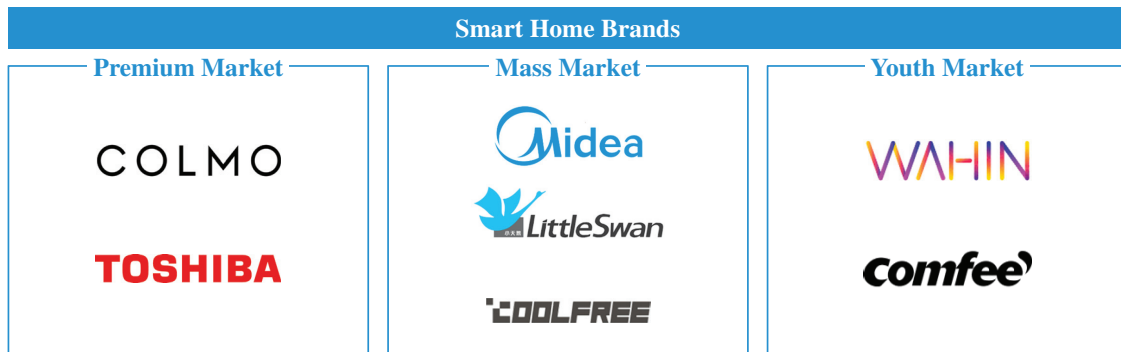
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Smart Home Solutions

We offer a wide range of home appliances, including air conditioners, refrigerators, washing machines, kitchen appliances, and various other appliances. Applying technologies such as IoT and AI, we provide interconnected and comprehensive Smart Home Solutions ensuring a smooth and differentiated consumer experience. Our IoT-enabled appliances are equipped with wireless communication modules such as Wi-Fi and Bluetooth that allow them to connect to the internet, communicate with other devices, and be centrally managed through the digital platform we provide for consumers. AI technologies in areas such as voice, language, computer vision and embodied AI infuse intelligence into many of our appliances, enabling real-time data collection and analysis and automatic adjustment of operational parameters such as temperature and humidity, as well as other functions such as voice recognition, resulting in seamless control and personalized experiences.

We have curated a broad brand portfolio covering premium, mass and youth markets. Below is a snapshot of our latest brand portfolio under Smart Home Solutions:

Smart Home Brands		
Premium Market	Mass Market	Youth Market
COLMO TOSHIBA	Midea LittleSwan COOLFREE	WAHIN comfee

We have a global sales and distribution network, covering both online and offline channels. Our Midea Cloud Sales platform digitalizes our offline distribution operations. We actively utilize online sales channels, including influential e-commerce and livestreaming and short video platforms such as JD.com, Tmall, Pinduoduo and Douyin. In 2023, online sales accounted for over 50% of our total sales in mainland China under Smart Home Solutions. Guided by our "direct to users" strategy, we spare no effort to increase direct connections and interactions with consumers to better understand and respond to their needs.

Looking into the future, there is a noticeable trend in mainland China towards higher-end products in major home appliance categories, driven by rising income and consumption levels. We are ready to capitalize on this trend by upgrading our product portfolio and increasing our sales of high-end and technologically sophisticated products that command higher prices. In addition, we are striving to further increase our proportion of overseas revenue, particularly by promoting our OBM business.

Commercial & Industrial Solutions

Through Commercial & Industrial Solutions, we provide a full range of products and services across four business units: Energy Solutions & Industrial Technology, Intelligent Building Technology, Robotics & Automation and Other Businesses. Our revenue from Commercial & Industrial Solutions exhibited a remarkable CAGR of 15.4% between 2021 and 2023, with its share in our total revenue rising from 21.4% in 2021 to 26.2% in 2023. Going forward, we believe that Commercial & Industrial Solutions will be an important driver for our growth.

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Energy Solutions & Industrial Technology

Harnessing our expertise from decades of experience in home appliances and commercial air conditioners, we provide technologically advanced, reliable and eco-friendly core industrial components including compressors, motors and industrial control systems. Our residential air conditioner compressor business ranked No. 1 in 2023 in terms of manufacturing volume, commanding a global market share of 45.1%.

We also offer green energy solutions across the energy value chain, including large-scale energy storage, industrial and commercial energy storage, household energy storage, intelligent power grids, distributed photovoltaic solutions and new energy vehicle components (such as thermal management systems) to enable our various global customers to store and use renewable energy.

Intelligent Building Technology

We provide intelligent and integrated solutions for infrastructure, public premises, industrial parks, agricultural facilities and more, supported by our offerings of commercial air conditioners, elevators, building energy management and building control software. We empower our customers to transform buildings into highly efficient and green spaces, optimizing energy consumption and enhancing comfort.

We are a market leader in commercial air conditioners. According to the Frost & Sullivan Report, our commercial air conditioners ranked first in mainland China in terms of revenue in 2023, capturing a market share of 14.3%, and we were among the top five commercial air conditioner providers globally in terms of revenue in 2023, capturing a market share of 6.6%. Building on our market leadership in commercial air conditioners, we are well-positioned to acquire customers with our increasingly comprehensive and competitive product lineups. We have acquired Winone, a major domestic manufacturer of freight elevators in mainland China. We also offer building control software that automates building control and building energy management solutions that help buildings enhance energy efficiency.

Robotics & Automation

Our Robotics & Automation business is operated under KUKA Group, Germany-headquartered and one of the world's "big four" industrial robotics makers, with over 120 years of history. KUKA Group offers one-stop automation solutions including industrial robotics, production cells, fully automated systems, and automated logistics systems through its subsidiary Swisslog for end-markets such as automotive, electronics, metal and plastic, consumer goods, retail, e-commerce and healthcare.

Since we acquired KUKA Group in 2017, its business in China has grown rapidly, making KUKA China an important contributor to KUKA Group's overall growth. The revenue contribution from KUKA China to KUKA Group's overall business increased from 17.3% in 2021 to 19.6% in 2023, representing impressive growth in the world's largest industrial robotics market, where we have established a comprehensive sales and service network and state-of-the-art manufacturing facilities for robotics.

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Other Businesses

Our Other Businesses primarily comprise Annto Smart Logistics, Midea Cloud, Midea Lighting and Wandong Medical.

Over the years, we have developed infrastructure and technological capabilities in areas such as supply chain and digitalized operations, which have been instrumental to the success of our Smart Home Solutions and Commercial & Industrial Solutions. We have externalized a number of such capabilities to serve other customers, including through Annto Smart Logistics. Annto Smart Logistics is a logistics technology company dedicated to providing customers with end-to-end digital intelligent supply chain services, assisting enterprises in promoting channel optimization and improving supply chain efficiency. Annto Smart Logistics provides services to over 3,000 enterprise customers in home appliances, fast-moving consumer goods, furniture and other sectors. In the field of digitalized operations, our subsidiary Midea Cloud provides industrial software and digitalization consulting services for intelligent manufacturing and industrial interconnection to facilitate the digital transformation of its customers. In addition, our subsidiary Midea Lighting is principally engaged in the research and development, manufacturing and sales of lighting and home design appliances, striving to provide intelligent integrated solutions for our customers.

Besides in-house incubation, we have expanded into new businesses by making strategic acquisitions in certain high-growth markets. For example, in 2021, we acquired Wandong Medical, a provider of medical imaging products and services in mainland China to enter the medical imaging market.

Synergies and Resource Sharing across Businesses

Our diverse and complementary solutions present synergies as well as potential for resource sharing and coordinated development, from the offering of integrated solutions to procurement, R&D and manufacturing.

We have developed an industrial internet platform, M IoT (美擎), to serve commercial and industrial customers in a wide range of sectors and help them build digitalized and smart manufacturing and supply chain infrastructure. M IoT is designed to integrate certain software, hardware and services across our Commercial & Industrial Solutions business, including Midea Cloud, KUKA Group, Annto Smart Logistics, Intelligent Building Technology and others and offers multiple tools for customers' different needs. For example, through the smart manufacturing and digital supply chain software, customers will be able to purchase, monitor and receive maintenance and other services for hardware equipment such as KUKA robots and purchase services such as Annto Smart Logistics' digital supply chain services. Through integrated solutions like M IoT, we aim to provide one-stop solutions to customers by combining offerings across different businesses and promote cross-selling.

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We promote centralized procurement of raw materials and components that are commonly used by our different businesses, achieving enhanced bargaining power, increasing profitability and ensuring the quality of supplies. Similarly, we coordinate our R&D and manufacturing activities across the different businesses, to share expertise, resources, and infrastructure and optimize operational efficiency. We centralize our R&D efforts for foundational technologies that are generally applicable to multiple businesses. For example, our decades of know-how in developing thermal management technologies for home appliances can also be applied to the development of thermal management systems for the fast-growing new energy vehicle market. Furthermore, various supporting functions, such as finance, tax, legal and human resources, are shared across our Group as well.

R&D AND DIGITALIZATION EFFORTS

Our competitiveness is continually strengthened by our unwavering commitment to R&D and digitalization.

Strong R&D Commitment: We spare no effort to build globally competitive R&D capabilities. Overall, we had more than 23,000 R&D employees as of 31 March 2024, accounting for more than half of our non-manufacturing employees. As of the Latest Practicable Date, we had established 33 R&D centers in 11 countries, among which 17 R&D centers are located overseas. In 2023, our investment in R&D exceeded RMB14 billion. We have established a research system including our Corporate Research Center and R&D units and teams at different business departments, and we aim to develop a reservoir of technology which represents complete coverage over three different time horizons: (i) the "research generation" that focuses on long-term fundamental research; (ii) the "reserve generation" that focuses on innovation at the product platform level to support the next generation of product development; and (iii) the "development generation" that focuses on product development projects with demonstrated market demand. Such an approach forms our "three generations" (三個一代) R&D model.

Digitalized Operations: We have been advancing the digital transformation of our entire business process, covering R&D, procurement, manufacturing, supply chain, sales, after-sale services and other aspects, to ensure seamless information sharing with customers, suppliers, and partners and further improve our operational efficiency. For example, in manufacturing, we had five factories that received the "Lighthouse Factory" recognition from the World Economic Forum, which recognizes a factory's world-leading capabilities in intelligent manufacturing, automation, and digitalization. Our digital infrastructure enables flexible manufacturing, allowing us to match manufacturing with customer demand and maximize our manufacturing efficiency while minimizing inventory. Digitalization also plays an instrumental role in our quality control efforts, helping us win the China Quality Award (中國質量獎) in 2021. For supply chain management, we have developed an ISC management system, which renders our supply chain highly flexible, efficient and resilient.

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OUR CONSUMER-CENTRIC APPROACH

We are committed to reaching consumers to gain a deeper understanding of their preferences and to offer comprehensive solutions. This is achieved through the reduction of sales and distribution layers and an emphasis on direct interactions with consumers at various touchpoints such as mobile apps and customer services. We continually optimize our products and operations based on our consumer insights to enhance stickiness and improve consumer satisfaction.

We have been transforming and streamlining our sales and distribution in order to get closer to consumers. With the launch of the Midea Cloud Sales platform, which enables a large number of SME retailers to directly order and purchase products from us, we can connect with SME retailers and react promptly to changes in consumer preferences and market demand.

Direct access generates valuable market insights. Such insights drive our entire operations from R&D and manufacturing to supply chain and sales. Our extensive knowledge of consumer preferences not only helps us offer popular products, but also enables us to improve the efficiency of our operations. For example, we pioneered the "T+3" (order placement plus material preparation, manufacturing and delivery) model, under which manufacturing are guided by and matched with consumer demand as informed by our market insights, allowing us to minimize inventory, maximize manufacturing efficiency and shorten delivery cycles.

We improve consumer stickiness and brand loyalty through targeted marketing and by offering value-added services that provide consumers with more benefits, convenience, and satisfaction. Leveraging our digital tools, we are able to gain a better understanding of consumer preferences and acquire and retain consumers more effectively. The number of registered users of M-Smart, our app and Weixin mini-program for consumers to manage our smart home appliances and enjoy additional benefits and services, exceeded 78 million as of 31 December 2023. Our certified service engineers and experience consultants directly engage with consumers, addressing their questions and needs in a timely manner.

OUR GLOBALIZATION EFFORTS

We strive to expand our business globally. During the Track Record Period, overseas sales constituted more than 40% of our total sales. We offer products in more than 200 countries and regions worldwide.

Beyond product sales, we have 17 overseas R&D centers and 22 overseas major manufacturing bases, spanning 16 countries, with over 35,000 overseas employees. The overseas network of R&D centers enables us to develop products that cater to the local needs of different markets. We aim to deepen our "local for local" strategy by expediting the localization of manufacturing and supply chains and establishing regional manufacturing bases for major components and finished products in key overseas markets. Localized manufacturing increases the efficiency and resilience of our global supply chain.

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In addition to organic growth, we expand overseas through joint ventures and acquisitions. In the past, we have established successful joint ventures with leading international players in countries such as Brazil, Egypt, and India, allowing us to leverage the market insights and network of our joint venture partners to accelerate market entry. We have also acquired Toshiba Lifestyle and KUKA Group, among others, and continue to pursue a proactive and prudent strategy for future overseas acquisitions.

OUR CORPORATE GOVERNANCE AND CULTURE

Our corporate governance features the sharing and a close alignment of responsibility, authority and reward, enabling us to foster a dynamic culture of entrepreneurship, innovation and long-term commitment. We are committed to growing talent both internally and attracting talents externally. Many of our senior managers have been with Midea for more than 20 years. We encourage our managers to celebrate our achievements, learn from failures, and embrace change.

We have the utmost care for all our stakeholders. We are committed to sharing our success with employees and have introduced multi-tier share incentive plans that enable them to benefit from our growth. We value the long-term trust of our shareholders and have consistently returned capital to shareholders through dividends and share repurchases. The aggregate amount of dividends paid to our shareholders and share repurchases during the Track Record Period was RMB56.2 billion. When it comes to the environment and society, we are keenly aware of the impact of our activities on the environment and strive to reduce our footprint and promote sustainability. We are constantly contributing to our communities as a responsible corporate citizen.

OUR TRACK RECORD

During the Track Record Period, we delivered solid growth and profit margins. From 2021 to 2023, our revenue was RMB343.4 billion, RMB345.7 billion and RMB373.7 billion, respectively. Our net profit margin for the years from 2021 to 2023 was 8.5%, 8.6% and 9.0%, respectively. Our ROE reached 23.6%, 22.1% and 22.1% in the same periods, respectively. As of the Latest Practicable Date, our credit ratings were A, A3 and A from S&P Global Ratings, Moody's Investors Service, and Fitch Ratings, respectively, among the highest of companies in mainland China.

OUR STRENGTHS

We believe the following strengths position us well to capitalize on future opportunities and deliver continued growth.

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A leading technology-driven global provider of smart home and commercial and industrial solutions

We are a leading technology-driven global provider of Smart Home Solutions and Commercial & Industrial Solutions serving customers in more than 200 countries and regions. We have achieved market leadership across different verticals including various home appliances and related core components, commercial air conditioners, and robotics and automation, among others. In 2023, our revenue reached RMB373.7 billion, representing a CAGR of 4.3% from 2021. We have been a Fortune Global 500 company for eight consecutive years, which demonstrates our global leadership and excellence.

We have worked tirelessly to solidify our market leadership in the global home appliance industry. We are the world's largest home appliance provider in terms of both sales volume and revenue in 2023, capturing a market share of 7.9% in terms of sales volume, according to the Frost & Sullivan Report. We have built a broad brand portfolio targeting premium, mass and youth markets. We offer a wide range of smart home appliances, ranking among the top three home appliance companies in the world in 2023 in terms of sales volume in each of residential air conditioners, laundry appliances, refrigerators, as well as kitchen and other appliances, with a market share of 23.7%, 14.2%, 10.5% and 6.0%, respectively. During the same period, we also ranked among the top three home appliance companies in these markets in terms of retail sales value, with a market share of 21.1%, 12.5%, 7.7% and 4.6%, respectively. Among these markets, we ranked first in residential air conditioners as well as kitchen and other appliances.

We are an established provider of commercial and industrial solutions, achieving market leadership in multiple fields and growing at a CAGR of 15.4% from 2021 to 2023. Our residential air conditioner compressor business ranked No. 1 in 2023 in terms of manufacturing volume, commanding a global market share of 45.1%, and our motors for residential air conditioners and laundry appliances also ranked first with a global market share of 40.0% and 22.0%, respectively, in terms of manufacturing volume. According to the Frost & Sullivan Report, we are the No. 1 commercial air conditioner provider in mainland China, capturing a market share of 14.3%, and one of the top five globally, capturing a market share of 6.6%, both in terms of revenue in 2023. Furthermore, our subsidiary KUKA Group is one of the "big four" industrial robotics companies in the world, and the second largest heavy-payload robotics company in the world in terms of sales volume and revenue in 2023, capturing a market share of 18.6% and 17.9%, respectively, according to the Frost & Sullivan Report.

Leading R&D capabilities enabling continual innovation

We have leading R&D capabilities and are committed to dedicating significant resources towards R&D. From 2021 to 2023, our R&D investment exhibited a steady growth and amounted to approximately RMB39 billion in total. As of 31 December 2023, we had more than 23,000 R&D personnel worldwide, accounting for over 50% of our non-manufacturing personnel. According to the Frost & Sullivan Report, as of 31 December 2023, we ranked among the top ten companies in the world in terms of total number of patent families. As of the Latest Practicable Date, we had over 29,000 invention patents.

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We have established a research system encompassing our Corporate Research Center and the R&D units and teams at different business departments. Based on insights in customers and market trends, we have formulated the "three-generation" (三個一代) R&D model to achieve sustained competitive advantages in product and technology. We are committed to building sustained product technology advantages and leveraging our scale through an extensive global R&D network. We benefit from the strong synergies in R&D among our different businesses. For example, generally applicable technologies, such as those in noise reduction, are widely used in air conditioners, laundry appliances, kitchen appliances, thermal management systems for new energy vehicles, and industrial robotics, across our Smart Home Solutions, Energy Solutions & Industrial Technology, and Robotics & Automation, among others.

Our R&D efforts have resulted in continual technological breakthroughs and product innovations. Our R&D achievements have not only improved our products and elevated our brand image, but also contributed to the advancement of science and technology in the industry. For example, in 2022, we launched R290 new Energy Efficiency Grade 1 air conditioners achieving an APF (annual performance factor) of 5.29, significantly higher than Energy Efficiency Grade 1 of China's national standards. Moreover, these air conditioners have obtained the TÜV Süd energy efficiency label certification, exceeding the highest level of energy efficiency in the European Union. In industrial technology, we have developed 800V, 12,000RPM electric compressors for vehicles that enable super charging and low noise levels. These compressors have been adopted in over 30 new energy vehicle models by leading Chinese and global auto makers. In intelligent building technology, our air source heat pumps have represent breakthroughs in key technologies for multi-grade high-efficiency heat energy supply, allowing us to achieve a 23% share in mainland China's exports of air source heat pumps in terms of sales volume in 2023, according to the Frost & Sullivan Report. In robotics and automation, the KR QUANTEC series developed by KUKA Group excels in reach and payload, while LBR iiwa is a technologically advanced series of lightweight robots specializing in delicate assembly work.

Operational excellence and digitalization across the entire value chain

Every aspect of our operations, including supply chain, manufacturing, sales, and product development, entails complex procedures and massive scale. We procure raw materials and components worth more than a hundred billion RMB each year from over 5,000 suppliers and sell more than 200 product categories to tens of thousands of SME retailers and other customers. Given the complex and interdependent nature of each key aspect of our operations, digitalization is of paramount importance. Over 5,000 professionals within our organization dedicate themselves to digitalization.

Supply chain management: Our ISC management system epitomizes operational excellence in supply chain management and serves as the infrastructure underpinning our efficient order fulfillment and global supply chain management capabilities. The ISC management system enables intelligent replenishment, accelerates inventory turnover, and facilitates efficient coordination along the value chain. By seamlessly connecting with suppliers using the ISC management system, we aim to automate the entire procurement

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process based on our sales and inventory levels. Thanks to our highly efficient supply chain, and through intelligent stocking and replenishment using big data, we are able to complete the stocking and replenishment of an entire warehouse in an efficient manner, which greatly bolsters efficient manufacturing.

Manufacturing: Leveraging digital technology, we are able to build highly efficient green factories specializing in high-quality, flexible and environmentally friendly manufacturing. Five of our factories have received the "Lighthouse Factory" recognition. We have achieved significantly enhanced manufacturing efficiency in these factories. For example, in our air conditioner factory in Nansha, Guangdong, we were able to lower operation costs by 23% and increase manufacturing efficiency by 36% as a result of our digitalization efforts. We are expanding the high standard and efficiency in our "Lighthouse Factories" to other manufacturing bases. Our intelligent manufacturing capabilities, together with our efficient supply chain, allow us to respond promptly to customer needs and achieve flexible and lean manufacturing, matching manufacturing with customer demand and maximizing our manufacturing efficiency while minimizing inventory.

Sales channel: With the goal of streamlining our distribution channel and directly connecting with an extensive network of SME retailers by using digital and data technologies, we have launched the Midea Cloud Sales platform, which enables SME retailers to directly order and purchase products from us, and learn about our new products to facilitate sales. We continue to enhance the functionality of Midea Cloud Sales to build it into a comprehensive platform on which we can track the sales and inventory of retailers in real time and promptly react to changes in consumer preferences and market demand.

Product development: Digitalization has significantly improved our product development capabilities. We have established a digital planning platform to rapidly convert technology into products meeting customer needs. We continually promote platform modularization and increase the hit rate of product planning. We have shortened our project development cycle, measured by the average time spent from project launch to completion, by approximately 16% from 2021 to 2023. In addition, our comprehensive product portfolio and large scale, coupled with digitalized consumer engagement, gives us rich and profound insights into consumer preferences. Such consumer insights point us to efficient R&D strategies to develop practical technologies and solutions.

Operational excellence across the value chain, coupled with our global scale, reinforces our deep competitive moat. Our "T+3" model is made possible by our fully digitalized and highly efficient supply chain management, manufacturing, and sales channels. Our excellence is evidenced by positive trends in a number of efficiency indicators. For example, our average time spent from customer order placement to delivery in mainland China decreased from 21 days in 2021 to 14 days in 2022 and further to 12.5 days in 2023. Our inventory turnover days were 53 days, 64 days and 62 days in 2021, 2022 and 2023, respectively, which are meaningfully below industry averages.

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Extensive and expanding global presence

We have assembled a global R&D, manufacturing and sales network, laying a strong foundation for further worldwide expansion. Our R&D activities are supported by 33 R&D centers, including 17 located in 10 overseas countries, where we harness the talents and resources of the global community. Our manufacturing is primarily carried out in 43 major manufacturing bases worldwide, including 22 overseas in 12 countries, enabling us to produce and deliver globally and enjoy the growth opportunities of such overseas markets. In terms of sales, we have established a comprehensive online and offline sales network in many overseas markets, with approximately 5,000 after-sales service outlets. We also continue to deepen the penetration of our digital sales platform, Midea Cloud Sales, in overseas markets. For example, over 9,000 retailers in Southeast Asia have been onboarded to our overseas sales platform. As of 31 March 2024, we had over 35,000 overseas employees. We have also deepened our global presence through strategic acquisitions and joint ventures.

We are witnessing remarkable growth in our overseas OBM business. The proportion of our overseas Smart Home Solutions revenue contributed by our OBM business, primarily under the Toshiba, Midea and Comfee brands, exceeded 40% in 2023. Our OBM products have demonstrated their competitiveness in many overseas markets. During the events of Amazon Prime Day, Black Friday and Cyber Monday in 2023, we had over 100 products that made Amazon's "best-sellers" list of respective categories. On Amazon United States, the market share of the window air conditioners and microwave ovens under our brands were approximately 28% and 44%, respectively, in 2023. In addition, as a testament to our ability to integrate and operate global brands, we turned Toshiba Lifestyle from a loss-making company to a profitable business within approximately three years after the completion of the acquisition.

Commercial & Industrial Solutions driving continued growth

We have built a fast-growing Commercial & Industrial Solutions business at scale. In 2021, 2022 and 2023, the revenue from our Commercial & Industrial Solutions accounted for 21.4%, 24.2% and 26.2% of our total revenue, respectively. In 2023, our revenue from Commercial & Industrial Solutions reached RMB97.8 billion, representing a CAGR of 15.4% from 2021 to 2023. Commercial & Industrial Solutions are an increasingly powerful growth engine for our business.

Energy Solutions & Industrial Technology: We are committed to providing technologically advanced core industrial components and building strong and comprehensive industrial technology capabilities. We continue to deepen our collaboration with customers in high-growth fields. In 2023, one of our invention patents for compressors won the top prize by the China Patent Award (中國專利獎優秀獎). In addition, we entered the energy storage industry that presents significant market potential by acquiring new energy companies Hiconics and Clou Electronics.

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Intelligent Building Technology: We provide holistic intelligent building solutions for diverse end-markets encompassing infrastructure, public premises, industrial parks, agriculture facilities and more. Our integrated digital and intelligent solutions mainly include low carbon (數智低碳), transportation (數智軌交), hospital (數智醫院), and industrial park (數智園區). iBUILDING, our building digital platform, digitalizes and connects building equipment, enhancing overall operational and management efficiency. We have successfully applied Intelligent Building Technology solutions to high-profile facilities such as Indonesia's Jakarta-Bandung high-speed railway and the Beijing National Stadium (also known as the Bird's Nest (鳥巢)).

Robotics & Automation: Since our acquisition, KUKA Group has solidified its market leadership in several robotics and automation solutions, with its products continuing to deliver high performance for customers of various sectors. In 2023, KUKA Group achieved record revenue and number of orders, with its revenue reaching RMB31.1 billion. In particular, it has delivered outstanding results in China, with revenue contribution from KUKA China increasing from 17.3% in 2021 to 19.6% in 2023.

Leveraging the breadth of our Commercial & Industrial Solutions, we offer integrated solutions to our customers across numerous industries. We have expanded horizontally, continually broadening our product categories and solidifying our scale and efficiency advantages. We have also expanded vertically, developing compressors, motors and other core industrial components and entering frontier fields such as servo systems and industrial robotics through acquisitions. We have created extensive and significant synergies through such horizontal and vertical expansion, laying a strong foundation and building strong momentum for the continued growth of our Commercial & Industrial Solutions.

Progressive corporate governance and values

Advanced corporate governance (先進的治理機制), adaptive values and ideas (與時俱進的價值理念), and the growth of our management's mindset (管理層的心智成長) are the cornerstones of our long-lasting growth. Our corporate governance emphasizes the sharing and a close alignment of responsibility, authority and reward, as well as the cultivation of entrepreneurship.

We are committed to maximizing value for employees, customers, shareholders and society.

Employees: We believe that our success is built on the collective efforts and achievements of our employees, and we are committed to rewarding them for their contributions and to recognizing their performance. To that end, we have devised a multi-tier long-term incentive mechanism primarily based on share incentives. As of 31 December 2023, we had launched nine stock option incentive plans, seven restricted share incentive plans and fourteen stock ownership plans, targeting management teams and core employees at various levels.

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Customers: We are passionate about delivering the best experience possible to our customers. We strive to gain a deeper understanding of customer needs and preferences and carry out our business activities accordingly. While both our product portfolio and customer base have evolved over the years, we remain steadfast in addressing the latest customer preferences.

Shareholders: We are grateful for the trust and support of our shareholders, who have been instrumental in our growth and success. We are committed to sharing our achievements and value creation with our shareholders. Since becoming a public company in 2013, we have paid out cash dividends totalling RMB86.7 billion. The annual dividends to our shareholders accounted for 41%, 58% and 62% of our net profit attributable to shareholders in 2021, 2022 and 2023, respectively. Furthermore, the cumulative value of our share repurchases since 2013 has exceeded RMB27.1 billion.

Society: We are conscious of our responsibility and impact on the environment and society and dedicate ourselves to pursuing sustainable development. As a testament to our commitment to and excellence in ESG causes, we were selected as one of the "2022 Forbes China Top 50 Sustainable Development Industrial Enterprises (福布斯中國可持續發展工業企業Top 50)," an industry benchmark for sustainable development, and named to the "2023 FORTUNE China ESG Impact List (2023年《財富》中國ESG影響力榜)." Additionally, in the "Forbes China's ESG Inspirational Case Study for 2023," we were chosen as an exemplary enterprise with outstanding ESG practices.

OUR STRATEGIES

The four pillars of our fundamental growth strategy are "technology leadership, direct to users, digitalization & intelligence driven, and global impact" (科技領先、用戶直達、數智驅動、全球突破). We are committed to pursuing these strategies with vigor and determination, as they are essential for us to solidify our leadership as a global technology company. At the same time, we will continue to increase our efforts in ESG, focusing on environmental protection, sustainability, and contributing to our employees, communities and consumers as a responsible corporate citizen. We are dedicated to improving environmental sustainability across all aspects of our business: design, procurement, manufacturing, logistics, recycling, and service, aiming to reach carbon peak by 2030 and carbon neutrality by 2060.

We plan to pursue the following strategies:

Staying Committed to Technology Leadership

We intend to increase our R&D investments and attract global R&D talents in order to strengthen our leadership in technology. In particular, we will continue to invest in innovative products and disruptive technologies with the goal of capturing additional market share and increasing our revenue from premium products.

BUSINESS

Our R&D for Smart Home Solutions will focus on upgrading our products, further enhancing their functionality and smart features. We have seen a rapid growth in our premium home appliance products and believe that continued investment in developing such products will further enhance our product differentiation, attain new growth opportunities, and improve our profit margins. For Commercial & Industrial Solutions, we will focus on differentiating and innovative technologies in emerging industry sectors, aiming to further strengthen our capabilities in core components and break through key technological barriers. In addition to continued investment in hardware development, we will also enhance our software capabilities to empower and further upgrade hardware products, and strive to provide green, efficient, and intelligent integrated solutions customized for different market segments.

Besides product development, and through our R&D centers, we will continue to strengthen our medium-term and long-term research on (i) general-use and fundamental technologies, such as acoustics, materials science, thermodynamics, fluid mechanics, and solid mechanics; and (ii) frontier technologies, such as next-generation energy storage technology, robotics and related core components, advanced medical diagnostics and imaging technology, and intelligent manufacturing technology, with the goal of building long-term technical reserves for potentially future game-changing products, and ensure our leading position.

Enhancing Consumer Reach and Enriching Consumer Experience

We seek to bring consumers closer to us and win their hearts and minds with our products and services, enhancing loyalty and satisfaction and achieving better consumer acquisition and retention, including through the following efforts:

- continuing to streamline our distribution channels and boost our channel efficiency through digitalization;

- empowering our distributors and SME retailers with digital tools to enhance their sales;

- continuing to deepen our consumer reach and improve consumer stickiness through our digital tools, such as M-Smart (美居);

- promoting our high-end brands and products and providing high-quality products and solutions;

- expanding our service network, enhancing our service engineers' skills, elevating our service standards and improving our brand recognition; and

- conducting more in-depth research on customer preferences and behaviors and tailor our product design, manufacturing, and sales to meet customer needs.

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Maximizing Efficiency through Digitalization

We have created a new blueprint for digitalization, aiming to deploy in overseas markets our digital experience and systems developed in mainland China, covering R&D, manufacturing, sales, supply chain, and service, thus achieving integrated digital management of our global business. We will further expand our smart manufacturing capabilities to overseas markets. We will also apply the ISC management system to a wider range of overseas markets to support efficient production on a global scale. In addition, we will leverage the capabilities in market analysis that we have developed in mainland China to gain deeper insights on our overseas markets.

We seek to accelerate the digitalization of our Commercial & Industrial Solutions in the next three to five years to support their long-term growth. Our Commercial & Industrial Solutions are often project-based and require a high level of customization, sophistication and expertise. Accordingly, we will invest in building and continually upgrading digital platforms dedicated to our Commercial & Industrial Solutions. By doing so, we intend to enhance the end-to-end digitalization and standardization of our Commercial & Industrial Solutions, especially for large and complex projects.

For Smart Home Solutions, we will adhere to the "direct to users" strategy, bringing consumers closer to us, gaining visibility on capital flow, product flow and information flow throughout the value chain, and visualizing the whole process. We seek to monitor retail data in real time and deepen our understanding of consumer preferences in order to continue to innovate and satisfy the evolving consumer needs.

Accelerating Global Expansion

We are committed to continuing our expansion in overseas markets, which represent important and diverse growth opportunities, by:

- developing products that cater to the local markets and customer preferences through our overseas R&D centers and enhancing our localized design capabilities and competitiveness.

- enhancing our global branding by investing in strategic markets, strengthening our front-end retail network, and driving customer growth through digital marketing. We hope to increase the proportion of OBM sales and boost our overall revenue growth.

- constructing and producing in our manufacturing bases in Brazil, Egypt and Mexico, and optimizing capacity planning for key markets and further promoting supply chain localization.

- building a global team, cultivating local talents, and providing overseas employees with long-term career opportunities and incentives.

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- following a proactive and judicious approach for overseas acquisitions, and potentially acquiring targets with strong competitiveness in brand, technology or sales channels.

Catalyzing Growth with Commercial & Industrial Solutions

We aim to bolster our Commercial & Industrial Solutions as an important engine for future growth. We hope to increase its revenue share and achieve balanced development with our Smart Home Solutions.

Energy Solutions & Industrial Technology: We will focus on large-scale energy storage, industrial and commercial energy storage, household energy storage, intelligent power grids and distributed photovoltaic solutions, developing new products and increasing market share there. We will also explore the energy grid and storage markets in Asia, Africa, South America and other regions to globalize our energy store business. Furthermore, we will integrate our household energy storage products with home appliances to create efficient and safe household energy storage solutions for our customers. In terms of manufacturing, we will expand manufacturing capacity to support our growth in the energy storage market. Seeing great potential in the new energy vehicle sector, we will accelerate the mass production of our new energy vehicle components with an aim of increasing our dollar content per vehicle, expand our customer base to cover more leading new energy vehicle brands, and increase our market share.

Intelligent Building Technology: We will improve and enrich our products and services, particularly in the areas with significant room for our market share expansion such as elevators and building control software, so that we can offer comprehensive and compelling intelligent building solutions. We will target end-markets with high growth potential, such as industrial, medical, culture and sports and transportation, both in mainland China and overseas. Furthermore, we will continue to optimize our iBUILDING-based digital platform for energy management to capture the enormous market opportunities created by the global "carbon neutrality" trend.

Robotics & Automation: We will broaden the applications of KUKA Group's products and in particular promote applications in key sectors with promising outlook such as new energy, general industrials, electronics, medical and logistics. Capturing the growing demand in China for domestically manufactured robotics and automation products, we will further grow KUKA Group's operations in China.

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OUR OFFERINGS

During the Track Record Period, our Smart Home Solutions and Commercial & Industrial Solutions delivered sustained and solid growth. Revenue from Commercial & Industrial Solutions, in particular, grew at a CAGR of 15.4% from 2021 to 2023, and accounted for 26.2% of the total revenue in 2023, representing a notable increase from 21.4% in 2021. Our revenue derived from overseas markets accounted for more than 40% of the total revenue during the Track Record Period. The following table sets forth a breakdown of our total revenue by business, both in absolute amounts and as percentages of total revenue, for the years indicated:

	For the Year Ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Smart Home Solutions	234,918,001	68.4	232,825,564	67.3	246,351,404	65.9
Commercial & Industrial Solutions. .	73,379,358	21.4	83,639,210	24.2	97,781,307	26.2
Others[1]	35,063,466	10.2	29,243,932	8.5	29,577,093	7.9
Total	**343,360,825**	**100.0**	**345,708,706**	**100.0**	**373,709,804**	**100.0**

Note:

(1) Revenue generated from sales of raw material and others. See "— Other Business."

The following table sets forth a breakdown of our revenue by geographic locations, both in absolute amounts and as percentages of total revenue, for the years indicated:

	For the Year Ended 31 December					
	2021		2022[1]		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue						
Mainland China	205,706,997	59.9	203,063,764	58.7	222,804,120	59.6
Europe, Middle East and Africa						
(EMEA)	49,711,834	14.5	53,211,026	15.4	58,723,433	15.7
Americas.	50,040,161	14.6	51,506,811	14.9	54,277,913	14.5
Asia Pacific (excluding						
mainland China)	37,901,833	11.0	37,927,105	11.0	37,904,338	10.2
Total	**343,360,825**	**100.0**	**345,708,706**	**100.0**	**373,709,804**	**100.0**

Note:

(1) In 2022, our revenue from mainland China experienced a slight decline due to reduced demand for home appliances, influenced by macroeconomic headwind stemming from the impacts of COVID-19. In contrast, our revenue from other regions witnessed an increase in 2022, partially attributable to a rebound in consumer demand driven by the economic recovery and the relaxation of COVID-related measures in overseas markets.

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Smart Home Solutions

We are committed to offering high-quality home appliance products that provide the best experience to consumers. We are a market leader in a broad range of home appliances, with a comprehensive brand portfolio.

According to the Frost & Sullivan Report, we are the world's largest home appliance provider in terms of both sales volume and revenue in 2023, capturing a market share of 7.9% in terms of sales volume. In 2023, in terms of sales volume, we ranked among the top three home appliance companies in the world in each of residential air conditioners, laundry appliances, refrigerators, as well as kitchen and other appliances, with a market share of 23.7%, 14.2%, 10.5% and 6.0%, respectively. During the same period, we also ranked among the top three home appliance companies in these markets in terms of retail sales value, with a market share of 21.1%, 12.5%, 7.7% and 4.6%, respectively. Among these markets, we ranked first in residential air conditioners as well as kitchen and other appliances. During the events of Amazon Prime Day, Black Friday and Cyber Monday in 2023, we had over 100 products that made Amazon's "best-sellers" list of respective categories. On Amazon United States, the market share of the window air conditioners and microwave ovens under our brands exceeded 28% and 44%, respectively, in 2023.

The following table sets forth a breakdown of our revenue from the main product categories of our Smart Home Solutions during the Track Record Period, in absolute amounts and as percentages of our total revenue from Smart Home Solutions:

	For the Year Ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Air conditioners	104,108,047	44.3	108,638,571	46.7	112,982,505	45.9
Laundry appliances and refrigerators .	62,883,096	26.8	62,713,261	26.9	68,288,642	27.7
Kitchen and other appliances	67,926,859	28.9	61,473,732	26.4	65,080,257	26.4
Total	**234,918,001**	**100.0**	**232,825,564**	**100.0**	**246,351,404**	**100.0**

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The following table sets forth the average selling price and sales volume of each main product category of our Smart Home Solutions during the Track Record Period:

	For the Year Ended 31 December					
	2021		2022		2023	
	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume
	RMB	thousand units	RMB	thousand units	RMB	thousand units
Air conditioners.............	1,691	61,571	1,877	57,877	1,908	59,227
Laundry appliances and refrigerators.	1,268	49,578	1,372	45,719	1,362	50,156
Kitchen and other appliances	289	235,101	316	194,548	306	212,965

As a world-leading home appliance manufacturer, we will continue to optimize our multi-tier brand portfolio and invest in R&D to introduce new products and solutions that satisfy the needs of consumers around the world.

Brand Portfolio

We pursue a global and multi-tier brand strategy featuring key home appliance brands including COLMO and Toshiba for the premium market, Midea, Little Swan and Coolfree for the mass market, and Comfee and WAHIN tailored for younger consumers. Our brand portfolio is strategically deployed across mainland China and overseas markets to ensure broad and in-depth consumer coverage through our multi-brand operations. In overseas markets, we offer smart home products primarily under Toshiba, Midea and Comfee.

We have built significant brand equity and consumer mind share over time. We ranked 36th on the Brand Finance Tech 100 2023 brand value ranking league table and 38th on the list of Kantar Brand Z^{TM} Top 100 Most Valuable Chinese Brands 2023. Within our broad brand portfolio, we continue to pursue a premiumization strategy for our Smart Home Solutions in mainland China, by upgrading our product mix and increasing premium brand sales contribution. In overseas markets, we are committed to developing our OBM business.

Product Offering

We offer a broad array of home appliances, including (i) air conditioners, (ii) laundry appliances and refrigerators, and (iii) kitchen and other appliances.

Air conditioners

We offer air conditioners at different price levels and for different geographic regions, primarily under the COLMO, Toshiba, Midea, WAHIN, Comfee, and Coolfree brands. In terms of product type, we offer residential central air conditioners, wall mounted air conditioners, floor-standing air conditioners, window air conditioners, mobile air conditioners and kitchen

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air conditioners. According to the Frost & Sullivan Report, we are the No. 1 residential air conditioner manufacturer globally in terms of sales volume and retail sales value in 2023, with a market share of 23.7% and 21.1%, respectively.

Drawing on decades of experience in R&D and consumer engagement, we are able to offer air conditioning products equipped with latest technologies in intelligence, energy efficiency and environmental sustainability, and air quality.

Intelligence. Intelligent appliances anticipate consumer needs and consumers are able to control them effortlessly. In 2022, we launched the COLMO AVANT Air Conditioner series, which is equipped with advanced airflow technology and intelligent control software. This AI-powered software enables the air conditioner to automatically adjust temperature, humidity and air purification levels and generate fresh air by sensing changes in the environment including user activities, providing a high level of comfort. Moreover, the voice recognition technology used in this series can set distinct modes and operational parameters for different family members. The COLMO AI-powered Villa Central Air Conditioner, also launched in 2022, is equipped with 135 sensors, enabling a comprehensive and multi-dimensional perception of its surroundings. This allows it to intelligently adjust the temperature and humidity level of the air based on real-time data from these sensors. Our interactive intelligent control center and the built-in algorithm then automatically regulates the air and provides the best air conditioning solution for the entire house.

Energy efficiency and environmental sustainability. We are committed to developing the next generation of cooling technology that saves energy and minimizes environmental impact, and have stayed focused on the low-GWP (global warming potential) refrigerant field, such as R454B and carbon dioxide. We took the lead in developing and producing a new efficient product using R454B, a new environmentally-friendly refrigerant. The resulting product was certified by the Air-Conditioning, Heating, and Refrigeration Institute and received the international safety certification from the Underwriters Laboratories Inc. In addition, we developed the first residential air conditioner prototypes with carbon dioxide as the refrigerant in the residential air conditioner industry, replacing traditional refrigerants with carbon dioxide to achieve fluorine-free and environmentally-friendly refrigeration.

Air quality. We have expanded the functions of air conditioning from just cooling and heating to fresh air, dehumidification, odor removal and air purification, among other things, and integrate these functions in our air conditioners. For example, we have introduced the 1:1 Air Machine, which delivers an all-around healthy air system that allows professional sterilization, purification, and fresh air. With a CADR (clean air delivery rate) of 400 m^3/h and a fresh air flow rate of 210 m^3/h, the system ensures an ideal comfort sensation at 0.3 m/s.

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Among different types of air conditioners, residential central air conditioners are gaining popularity, thanks to their superior cooling performance and energy efficiency. To capitalize on this trend, we are dedicating substantial efforts to growing the sales of our residential central air conditioners, which feature consistent cooling, low noise levels, high air quality, and high energy efficiency. Our residential central air conditioners have achieved significant growth in recent years, becoming an important driver for the continued growth of our Smart Home Solutions.

Kitchen air conditioners are a new air conditioning product that we launched in early 2023. Kitchens are often unfit for installing traditional air conditioners due to size and design constraints. Cooking in the summer can be a grueling experience. To address this pain point, we launched the "Cool Kitchen" series of kitchen air conditioners, which is characterized by an easy-to-install design, smoke resistance and a large cooling capacity. It also employs technologies including graphene thermal conductivity coating, copper pipe sprayed with anti-corrosion coating, black magic box for oil filtration of the outdoor unit, and water misting, which allow high heat transfer performance, corrosion resistance, and zero water discharge.

Laundry appliances and refrigerators

Laundry appliances

Our laundry appliances make washing and drying easy and efficient. We ranked third in the global laundry appliance market in terms of sales volume and retail sales value in 2023, with a market share of 14.2% and 12.5%, respectively, according to the Frost & Sullivan Report.

We continually develop new technologies and features to improve our laundry appliances. For example, our Light Dry Cleaning 2.0 steam care technology offers an efficient solution to odor elimination. It can complete odor elimination in five minutes, and can achieve low-temperature bacteria removal in a temperature of no more than 60°C with a removal rate of 99.9%. Our innovative hole-free tub washing machine technology introduces a new water inlet to rinse clothes with running water in a dynamic manner and prevent dirt from flowing back.

Compared with washing machines, the penetration rate of dryers and washer-dryers remains relatively low in many places, presenting significant market potential. To capture such market opportunity, we strive to develop advanced drying technologies to offer best-in-class drying appliances. For example, we have developed a new drying technology that uses a compact dual engine system of two-appliance coordination and electric auxiliary heating to meet the demand for fast drying, lean design and cost optimization.

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We recently launched our washer-scrubber, the first solution in the industry that integrates the functions of a washer-dryer and a robotic vacuum cleaner. As minimalism emerges as a trend of the future home, home appliances are increasingly expected to be more efficient, integrated and versatile. Our washer-scrubber responds to this trend by integrating two machines to save space and enable sharing of water supply and drainage pipe. The hot-water-flushing robotic vacuum cleaner enables potent airflow, penetration, and efficient drying. This product also adopts AI technology to accurately assess stains and achieve precise mopping.

COLMO Washer-Scrubber

Refrigerators

Our latest refrigerators represent our breakthroughs in multiple technologies that optimize food preservation, energy efficiency, sustainability, and consumer experience. Our rapid purification technology, for example, is a first-class purification and healthy preservation technology and is instrumental in helping the refrigerator create an optimal storage environment. To increase the energy efficiency of small-capacity refrigerators, we have developed mini, micro, and nano inverter platforms to fit different sizes and help them save energy. We have also developed a series of "zero built-in" refrigerators to help consumers save space. This series is equipped with heat dissipation systems at the bottom, so that no extra space is necessary on the sides or the back to allow for heat dissipation. It boasts an ultra-thin 600-mm body, with gaps as small as 2mm between each side and the wall. The refrigerator is thus seamlessly and aesthetically integrated into the kitchen space.

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Our nutrition enhancement technology can induce a high level of expression of anthocyanin genes using a 450 nm high-energy blue light, increasing anthocyanin content by more than 220%. It also incorporates an intelligent sensing moisture control technology that can accurately identify food categories and match the food with the best storage humidity, so as to ensure seven-day freshness of fruits and vegetables.

The Toshiba 479 and 429 series of refrigerators feature small sizes but large refrigeration capacity to meet consumer needs for space-saving and energy-efficient refrigerators with aesthetic design. Since their launch in 2022, these series have been popular among consumers. The 479 series ranked first among six-door refrigerators in mainland China in terms of sales volume in 2023, capturing a market share of 19.8%, according to the Frost & Sullivan Report.

Kitchen and other appliances

We offer a rich variety of kitchen and other appliances, including cooking appliances, dishwashers, range hoods, water heaters, cleaning appliances, electric fans and more. According to the Frost & Sullivan Report, we ranked No. 1 in the global kitchen and other appliances market in terms of sales volume and retail sales value in 2023, with a market share of 6.0% and 4.6%, respectively.

Cooking appliances

We have introduced various cooking appliances and continually upgrade our products and optimize their performance by powering them with new technologies.

For example, the Midea Steamer-Oven-Fryer S6 employs an intelligent humidity and temperature control system, allowing automatic regulation of temperature and humidity during cooking. At the same time, the vortex jet propulsion system is used to allow humidity to be quickly removed within 180 seconds while maintaining consistent temperature control. The Midea Microwave-Steamer-Oven-Fryer G21 uses our MIX fat-burning technology to organically combine steam and baking technologies, and defats food through melting, condensation and drainage. The COLMO EVOLUTION Series Rice Cooker, with its Multi-StageIH technology and staged precise control algorithm for boiling, is equipped with unique capabilities of dual-temperature-sensor for boiling point detection and staged power output through intelligent control.

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Dishwashers

Dishwashers traditionally have a low penetration rate in mainland China but are emerging as an increasingly popular category. To capitalize on this trend, we have developed dishwashers equipped with multiple technologies. The Jingyan (晶焰) deep-drying series is equipped with a dynamic mixed air drying system and intelligent adaptive control technology, with a 96.3% drying rate. It received the "First-Class Quick Drying" certificate from the China Household Electric Appliance Research Institute. It also features a three-layer five-arm zoned washing technology that can remove heavy oil stains from pots and pans, which makes it particularly suitable for Chinese cooking, as well as strong bacterial removal capabilities that can satisfy consumer needs for deep cleaning of tableware.

Range hoods

We offer multiple series of range hoods. The Midea Smoke-free Series Range Hood, for example, employs multiple advanced technologies. The efficient dual air ducts are used to ensure effective smoke suction. The engine used in our latest range hoods can achieve the highest suction in the industry of 28 m^3/minute and wind pressure of 1,200 Pa. A nautilus shell-like design is incorporated to reduce smoke discharge resistance, increase smoke discharge velocity, and effectively lower noise.

Water heaters

The traditional pain points in using water heaters are fluctuating temperatures and loud noises, which we seek to tackle with two products we launched in 2022 — the Midea "Coldness-free" and "Level-1 Silence" series. The Midea Coldness-free Gas Water Heater is equipped with an anti-disturbance thermostatic system as well as innovative thermostatic technologies. It effectively resolves the issue of water temperature fluctuation. The Midea New-generation Silent Gas Water Heater reduces noise levels to 40 dB.

Cleaning appliances

We offer cleaning appliances including robotic vacuum cleaners, floor washers and others. For example, we have launched a new generation of dust-free floor washer GX5, which integrates the functions of suction, mopping and washing to achieve optimal floor cleaning. Its unique double-layer brush allows cleaning and rotating at the same time. In 2023, our floor washers ranked second and third, respectively, in the offline and online channels in mainland China in terms of sales volume, with respective market shares of 17.0% and 11.1%.

Electric fans

We continue to develop multifunctional electric fans with increased airflow, comfort and value-add functionalities such as air sterilization. For example, our adaptive airflow control technology allows the electric fan to automatically adjust airflow based on the temperature of the surroundings. We also spent years developing comb-like dual fan blades, which is a breakthrough that achieves high airflow while ensuring minimal noise levels, allowing an air
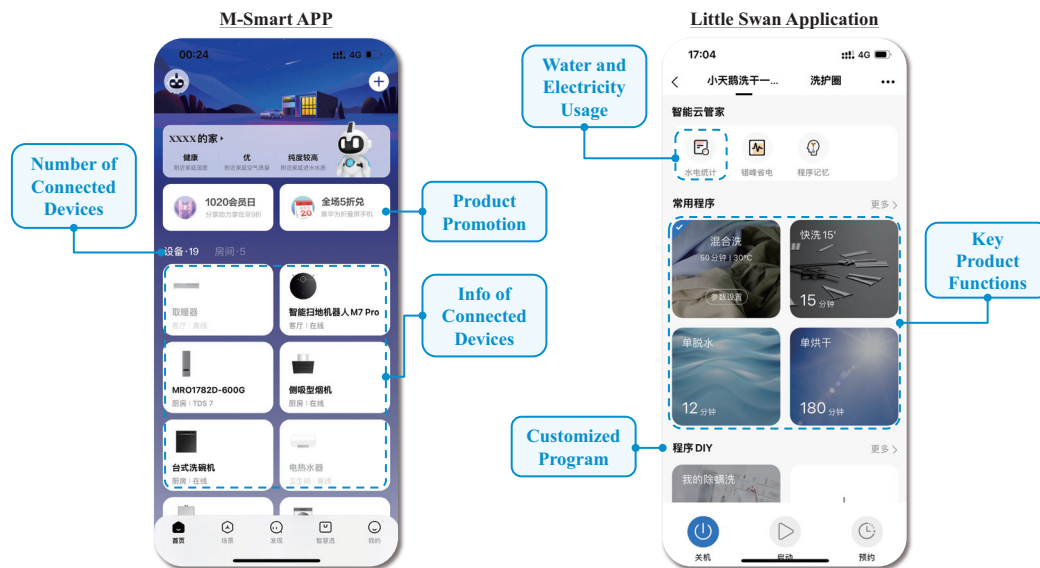
BUSINESS

delivery distance of approximately 17 meters while achieving a maximum air speed of 270 m^3/minute and maintaining a noise level less than 56 dB. In addition, our latest electric fan is equipped with an internal water circulation system that continuously filters out dust and impurities in the air, providing a refreshed airflow that is 99.99% sterilized.

Smart Control

We consider smart control a key feature of our ideal of the smart home, as it creates additional value by bringing customers greater convenience and better experience.

Enabled by IoT and AI technologies, many of our latest appliances located in different rooms of the house are interconnected digitally. Consumers can manage Midea home appliances centrally and intelligently on M-Smart. For example, they can control the Midea appliances at home remotely, such as air conditioners, refrigerators, washing machines and water heaters, on the interface of M-Smart and can monitor the water and electricity usage of some appliances. They can also receive online customer support and make requests for installation, repair, exchange and other services. In addition, M-Smart provides promotions, useful information and other benefits to its users. As of December 2023, M-Smart, consisting of a mobile app and a Weixin mini-program, boasted a total of over 78 million registered users, with more than 12 million monthly active users on the app. As we connect to more consumers by introducing more value-added services and benefits through our digital platform, we are able to gain further insight into our consumer preferences and needs.

In addition, our full-stack voice recognition technology also makes it easier for consumers to control the appliances and receive customized services from us and has been applied to our major intelligent home appliances.

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Overseas Smart Home Business

As of the Latest Practicable Date, we provided smart home products to over 200 countries and regions. We began exporting our products to overseas markets in 1980s. In 2007, we built our first overseas factory in Vietnam. In 2015, we established our first overseas R&D center in the United States. Since then, we have accelerated our global presence across different regions. Today, we enjoy an extensive global network of operations.

In addition to our overseas ODM/OEM business, we are increasingly focused on our OBM business to promote the sale of smart home appliances under our own brands. We have launched special branding campaigns in some key overseas markets to enhance the global impact of our brands. As a result of our continued effort, revenue from our OBM business accounted for approximately 40% of our overseas Smart Home Solutions revenue in each of 2021, 2022 and 2023, while ODM/OEM business constituted approximately 60% in the same periods.

Another key aspect of our globalization efforts in recent years is localization. With our overseas R&D and manufacturing bases, and supported by our large force of overseas talents, we have been striving to offer products with localized features that cater to the demand and preferences of the local markets. To that end, we have developed and launched home appliance products tailor-made for local customers. For example, in the United States, window air conditioners have been a staple for decades, but the traditional rectangular window units are cumbersome and noisy and block window access. We launched a U-shaped window air conditioner in 2020, which is easy to install and insulates the living space from the compressor noise by separating the indoor part of the air conditioner with the outer compressor with an openable window. Our U-shaped window air conditioner also features an inverter-driven, variable-speed compressor that makes it more energy efficient and better at maintaining a stable level of temperature and humidity. This product received recognition from the U.S. media platform CNN (Cable News Network, Inc.) as the *Best Window AC* in 2020.

Midea U-Shaped Window Air Conditioner

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Over the years, we have also acquired a number of global home appliance brands, including the iconic Japanese home appliance brand Toshiba, which serves as the perfect example that demonstrates our capabilities in successfully integrating businesses post-acquisition. The business had been loss-making prior to the acquisition, but we were able to turn the business profitable within approximately three years after our acquisition through synergies created in supply chain management, operations, R&D and sales channels. Our successful international acquisitions have accelerated the growth of our overseas Smart Home Solutions.

Commercial & Industrial Solutions

Our Commercial & Industrial Solutions consist of Energy Solutions & Industrial Technology, Intelligent Building Technology, Robotics & Automation, and Other Businesses.

Our Commercial & Industrial Solutions have experienced rapid growth during the Track Record Period. Below is a table showing our respective revenues from Energy Solutions & Industrial Technology, Intelligent Building Technology, Robotics & Automation, and Other Businesses in 2021, 2022 and 2023.

	For the Year Ended 31 December					
	2021		**2022**		**2023**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Energy Solutions & Industrial Technology	20,111,476	27.4	21,618,496	25.8	27,874,277	28.5
Intelligent Building Technology. . . .	19,690,855	26.8	22,778,244	27.2	25,914,181	26.5
Robotics & Automation	25,286,615	34.5	27,712,820	33.1	31,053,073	31.8
Other Businesses	8,290,412	11.3	11,529,651	13.9	12,939,776	13.2
Total	**73,379,358**	**100.0**	**83,639,210**	**100.0**	**97,781,307**	**100.0**

Energy Solutions & Industrial Technology

We have built a successful Energy Solutions & Industrial Technology business that offers technologically advanced, reliable, and eco-friendly industrial components and various green energy solutions, serving customers across the world.

We manufacture and offer a range of core industrial components such as home appliance compressors, home appliance motors and industrial control systems. We are a market leader in compressors for home appliances including air conditioners and refrigerators. Our residential air conditioner compressor business also ranked No. 1 in 2023 in terms of manufacturing volume, commanding a global market share of 45.1%. We are also a market leader in motors for air conditioners and laundry appliances. In 2023, both our air conditioner motors and laundry appliance motors ranked first globally in terms of manufacturing volume, achieving respective market shares of 40.0% and 22.0%, according the Frost & Sullivan Report. We

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generate revenue from the sales of our industrial component products to customers including home appliance manufacturers and other industrial companies. During the Track Record Period, the unit selling price of our major products under Energy Solutions & Industrial Technology varied, ranging from RMB10 for a home appliance motor at the low-end to approximately RMB3,000 for an air conditioner compressor at the high-end. In 2021, 2022 and 2023, the sales volume for these products were 159,251 thousand, 162,923 thousand and 187,325 thousand, respectively.

We are committed to offering green energy solutions, providing equipment, software and services across the energy value chain, including the generation, distribution, consumption and storage of electricity. Among our green energy solutions, we offer customized distributed photovoltaic power generation systems and related equipment to be installed in buildings and other facilities to generate solar power which is more environmentally friendly and energy-efficient than fossil fuel power, and power transmission and distribution systems and equipment such as smart switches and energy controllers that can regulate electricity use to help customers minimize energy waste and cost. We also offer high-voltage inverters and low-voltage inverters that significantly increase energy efficiency and energy storage solutions including storage devices, software and systems such as residential energy storage systems that help ensure a stable supply of electrical power. Furthermore, we provide intelligent energy measurement solutions to monitor and measure electricity consumption. We generate revenue from sales to customers consisting primarily of companies operating in electric power-related industries, such as fossil fuel and new energy power stations, electric power distribution companies, and power storage station operators.

Our integrated green energy solutions are customized to fulfill each customer's energy needs. For example, before providing customers with the energy storage system, we engage in discussions with them regarding grid connection, the intended deployment locations, and the expected operating modes, among other things, which helps us better design our solutions to meet the specific requirements of our customers. Our services encompass every aspect of the process, including design, component procurement, installation and deployment, testing, personnel training (for customers' employees to ensure smooth operations of the system) and maintenance.

In addition, we offer thermal management systems and electric motors for new energy vehicles, which is a fast-growing end-market. We generate revenue from the sales of those products to new energy vehicle companies. We are continually enhancing our R&D and manufacturing capabilities and expanding our customer base to cover the major electric vehicle makers in the market. To support our expansion, we commenced operations at our manufacturing base for electric vehicle components in Anqing, Anhui in 2022.

The prices of our offerings under Energy Solutions & Industrial Technology are determined mainly based on our production cost, market conditions, and arm's length negotiations with our customers. Our suppliers for Energy Solutions & Industrial Technology include mainly suppliers of raw materials such as copper, steel, plastic and aluminum.

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Intelligent Building Technology

With the mission of "building sustainable and smart spaces," our Intelligent Building Technology business has evolved from supplying commercial air conditioners to providing integrated solutions for intelligent building ecosystems.

We provide holistic building solutions for diverse end-markets encompassing infrastructure, public premises, industrial parks, agricultural facilities and more. Customers seek comprehensive, integrated solutions that blend hardware, software, and services tailored to the unique conditions and requirements of the buildings, and increasingly focus on digital and intelligent building management to optimize efficiency. Moreover, there is a growing emphasis on ESG considerations such as the carbon emissions of buildings. We seek to provide such integrated and tailored solutions to address the unique needs of each building. Our building solutions integrate hardware, such as commercial air conditioners and elevators, and software, including building control systems, and services such as installation, testing and maintenance, which are tailored for the unique features of each building we serve. Our integrated digital and intelligent solutions mainly include low carbon (數智低碳), transportation (數智軌交), hospitals (數智醫院), and industrial parks (數智園區) and consist of diverse offerings across commercial air conditioners, elevators, building control software and energy management. During the Track Record Period, the unit selling price of our major products under Intelligent Building Technology varied, ranging from RMB400 for an indoor central air conditioner unit at the low-end to around RMB2,300,000 at the high-end for a large centrifuge used in large facilities such as shopping centers, airports and factories. In 2021, 2022 and 2023, the sales volume for these products were 7,425 thousand, 7,375 thousand and 8,170 thousand, respectively. The sales volume takes into account products that were sold on a standalone basis and as part of a solution.

We usually conduct site survey to identify the building's specific needs and challenges, before preparing a thorough and customized proposal for the customer's review. For instance, in a renovation project in Shanghai in 2023 (see "— Case Studies"), the building was a busy office tower nestled in the center of a business district. The request was to replace its aging and inefficient air conditioning system and the main challenge was that the renovation work could not impede the daily work of tenants in the building. We formulated a comprehensive solution to address these needs, including a new air conditioning system with high energy efficiency and a unique process of swift on-site assembly using prefabricated components, which minimized the usual disruptions to tenants and building operations throughout the construction process.

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At the core of Intelligent Building Technology is "iBUILDING," our building digital platform that digitalizes and connects equipment in buildings such as commercial air conditioners, elevators and control systems, overcoming the pain point of data silos and enhancing overall operational and management efficiency. iBUILDING can serve as an intelligent operation center that visualizes a wide range of building data such as energy consumption, carbon emission, equipment status, incidents, occupancy, in-door air quality and security and provides comprehensive analyses of those data, allowing building managers to closely monitor various aspects of the building and promptly make necessary adjustments to optimize the operation and management of the building. Below is a screenshot of the interface of our iBUILDING platform:

We have built six main manufacturing bases and six R&D centers worldwide dedicated to Intelligent Building Technology, with a sales network covering the global markets.

Products and solutions

Commercial air conditioners. According to Frost & Sullivan, in 2023, our commercial air conditioners ranked first in mainland China, with a market share of 14.3%, and among the top five globally, with a market share of 6.6%, in terms of revenue.

We continually upgrade and improve our commercial air conditioners with technological innovations. In 2022, we launched two innovative products under the new chiller brand "K WING." Of these two products, the magnetic levitation ice storage dual-mode unit uses an industry-first horizontally-opposed compression technology to help bearings overcome

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disturbance caused by inertial forces from compressor operation. The other product, the air levitation centrifugal unit, adopts the industry's first non-equal height foil oil-free air-floating bearing, solving the problem of low bearing capacity in traditional units, increasing the overall bearing capacity by over 50%.

In 2016, we acquired Clivet, a provider of commercial air conditioners in Europe. Through this acquisition, we boosted the competitiveness of our commercial air conditioners in Europe and globally and gained a strong foothold in the premium market.

Elevators. We operate our elevator business under LINVOL and Winone, which continually roll out new elevator products, including escalators, passenger elevators, and freight elevators. To further expand and upgrade this product category, we have launched villa elevators and passenger elevators with smart features such as remote monitoring and face recognition. In addition, we also launched an iBUILDING-based intelligent elevator management platform in 2022, which empowers building traffic with new digital and intelligent solutions.

Building energy management. We have seen sustained efforts around the world in the construction of "zero-carbon buildings" with "green energy systems." Our iBUILDING platform conducts intelligent energy adaptation and management with a customized design for each building. Leveraging our expertise in building hardware and software as well as our digital capabilities, our building energy management solutions focus on helping buildings save energy and reduce carbon emissions and feature (i) advanced load-sensing and detection technologies for assessing the respective HVAC consumption needs for each unit space within the building, and (ii) coupling control of energy facilities such as photovoltaic devices, power storage, heat pumps and air conditioners for real-time adjustment of energy consumption. These technologies allow our solutions to help create a comfortable, intelligent and sustainable living environment while optimizing energy efficiency.

Building control software. We offer building control software that automates building control and the accompanying hardware, providing a range of building control functions, such as data management, elevator traffic optimization and security control. We have launched the building intelligent control system "KONG NZ" with cloud-edge collaborative capabilities that significantly improve the automation of building management. We also offer the "WU KONG Smart Ward Solution" that integrates software, data and service and applies IoT technology to hospitals.

We generate revenue from selling the hardware on a standalone basis or hardware and software products described above as integrated solutions. The prices of such offerings are determined based on a variety of factors, such as market demand, the complexity of the solutions, the product model, customer purchase volume, and relationship with the customer, and are subject to negotiation with customers. Our end customers are mainly owners, contractors or operators of commercial or industrial buildings and other facilities, and our suppliers are mainly suppliers of raw materials, components including electronic components, and ancillary materials.

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Case studies

Grade A Office Building in Pudong, Shanghai. In 2023, we completed the green transformation of a Grade A 42-floor office building located in the center of Shanghai's financial district in 120 days. After 18 years of service, the aging air condition system in the building was operating with poor efficiency, significantly increasing the building's operational costs. With our comprehensive energy management solution, including hardware such as our advanced K WING centrifuge and software including the iBUILDING platform and the Chiller Doctor digital control system, we completely rebuilt the air conditioning machine room of the building and raised its annual energy efficiency to 5.5W/W, saving operational costs by over 40%.

Indonesia's Jakarta-Bandung High Speed Railway. As a landmark project under China's Belt and Road Initiative, the 142-kilometer Jakarta-Bandung high speed railway connects Indonesia's capital city and its fourth largest city with a maximum speed of 350 kilometers per hour. As a market leader in the global commercial HVAC industry, we were selected as the air-conditioning system supplier for the railway, providing integrated air-conditioning solutions in design, equipment supply, electromechanical installation, and repairing and maintenance services for multiple clusters of buildings close to the railway. We also supplied and installed approximately 260 sets of multi-split outdoor air conditioner units, over 1,100 sets of indoor air conditioner units and 14 sets of machine room precision air conditioners in the railway stations, helping create a cool and comfortable environment equipped with reliable and durable air-conditioning devices.

Robotics & Automation

We conduct our Robotics & Automation business through KUKA Group, a Germany-headquartered, world-renowned automation specialist with over 120 years of history. We acquired KUKA Group in 2017 and privatized it in 2022. KUKA Group is one of the world's "big four" industrial robotics makers and supports its customers in the holistic optimization of their value creation by providing comprehensive automation solutions.

KUKA Group offers one-stop automation solutions including:

- *Industrial robots*, which are the core components of the automated production process. KUKA Group provides customers with industrial robots suitable for different manufacturing scenarios and under different working conditions, controlled with smart software.

- *Automated manufacturing systems*, which enable adaptable, modular and automated manufacturing processes with offerings ranging from individual system components, tools and fixtures to complete turnkey systems for the automotive industry, battery production plants and other non-automotive sectors.

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- *Swisslog automated logistics systems* offer a tailored logistics portfolio of flexible and modular technologies plus software, such as automated storage and retrieval systems, automated transport and conveyor systems, and picking and palletizing systems, providing an integrated automation solution for warehouses and distribution centers.

- *Swisslog medical distribution systems* provide automation solutions for modern hospitals with an aim to boost overall efficiency, such as pharmacy automation systems that automate time-consuming tasks like medication packaging, dispensing, storage and retrieval, and transport automation systems that help move medical materials like medication and blood specimens safely and swiftly.
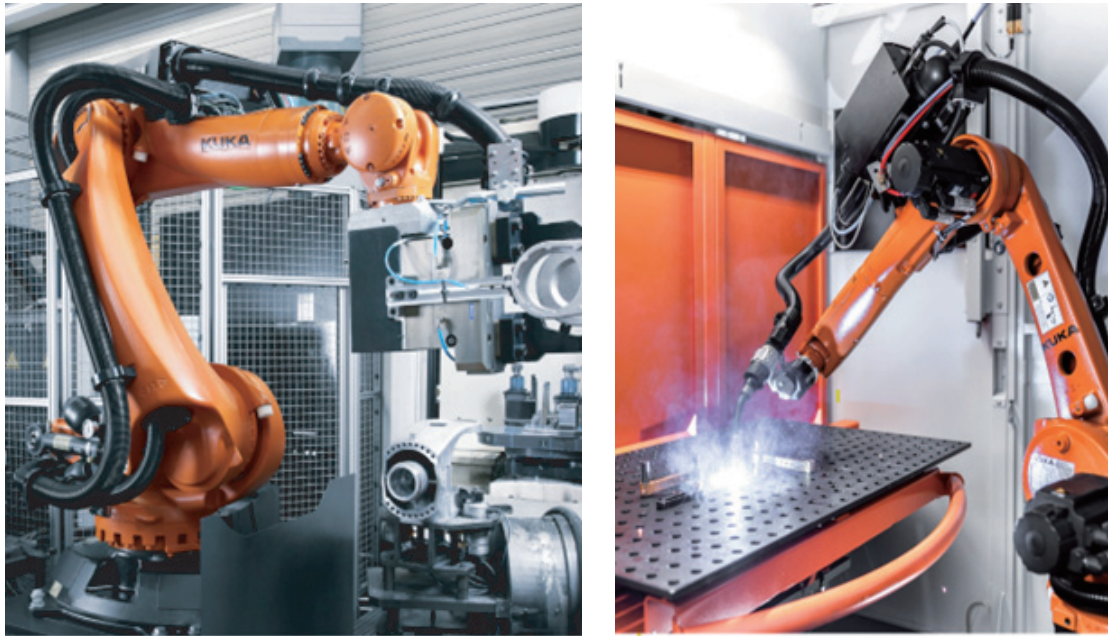
KUKA Robots at Work

Tailoring to customer requirements, KUKA Group provides comprehensive support, including design, installation, testing and fine-tuning of the system, and may offer personnel training and regular maintenance services subject to customer's requests.

KUKA Group generates revenue mainly from the sales of robotics and automation products and solutions, and related services such as installation, maintenance and technical support. The solutions offered by KUKA Group cover the entire value chain, from designing production processes, providing and installing individual system components, tools and fixtures to complete turnkey systems in automated manufacturing, logistics and medical distribution systems. In the case of turnkey solutions, KUKA Group not only provides robotics and automation products but also integrates various components from third parties, such as conveyors and sensors, to form a production line that is ready-to-use, thus bringing convenience to the customers. KUKA Group aligns its product offerings with customer needs

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gleaned from each customer's specific operations, such as its manufacturing processes, the types of products being produced, the layout of the production line and specific production requirements like cleanliness. In addition, KUKA Group provides tailored installation services based on the unique environment at the customer's site, such as when configuring the motion trajectory of robotic arms, and when addressing the integration requirements with the customers' existing ERP or other software systems. The prices of KUKA Group's products and solutions and the fees charged for its services are determined based on a variety of factors, such as the complexity and functionality of the product or solution, market demand, market price, and relationship with the customer. During the Track Record Period, the unit selling price of our major products under Robotics & Automation varied, ranging from approximately RMB30,000 at the low-end to around RMB1,800,000 at the high-end for industrial robots with different payloads. In 2021, 2022 and 2023, the sales volume for such products were 37 thousand, 42 thousand and 42 thousand, respectively. The sales volume takes into account products that were sold on a standalone basis and as part of a solution. Our customers are mainly manufacturing companies in various sectors and healthcare institutions, such as hospitals, and our suppliers are mainly suppliers of core components such as reducers and servo motors as well as raw materials.

Market leadership

Relying on its advanced movement algorithm, KUKA Group's robotics products are able to deliver strong and durable performance. KUKA Group is one of the "big four" industrial robotics company in the world, and ranks second among heavy-payload robotics makers in the world in terms of sales volume and revenue in 2023, capturing a market share of 18.6% and 17.9%, respectively, according to the Frost & Sullivan Report.

Leveraging its strong R&D team globally, KUKA Group continues to develop new and advanced products and solutions that help a broad range of sectors automate their production and other processes.

- *Automotive*. Highly sophisticated and smart manufacturing systems, combined with flexible logistics capabilities, are increasingly important for the automotive industry, owing to its complexity and dynamic nature. KUKA Group's robotics and automation products help auto makers build such systems and achieve adaptable, modular and automated production and logistics processes. In particular, the fast-growing electric vehicle sector is an increasingly important growth driver that KUKA Group is well-positioned to capture. For example, KUKA Group empowered an automaking factory of a leading China-Germany joint venture with manufacturing capacity of 300,000 battery packs per year, equipping it with 100 KUKA robots to engage in welding, gluing, and packing in the assembly line. Furthermore, in 2022, KUKA Group introduced four standard products and three cleanroom versions of KR SCARA robots that are capable of handling loads of up to 12kg for the electric vehicle and other sectors.

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- *Healthcare*. The healthcare sector is one of the most important growth markets. Demographic change, medical innovations and the development of healthcare systems in emerging countries, as well the shortage of skilled workers and the increasing cost awareness of healthcare facilities, are creating a need for new automation solutions, with the aim to boost efficiency and increase patient safety. Applications for KUKA robots range from X-ray imaging to radiation therapy, patient positioning and robot-based assistance systems for surgical procedures in operating rooms, or as a supporting partner in the field of rehabilitation.

- *Consumer electronics*. In light of the increasing demand for electronic devices and the growing shortage of skilled workers, the automation of electronics manufacturing processes is inevitable. By using robots, production processes can be adapted both flexibly and easily to meet the rapid changes in the market. Targeting the consumer electronics sector, KUKA Group has introduced a full series of four-axis robots, KR SCARA CS, with compact, minimalist, intelligent, and easy-to-use controllers and a new-generation operating system. This series is designed for factories making consumer electronics, with payloads of 3 kg to 20kg, a maximum working distance of 1,200mm, and high-speed handling and high-precision picking capabilities.

- *General industrial sectors*. Applications in general industrial sectors require highly adaptable and flexible robotics. The KR CYBERTECH nano E series six-axis robot, with two models catering to different demands and multiple process packages, is designed for the general use of different industries. Its compact structure and hollow arm are tailor-made for arc welding. Its optimized body design improves hardness and effectively prevents welding jitter, which, combined with high trajectory accuracy, ensures satisfactory welding results.

KUKA China

Since joining the Midea family, KUKA Group has experienced sustained and rapid growth in China. The revenue contribution from KUKA China to KUKA Group's overall business grew from 17.3% in 2021 to 19.6% in 2023. Our rich experience and know-how in industrial automation enhances our ability to lead KUKA China's growth.

To better serve the Chinese market, KUKA China has established R&D centers in Shunde and Shanghai and large manufacturing bases in Shunde, Kunshan (in Jiangsu Province) and Shanghai. The manufacturing facilities in Shunde are the largest manufacturing base for robot bodies in South China.

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KUKA China has benefited from the sustained growth of China's robotics and automation market, driven by rising labor cost, growing manufacturing capabilities and rapid development of AI and digitalization. It has also sought to increase its penetration in new energy vehicle and electronics sectors in China by building and continuing to deepen relationships with leading new energy vehicle and electronics makers in China, providing them with comprehensive automation solutions tailored for the manufacturing of their products.

Other Businesses under Commercial & Industrial Solutions

We have developed infrastructure and technological capabilities in areas such as supply chain and digitalization, which significantly contributed to our success. Over the years, we have made such capabilities available to serve external customers.

For example, Annto Smart Logistics provides end-to-end digital intelligent supply chain services in home appliances, fast-moving consumer goods, furniture and other sectors, enabling its customers to achieve efficient operations that integrate delivery and installation with manufacturing and logistics. Annto Smart Logistics does so by employing digital and big data technologies to refine and manage its comprehensive logistics network. It leverages information technology to optimize process execution, enabling seamless coordination among people, goods, vehicles, and sites. By developing an intelligent logistics platform that integrates the whole logistical chain, including manufacturing, warehousing, line haul, urban distribution, and delivery and installation, Annto Smart Logistics provides customers with digitalized solutions that help customers enhance supply chain efficiency and optimization. Furthermore, Annto Smart Logistics has developed a strong expertise in urban and rural distribution. Relying on approximately 130 operation centers nationwide, Annto Smart Logistics is able to provide nationwide distribution services. Annto Smart Logistics generates revenue mainly from various supply chain services and solutions such as end-to-end logistics for manufacturing companies from raw material delivery to product delivery, integrated warehousing, line haul and distribution services, and one-stop delivery and installation services.

Midea Cloud is a provider of industrial software and digitalization consulting services established based on our strategy to digitalize our operations. Midea Cloud offers digitalization solutions in four categories: R&D digitalization, smart manufacturing, supply chain digitalization, and operational digitalization. The sectors it serves range from automotive and electronics to food, among others. It also provides after-sale operation and maintenance services. Midea Cloud generates revenue mainly from the sales of its software products, licensing fees, and fees charged for consulting, operation, maintenance and other services.

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In addition, Midea Cloud provides consulting services including digitalization planning services and digitalization coaching services for its customers. Midea Cloud collaborates with customers to define the digitalization goals and analyze the workflow, from R&D and procurement to production activities, to identify areas of improvement. To enhance operational efficiency, Midea Cloud offers recommendations on workflow and procedural changes, as well as the use of digital and technological tools, such as certain software for managing workflow. Additionally, it provides training for customers' personnel to help them adapt to the newly digitalized operation.

Midea Lighting is principally engaged in the research and development, manufacturing and sales of lighting and home design appliances, striving to provide intelligent integrated solutions for our customers. Midea Lighting generates revenue from the sales of its lighting and other products to customers.

Over the years, we have also made strategic acquisitions in fields where we see great growth potential. We acquired Wandong Medical, which provides innovative and high-quality medical imaging products for clinical use and ultrasound diagnostic equipment. It also provides integrated solutions for medical institutes with advanced and reliable diagnostic equipment and services.

Customers mainly include companies in different sectors with needs for smart supply chain services or digitalized manufacturing, among other things. Suppliers mainly include transportation and warehouse providers, delivery and installation service outlets, software developers, IT system and data center suppliers, among others. The prices of our service and product offerings under Other Businesses are determined based on a variety of factors, such as market demand, complexity of the services, relationship with the customer, product models and manufacturing costs.

Other Business

Apart from Smart Home Solutions and Commercial & Industrial Solutions, which are our main businesses, we engage in certain other business consisting primarily of raw material sales to our suppliers, including copper, steel, plastic and aluminum. We leverage our large scale and the efficient sharing of resources among our businesses to centralize the procurement of raw materials and lower the average cost. This allows us to help our suppliers lower their manufacturing costs by purchasing raw materials from us, deepening our long-term relationship with suppliers and ultimately enabling us to reduce our manufacturing costs as well.

OUR MULTI-CHANNEL SALES AND DISTRIBUTION NETWORK

Given the significant breadth and large volume of our product offering, we have a global multi-channel sales and distribution network comprising online distributors, offline distributors and direct sales.

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In 2021, 2022 and 2023, our total revenue from sales to online and offline distributors accounted for 43.0%, 45.9% and 45.6% of our total revenue, respectively. The table below sets forth the revenue contribution from our major sales channels, in absolute amounts and as percentages of our total revenue, during the Track Record Period:

	For the Year Ended 31 December					
	2021		**2022**		**2023**	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Distributors:						
– Online	42,487,693	12.4	49,922,299	14.5	53,872,191	14.4
– Offline	105,306,272	30.7	108,907,380	31.5	116,601,425	31.2
Direct sales:						
– Online	19,616,194	5.7	18,090,056	5.2	23,458,647	6.3
– Offline	175,950,666	51.2	168,788,971	48.8	179,777,541	48.1

The following table sets forth the total number of distributors as at the dates indicated and the movements during the Track Record Period:

	For the Year Ended 31 December		
	2021	**2022**	**2023**
As at the beginning of the period	78,159	90,636	89,087
Addition of new distributors	27,438	18,116	15,864
Inactive[1]/terminated distributors . . .	14,961	19,665	24,464
Net increase/(decrease) in distributors	12,477	(1,549)	(8,600)
As at the end of the period[2]	90,636	89,087	80,487

Notes:

(1) Inactive distributors are distributors from whom no revenue was derived during the preceding 12-month period.

(2) The vast majority of our distributors during the Track Record Period are offline distributors.

The majority of our distributors are engaged for our Smart Home Solutions business in mainland China. Adapting to the evolving home appliances market in mainland China, we undertook various measures to optimize our distribution network prior to and during the Track Record Period. The total number of our distributors grew from thousands prior to the launch of Midea Cloud Sales platform in 2018 to 78,159 at the beginning of 2021 as we flattened our sales and distribution network to directly face more SME retailers instead of working through

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regional distributors. The total number of distributors further increased in 2021 before stabilising and decreasing as we focused more on the quality of SME retailers. See "— Optimization of Our Distribution Channels in Mainland China" below for more details.

Smart Home Solutions

For our Smart Home Solutions, we have a comprehensive online and offline sales network in mainland China and overseas markets. Below is a summary of our main sales channels for Smart Home Solutions in mainland China:

Online channels

Our online channels for Smart Home Solutions in mainland China primarily include e-commerce platforms and direct online sales.

- *E-commerce platforms* are online distributors who purchase products from us to resell to their own customers.

- *Direct online sales* include sales to consumers (i) through stores we operate on third-party online platforms, or (ii) through our own shopping platforms such as Midea E-Store.

Offline channels

Our offline channels for Smart Home Solutions in mainland China primarily include key account distributors ("KA distributors"), SME retailers and direct offline sales.

- *KA distributors*, mainly include: (i) *national retailers*, who purchase products from us and resell to consumers at their nationwide chain stores; (ii) *regional retailers*, such as regional chain stores, department stores and supermarket operators that purchase products from us and resell to consumers; and (iii) *regional distributors*, who purchase products from us and resell to smaller distributors and/or retailers.

- *SME retailers* purchase products from us primarily through our Midea Cloud Sales platform, our sales portal for SME retailers, and primarily resell to consumers.

- *Direct offline sales* are primarily direct sales to enterprise customers.

In our overseas markets for Smart Home Solutions, we sell directly to ODM/OEM customers, who then resell the products we manufacture under their own brands, and we primarily sell our OBM products through local online and offline retailers and distributors.

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The table below sets forth the revenue contribution from the main sales channels for our Smart Home Solutions during the Track Record Period:

	For the Year Ended 31 December		
	2021	2022	2023
	% of total revenue from our Smart Home Solutions		
Mainland China			
Online channels			
E-commerce platforms	16.8	20.1	20.4
Direct online sales	8.3	7.7	9.4
Offline channels[(1)]			
KA distributors.	17.6	15.7	14.5
SME retailers	7.9	8.4	9.0
Direct offline sales	5.1	3.6	4.0
Overseas			
Direct sales	29.8	28.3	26.3
Retailers and distributors	14.5	16.2	16.4

Note:

(1) In 2022, the revenue contribution from offline channels in mainland China generally declined, which was partly due to the COVID-19 outbreaks and the restrictions imposed that limited offline sales activities.

Optimization of Our Distribution Channels in Mainland China

Different regions of mainland China may vary significantly in terms of infrastructure, climate, market conditions and consumer preferences. In addition, the sheer size of the market makes it difficult for us to interface with a large number of SME retailers directly. As a result, we have traditionally used a multi-layer distribution model for the offline distribution of our smart home products in mainland China, which is in line with the industry norm. Under this model, we sell our products to regional distributors who then resell to other smaller distributors and/or retailers before such products are purchased by consumers. As our business grew and mainland China's home appliance market matured, we became acutely aware of the inefficiencies of this model, such as delayed feedback on consumer preferences, a lack of direct visibility on end-market demand, higher logistical costs, and margins forfeited to intermediate distributors.

To address these inefficiencies and as part of our "direct to users" strategy, we have invested significantly in our Midea Cloud Sales platform, which has enabled us to interface and transact with a large number of SME retailers directly. The Midea Cloud Sales platform, launched in 2018, is regularly updated. As a result, the total number of our distributors increased from thousands before the launch of Midea Cloud Sales to tens of thousands during the Track Record Period. Under this new model, we are able to directly connect with and sell products to SME retailers, better understand the manner in which our products are marketed,

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and react promptly to changes in consumer preferences and market demand. Coupled with our digitalized supply chain and robust logistical capabilities, we are able to gain a better understanding of consumer needs and conduct more accurate manufacturing and inventory planning, among other things. During the Track Record Period, we also strategically placed more emphasis on those SME retailers with better sales performance and encouraged SME retailers to carry multiple product categories from us. Consequently, we ceased business relationships with certain SME retailers with low performance or those who only carried a limited number of products from us, resulting in the reduction in the total number of distributors during the Track Record Period.

Relationship with Distributors

To the best of our knowledge, all of our online and offline distributors in mainland China and overseas during the Track Record Period are Independent Third Parties. There were certain instances during the Track Record Period of our former employees becoming shareholders or employees of certain distributors. Our transactions with such distributors were conducted on an arm's length basis. Our relationship with our distributors is a buyer and seller relationship. They are our customers and they do not act on our behalf when dealing with their own customers, and we have no management control over their order placement, inventory management, or resale activities. They place orders with us if, when and for amounts they deem appropriate.

Some of our distributors may use sub-distributors. They typically further enter into agreements with the sub-distributors, and we generally do not enter into agreements or directly establish relationships with the sub-distributors. Consequently, we have no control over the sub-distributors.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, there was no material non-compliance with the terms and conditions of our agreements with distributors.

Contractual and other arrangements with distributors

We use distributors and retailers for our Smart Home Solutions to expand the geographic coverage and consumer reach of our products. Our distribution models are in line with the industry norm in mainland China and the relevant overseas market. We enter into contracts with distributors and retailers that set forth each party's rights and obligations, with terms subject to individual negotiation depending on specific circumstances.

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Below is a summary of some key contractual and other arrangements with different distributors and retailers:

E-commerce platforms

- *Selection criteria*: We partner with China's leading e-commerce platforms with a large consumer base.

- *Revenue recognition*: Revenue from sales of goods is recognized once we have delivered products to the location as specified in the contract and the e-commerce platform has confirmed the acceptance.

- *Evaluation*: We evaluate the performance of e-commerce platforms based on a variety of factors and do not set a mandatory minimum sales requirement.

- *Product delivery*: We bear the costs and risks related to the shipment of ordered products to the e-commerce platforms. We are generally obligated to deliver the products to them within a pre-determined period of time after they place orders with us, depending on factors such as the distance and the size, type, and quantity of the products.

- *Product return*: We adhere to our product return policies and generally do not allow e-commerce platforms to return products other than due to product quality issues, product returns from consumers or recalls or other specified circumstances, which is in line with customary industry practice.

- *Intellectual property*: E-commerce platforms are prohibited to use our intellectual property without our authorization or beyond the duration of the respective contract.

- *Duration*: Duration of contract varies ranging from one year to several years, subject to individual commercial negotiation.

KA distributors

- *Selection criteria*: We select KA distributors based on their national and regional coverage, sales channels and financial condition.

- *Revenue recognition*: Revenue from sales of goods is recognized once we have delivered products to the location as specified in the contract and the distributor has confirmed the acceptance.

- *Evaluation and support*: We evaluate the performance of KA distributors based on a variety of factors and do not set a mandatory minimum sales requirement. Our employees are assigned to some KA distributors to assist them with maintaining our brand image.

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- *Product delivery*: We bear the costs and risks related to the shipment of ordered products to the KA distributors.

- *Product return*: We adhere to our product return policies and generally do not allow KA distributors to return products other than due to product quality issues, product recalls or other specified circumstances, which is in line with customary industry practice.

- *Intellectual property*: KA distributors are prohibited to use our intellectual property without our authorization or beyond the duration of the respective contract.

- *Duration*: Duration of contract varies ranging from one year to several years, subject to individual commercial negotiation.

SME retailers

During the Track Record Period, the vast majority of our distributors were SME retailers.

- *Selection criteria*: We select SME retailers based on their market coverage, retail experience, local resources, and financial condition.

- *Revenue recognition*: For domestic sales, revenue from sales of goods is recognized once we have delivered products to the location as specified in the contract and the SME retailers has confirmed the acceptance. For overseas sales, revenue from sales of good is recognized once the products have been declared to the customs and shipped out of the port in accordance with the contract.

- *Evaluation and support*: We evaluate the performance of SME retailers based on a variety of factors and generally do not set a minimum sales requirement.

- *Product delivery*: We bear the costs and risks related to the shipment of ordered products to SME retailers.

- *Product return*: We adhere to our product return policies and generally do not allow our SME retailers to return products other than due to product quality issues, product recalls or other specified circumstances, which is in line with customary industry practice.

- *Intellectual property*: SME retailers are prohibited to use our intellectual property without our authorization or beyond the duration of the respective contract.

- *Duration*: Duration of contract varies ranging from one year to several years, subject to individual commercial negotiation.

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Pricing

For our Smart Home Solutions, our wholesale prices for distributors are generally determined based on the market dynamics of the relevant distribution channel, taking into account the scale of the distributor, the logistical requirement for delivery, market positioning, regional differences, and manufacturing costs, among other factors. In order to establish a nationwide retail pricing benchmark as a reference for retailers and consumers, we provide MSRP for our products. Our distributors are allowed to offer discounts from the MSRP at their discretion. Our sales management team may conduct market research and adjust our pricing policies based on end-market information.

Commercial & Industrial Solutions

For our Commercial & Industrial Solutions, in both mainland China and overseas markets, we sell the majority of our products directly to enterprise customers, in line with our goal of providing integrated solutions to customers based on a deep understanding of customer needs gained through direct interactions.

Sales and Marketing

We invest in sales and marketing to strengthen our leadership position in the global markets and promote our Smart Home Solutions and Commercial & Industrial Solutions.

For Smart Home Solutions, we utilize a variety of marketing channels, from online channels including social media, livestreaming and short video platform to offline branding campaigns targeting specific geographic markets. One of our key sales and marketing strategies is to focus more on the premium markets and improve our brand recognition in overseas markets. We also leverage feedback received from our sales channels and information collected through our digital platforms to identify potential consumers for premium brands and products, and use targeted product and brand image marketing activities in our core markets to promote those brands and products.

For our Commercial & Industrial Solutions, we participate in various industry events such as trade fairs and exhibitions to promote our solutions and brand name. We conduct coordinated marketing among the various businesses within Commercial & Industrial Solutions and have strengthened horizontal collaboration to facilitate cross-business sharing of market information, business opportunity and marketing channels.

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Sales Rebates

For our Smart Home Solutions business, we primarily rely on distributors as our sales channel. In order to promote the sales of our products by our distributors, we provide sales rebates from time to time in order to incentivize our distributors. We primarily design our sales rebate policies to achieve below goals:

- *Product wise*, to incentivize our distributors to promote certain types of products during certain period of time, such as newly launched products or more eco-friendly products;

- *Channel wise*, to incentivize our online and/or offline distributors to increase the sales volume through a particular channel;

- *Competition wise*, to quickly respond and adapt to changes in the market condition when needed, and to increase the attractiveness of our products to consumers; and

- *Inventory turnover wise*, to incentivize our distributors to clear stocks of older models or slower-moving goods when needed so as to maintain the overall efficiency of our sales and distribution network.

Our sales rebate is typically calculated as a percentage of the overall sales value of the applicable products and is generally applied to subsequent purchases by the respective distributor as credits instead of being provided in cash. The actual sales rebate amounts vary greatly from time to time and from policy to policy, which depends on a number of factors including market conditions, seasonality, competition, nature of the underlying products and others.

MANUFACTURING AND QUALITY CONTROL

As of Latest Practicable Date, we had 43 major manufacturing bases worldwide. Our overseas manufacturing bases, which are strategically located and produce products sold in the local markets and globally, are central to our efforts to promote global manufacturing.

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The following table set forth the designed capacity, manufacturing volume and capacity utilization of our main manufacturing facilities for main product categories during the Track Record Period:

	For the Year Ended 31 December								
	2021			2022			2023		
	Designed Capacity[1]	Manufacturing Volume	Utilization Rate[2]	Designed Capacity[1]	Manufacturing Volume	Utilization Rate[2]	Designed Capacity[1]	Manufacturing Volume	Utilization Rate[2]
	(thousand units)			(thousand units)			(thousand units)		
Mainland China manufacturing facilities									
Smart Home Solutions:									
Air conditioners	92,947	62,673	67.4%	87,667	54,554	62.2%[6]	88,014	55,826	63.4%[7]
Laundry appliances and refrigerators	58,611	48,715	83.1%	61,736	41,272	66.9%[6]	68,606	48,352	70.5%[7]
Kitchen and other appliances	333,021	204,337	61.4%	342,905	148,922	43.4%[6]	296,682	168,352	56.7%[7]
Commercial & Industrial Solutions:									
Energy Solutions & Industrial Technology[3]	497,131	379,740	76.4%	497,560	352,659	70.9%[8]	525,381	404,431	77.0%[9]
Intelligent Building Technology[4]	9,258	7,312	79.0%	11,097	6,943	62.6%[8]	12,863	7,776	60.5%
Robotics & Automation[5]	25	20	79.3%	30	26	86.9%[10]	30	19	61.7%[11]
Overseas manufacturing facilities									
Smart Home Solutions:									
Air conditioners	—	—	—	210	143	68.3%	1,800	1,614	89.7%[13]
Laundry appliances and refrigerators	1,839	1,399	76.1%	3,107	1,422	45.8%[12]	2,314	1,814	78.4%[13]
Kitchen and other appliances	6,751	5,350	79.3%	9,064	6,368	70.3%[12]	9,493	7,483	78.8%[13]

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For the Year Ended 31 December

	2021			2022			2023		
	Designed Capacity[1]	Manufacturing Volume	Utilization Rate[2]	Designed Capacity[1]	Manufacturing Volume	Utilization Rate[2]	Designed Capacity[1]	Manufacturing Volume	Utilization Rate[2]
	(thousand units)			*(thousand units)*			*(thousand units)*		
Commercial & Industrial Solutions:									
Energy Solutions & Industrial Technology[3]	–	–	–	–	–	–	–	–	–
Intelligent Building Technology[4]	–	–	–	–	–	–	–	–	–
Robotics & Automation[5]	30	19	61.7%	30	20	65.7%[10]	30	19	63.4%

Notes:

(1) For all product categories presented in the table other than Robotics & Automation, the designed capacity of the year is calculated assuming the production lines are functioning at full capacity as planned in terms of working days, hours per day and pace of production, after taking into account the theoretical time required for routine maintenance and replacement of machinery and equipment. For Robotics & Automation, the designed capacity is calculated by aggregating the manufacturing capacity of each manufacturing facility for Robotics & Automation in the relevant period.

(2) The utilization rate equals to the manufacturing volume divided by the designed capacity during the same period. During the Track Record Period, we experienced fluctuations in the utilization rate of the manufacturing facilities of certain product categories, mainly as a result of fluctuations in manufacturing volume and changes in capacity, as further explained below.

(3) Includes only home appliance compressors and home appliance motors, the two main products under Energy Solutions & Industrial Technology.

(4) Includes only commercial air conditioners and elevators.

(5) Includes only industrial robots and automated guided vehicles.

(6) The utilization rate declined in 2022, primarily due to the COVID-19 outbreaks and the restrictions imposed in response at the time that affected the supply chain and the market demand for home appliances, which in turn affected our manufacturing volume. The manufacturing volume and utilization rate of kitchen and other appliances were also affected by our strategic streamlining of product categories to focus on core products.

(7) The utilization rate increased in 2023, mainly due to increased consumer demand for our products, driven by enhanced product competitiveness from our continued innovation and upgrades, as a result of which the manufacturing volume increased.

(8) The utilization rate declined in 2022, mainly due to the COVID-19 pandemic and related restrictions that affected the supply chain and the market demand for our products in these categories, which in turn affected our manufacturing volume.

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(9) The utilization rate increased in 2023, mainly due to the increase in sales volume of core industrial components such as compressors and motors for home appliances, which benefited from the recovery of the overall home appliance market and resulted in an increase in our manufacturing volume.

(10) The utilization rate increased in 2022, mainly driven by strong demand from automotive customers, as a result of which our manufacturing volume increased.

(11) The utilization rate declined in 2023, mainly due to a slight decline in the growth of customer demand for industrial robots in 2023, which affected our manufacturing volume (although the sales volume remained relatively stable in 2023 as it partially came from the inventory produced in the previous year).

(12) The utilization rate declined in 2022, largely due to increases in the manufacturing capacity as a result of the launch of new production lines or accelerated pace of production, despite increased manufacturing volume driven by the growing demand for our products in the overseas markets as the economy recovered from COVID-19 and the related policies were relaxed in overseas markets.

(13) The utilization rate increased in 2023, mainly driven by the growing demand for our home appliances in overseas markets, as a result of which our manufacturing volume increased.

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Features of Our Manufacturing Process

Our manufacturing process is characterized by end-to-end digitalization and centralized procurement.

Our operation is digitalized throughout the value chain, which enables efficient coordination among procurement, manufacturing, and sales and distribution. For example, our digital infrastructure provides real-time insight on the efficiency and performance of each core machine on the manufacturing line, which allows us to resolve issues in a timely manner and implement preventive maintenance. It is this powerful digitalized and interconnected operation that allows us to adopt the "T+3" model, which is a highly efficient model to manage the process from order placement ("T") to the three steps before the order is fulfilled ("+3"): material preparation, manufacturing and delivery. Under this model, manufacturing is guided by customer demand and carried out accordingly, thereby enabling accurate, flexible and fast manufacturing and allowing us to minimize inventory, maximize manufacturing efficiency and improve customer experience.

Our large scale and the efficient sharing of resources among our many businesses enable us to centralize the procurement of raw materials, components and ancillary materials, which significantly lowers our procurement costs. Resources such as copper, steel, plastics and aluminum and commonly used components such as electronics are shared among businesses in their manufacturing.

Quality Control

We have established a digital and smart quality assurance system, covering analysis, warning of quality issues, monitoring and management to oversee the manufacturing process and collect feedback on product quality on a real-time basis. Our product categories undergo strict internal sample testing and safety assessment at our manufacturing bases regarding their safety, performance and reliability before being introduced to the market. We have assembled a dedicated team responsible for product quality control to ensure strict compliance with the applicable laws and regulations, the industry standards and our internal policies. The ratio of our products sent back for repair within one year of sale decreased from 0.21% in 2021 to 0.17% in 2023, demonstrating the effectiveness of our quality control measures.

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RESEARCH AND DEVELOPMENT

Our R&D Strategy and System

Our group-wide research system includes our Corporate Research Center and R&D units and teams at different business departments. Across business departments, we have established dedicated R&D teams to leverage their first-hand knowledge on products and the market to develop solutions that address the immediate customer needs.

This research system is designed to serve our goal of developing a reservoir of technology spanning three generations (三個一代) which represents complete coverage over different time horizons: (i) the "research generation" that focuses on long-term fundamental research; (ii) the "reserve generation" that focuses on innovation at the product platform level to support the next generation of product development; and (iii) the "development generation" that focuses on product development projects with clear market demand.

Our "2+4+N" global R&D network includes two core R&D centers in Shunde and Shanghai, four major overseas R&D centers in the United States, Germany, Japan and Italy, and a number of other R&D centers. Overall, we had more than 23,000 R&D employees as of 31 March 2024. As of the Latest Practicable Date, we had established 33 research centers in 11 countries, among which 17 R&D centers are located in overseas markets. Our overseas R&D centers focus on localized R&D that cater to the local markets and play an increasingly important role in our overall globalization strategy.

One of our R&D areas is AI technologies, which are integrated into many of our home appliances and are becoming increasingly important to our offerings. According to the Frost and Sullivan Report, AI technologies can generally be categorized into discriminative AI technology and generative AI technology. For example, discriminative AI technology empowers our products such as our COLMO AI-powered Villa Central Air Conditioner to sense the environment and analyse data collected from sensors, enabling intelligent adjustments to temperature and humidity levels. Generative AI technology is utilized in our M-Smart app, which is trained to generate responses to user inputs in the context of customer service, facilitating interaction between users and products. The generative AI technology we currently adopt is subject to certain regulatory requirements, including the Interim Measures for the Management of Generative Artificial Intelligence Services (生成式人工智慧服務管理暫行辦法) of China. As advised by Jia Yuan Law Offices, our legal advisor as to PRC laws, as at the date of the Latest Practicable Date, we have established an algorithm security management system and completed the necessary filings to follow these regulatory requirements.

Collaboration with Academic Institutions

In addition to utilizing our in-house R&D resources, we also collaborate with external institutions in mainland China and abroad as part of our R&D efforts. In mainland China, we have established strategic partnerships with top universities including Shanghai Jiao Tong University, Xi'an Jiaotong University, Tsinghua University (Future Laboratory) and East China

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Normal University. We have set up joint technology labs with Zhejiang University, Huazhong University of Science and Technology, South China University of Technology and Xi'an Jiaotong University, for explorative research mainly on advanced manufacturing, advanced preservation technology, and energy efficiency technologies. Internationally, we cooperate with globally renowned universities such as the Massachusetts Institute of Technology and the University of Illinois for research in various subjects, including anti-corrosion, green and environmentally friendly materials, indoor air quality and refrigerant substitutes.

Increasing R&D Spending

During the Track Record Period, our R&D expenses increased by 5.4% from RMB12.0 billion in 2021 to RMB12.7 billion in 2022, and further by 15.2% to RMB14.6 billion in 2023. We continue to invest in hiring and retaining the best R&D talent to strengthen our R&D capabilities.

CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our distributors and retailers and ODM/OEM customers for Smart Home Solutions, and enterprise customers of our Commercial & Industrial Solutions. Our distributors and retailers include e-commerce platforms, KA distributors, and SME retailers, among others. See "— Our Multi-channel Sales and Distribution Network" for more details. The combined revenue from our five largest customers for each of the years ended 31 December 2021, 2022 and 2023 accounted for 10.6%, 11.4% and 11.8%, respectively, of our revenues during the same periods.

During the Track Record Period, our suppliers primarily included raw material and component suppliers. Our top five suppliers together accounted for 6.3%, 6.4% and 6.1% of our total purchase for each of the years ended 31 December 2021, 2022 and 2023, respectively. We generally do not use OEM suppliers or other manufacturing subcontractors.

We rely on a wide variety of raw materials, parts and components to manufacture our products. Raw material procurement accounts for the majority of our total cost of sales.

We select our suppliers based on their qualification, compliance with laws and regulations, product quality, brand names, reliability, manufacturing capacity and cost management. We conduct supplier evaluations, examine their business licenses, quality management system certificates and environmental assessment certificates, evaluate their operating capacity, product quality, environmental and safety management, and social responsibility, and conduct sampling on-site visits and verification. We have a dedicated team assigned to the monitoring and management of our suppliers on our platform with respect to product quality, sales, logistics services and aftersales services, among others.

Under our supplier management framework, we typically seek to enter into framework agreements with strategic suppliers for stable procurement of raw materials or components on terms more favorable to us. At the same time, supply chain safety has been an important focus

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in our supplier management strategy. For each important material or component for which we rely on external sourcing, we make sure that we have at least two suppliers so as to mitigate the concentration risks and maintain our pricing competitiveness. However, the price of various commodities may be volatile and negatively affected by factors beyond our control. See "Risk Factors — Risks Relating to Our Business and Industries — Future operating results depend upon our ability to obtain raw materials, components and products in sufficient quantities on commercially reasonable terms from third-party suppliers, and any disruption in their supply or significant increase in their prices will negatively affect our business."

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of our Directors had owned more than five percent of our issued share capital) had any interest in any of our five largest customers or suppliers. No major customer is also a supplier of us during the Track Record Period or vice versa.

AFTER-SALES SERVICES

We believe that the accessibility of high-quality after-sales services is an important consideration behind a consumer's purchase decision. Therefore, for our Smart Home Solutions, we maintain a global service network in mainland China and our overseas markets. As of the Latest Practicable Date, this network included approximately 6,000 and 5,000 outlets providing after-sales services in mainland China and overseas, respectively.

Our after-sales services cover delivery and installation, repair, return and exchange of defective products. These services are delivered at service outlets, in person through home visits and, increasingly, via M-Smart, our online platform with live chat features. After-sales representatives are required to attend regular training sessions to improve their knowledge and skills. To ensure the quality of our after-sales services, we conduct regular appraisals on representatives with regards to their performance.

For enterprise customers of our Commercial & Industrial Solutions, we typically deploy dedicated teams to provide installation, maintenance and other services, seeking to enhance customer loyalty and build customer trust through excellent services.

INVENTORY MANAGEMENT AND LOGISTICS

Our inventory includes finished products, semi-finished goods, components and raw materials. Our digitalized supply chain allows us to manage our inventory intelligently and efficiently, maintain a level of inventory that matches demand and achieve fast inventory turnover. Our inventory turnover days were 53 days, 64 days and 62 days in 2021, 2022 and 2023, respectively, which are meaningfully below the industry average, according to the Frost & Sullivan Report.

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To improve our inventory efficiency, we have adopted a unified warehousing and distribution system and continuously enhance inventory turnover. In order to minimize obsolete inventory, avoid product damage during the warehousing and distribution process, and facilitate interactions with our customers and business partners, we have established an ISC management system. We have developed strong capabilities in regard to order execution, global supply chain management and efficient delivery, and have built the sales and operations planning cockpit and the commitment mechanism of sales and manufacturing with order pre-scheduling rules.

We have adopted a cloud-based inventory management approach that enables us to manage our inventory and facilitate our order requests to our suppliers. Our suppliers are provided with improved demand planning through analyses of transaction activities, which allows us to make reasonable forecasts and maintain efficient manufacturing or procurement processes. Furthermore, we have built the iBOS platform for the integration of overseas sales. With the collaborative planning, forecasting and replenishment model, visualization of overseas orders, and other features, the iBOS platform can improve the execution and delivery efficiency of overseas orders at a much lower cost, better positioning us to maintain an optimal inventory level to satisfy market demand in a timely manner.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had over 80,100 registered patents and over 1,800 software copyrights in mainland China, over 2,700 registered patents in Japan, over 1,100 registered patents in the United States, over 900 registered patents in Germany, and over 4,100 registered patents in other countries and regions. We had applied for registration of over 32,000 patents in mainland China, over 1,200 patents in Japan, over 900 patents in the United States, over 1,800 registered patents in other countries and regions, and over 6,000 patent applications pending under the Patent Cooperation Treaty. Among our registered patents and patent applications pending approval, over 29,000 and 30,500 were invention related patent registrations and applications, over 45,000 and 3,600 were utility model related patent registrations and applications, and over 13,000 and 1,900 were product design related patent registrations and applications, respectively, as of the Latest Practicable Date. In addition, as of the Latest Practicable Date, we were the registered owner of over 10,000 trademarks and 500 domain names. We had also applied for the registration of 1,800 trademarks.

As of the Latest Practicable Date, our Directors believe that there is no legal impediment for the renewal of the above patents, copyrights, trademarks and domain names that would materially and adversely affect our business. For details, please refer to the paragraph headed "Appendix VI — Statutory and general information — 2. Further Information about Our Business — B. Our Material Intellectual Property Rights" in this document.

To protect and enforce our intellectual property rights, we enter into framework agreements with our suppliers imposing confidentiality obligations to protect our intellectual property rights during the manufacturing.

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We have adopted a number of internal control policies and measures to protect our intellectual property rights and trade secrets. For example, we deploy a group-level digital platform to monitor and manage the full lifecycle of our patents, trademarks, copyrights, domain names and other intellectual property rights. Our intellectual property team proactively take initiatives to identify potential infringement upon our intellectual property rights and take appropriate actions based on our findings. We rely on confidentiality agreements to safeguard our interests in proprietary know-how that are not patentable and manufacturing processes for which patents are difficult to enforce. The contracts we entered into with our employees, suppliers, distributors, and other strategic partners are subject to review and approval by our in-house legal team, who is tasked with ensuring that sufficient protection is built into the contracts to prevent unauthorized disclosure. However, there is no guarantee that we will prevail on patent infringement claims against third parties, and we cannot assure you that our products do not infringe patents held by others or that they will not in the future. See "Risk Factors — Our intellectual property rights are fundamental to all of our businesses and we may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position" and "— Claims by third parties that we are infringing their intellectual property and other litigation could adversely affect our business." To the best of our knowledge, information and belief, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material intellectual property rights claims by third parties.

COMPETITION

The markets that we engage in are highly competitive and we are faced with intense competition in all aspects of our business. Our current and potential competitors include large Chinese and multinational home appliance companies, local and specialized brands, and Chinese and global commercial and industrial solutions providers. We anticipate that the home appliances and commercial and industrial solutions markets will continuously evolve and experience changes in technology, industry standards and customer preferences. We must continually innovate to remain competitive. We believe that the principal competitive factors in our industry are:

- brand recognition and reputation;

- innovative technology and digitalization capabilities;

- comprehensiveness and effectiveness of solutions;

- ability to reduce costs and enhance efficiency;

- product quality and assortment;

- extensive and reliable sales channels;

- visionary and experienced management capability; and

- pricing.

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We believe that we are well-positioned to effectively compete on the basis of the factors listed above. However, some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than we do. We build our competitive edges with our strength in technology and have been dedicated to the expansion of our global presence and the improvement in operating efficiency.

SEASONALITY

Certain of our product categories can be affected by weather due to the nature of the products, such as air conditioners. There are also certain seasonal patterns for purchases of our products due to holiday-driven promotions. We expect the impact of seasonality on our business to remain in the future, although by leveraging our diverse product portfolio, we generally do not experience material seasonal fluctuations with respect to our results of operations and financial conditions for our Group as a whole.

DATA PRIVACY AND PROTECTION

Our businesses generate and process a large quantity of transaction, consumer demographic and behavioral data. We face risks inherent in handling large volumes of data and in protecting the security of such data. See "— Our business is subject to a variety of local and overseas laws, rules, policies and other obligations regarding data protection. Any losses or unauthorized access to or releases of confidential information and personal data could subject us to significant reputational, financial, legal and operational consequences." We understand the importance of the personal data and privacy to our customers and treats data protection with the utmost seriousness, and implement measures to ensure our compliance with relevant legal requirements in mainland China and other jurisdictions where we operate to protect their legal rights. To protect data privacy, appropriate physical, administrative and technical measures are in place to prevent unauthorized access to and use of such data. For example, we restrict access to these data to a minimal percentage to prevent data leakage; we also use encryption technology to protect these data and has network security protection mechanisms in place to protect the data from malicious attacks and thefts. We hold regular trainings for our employees to strengthen their awareness of the importance of data protection.

We have built and continually improve our smart home security system for data privacy and security. To minimize the risk of data loss, we conduct regular data backup and data recovery tests. Our database can only be accessed by certain designated and authorized personnel after assessment and approval procedures, whose actions are recorded and monitored. We have data disaster recovery procedures in place and have established and continually improved our data centers.

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ESG

Since our founding, we have been committed to contributing to society through not only innovative products and services, but also socially and environmentally responsible operations.

ESG Governance

We have established a tiered, comprehensive ESG management framework. Our ESG Committee is responsible for establishing, adopting and reviewing our ESG strategies and goals, and evaluating, determining and addressing our near-term, medium-term and long-term ESG-related risks. We have formulated a dedicated in-house team of ESG experts, and engaged independent third parties for assistance, to evaluate ESG-related risks and review our existing strategies, goals and internal control measures from time to time. Under their supervision, we actively identify and monitor actual and potential impact of environmental, social and climate-related risks on our business, strategy and financial performance, and incorporate considerations of these issues into our business, strategic and financial planning. We also prepare and issue annual ESG reports to keep all stakeholders informed of our ESG initiatives and risks and any developments that may have an impact on our business, financial performance and results of operation. This report is used to direct our dialogue with stakeholders regarding ESG matters.

In 2022, we received an "AA" ESG rating released by the China Securities Index, which is a rating used to reflect the ESG performance of the evaluated companies compared with their peers in the same industry. We were recognized as an *Exemplary Industrial Enterprise to Achieve Sustainable Development* in the selection of *Forbes China Top 50 Sustainable Development Industrial Enterprises (福布斯中國可持續發展工業企業TOP50)* in 2022 and listed on the *Fortune China ESG Impact List (《財富》中國ESG影響力榜)* in 2023.

Identifying ESG Risks

We maintain a close relationship with our stakeholders as they play a crucial role in maintaining our business sustainability. Key stakeholders of our business include our customers, suppliers, employees, governments, communities and shareholders. Through continuous engagement, we collect their views and opinions which help us to identify ESG-related risks and formulate the sustainability framework to address those risks.

Taking into consideration of the stakeholder input, we discuss internally with our management and in-house ESG experts and from time to time consult external advisers to identify potential material ESG topics which may affect our business and stakeholders based on our actual development and the evolving characteristics of our industries. We continually monitor our ESG metrics with reference to applicable industry standards and other leading industry players.

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Managing ESG Risks

We have dedicated personnel to identify the laws, regulations, rules and industry standards applicable to us in relation to various ESG-related risks, such as environmental protection, production safety, employee well-being, consumer rights, anti-corruption, community support and others, to ensure that we comply with the relevant legal requirements and stay in line with or above the industry standard. We also set short-term/medium-term/long-term targets for our ESG-related initiatives, gather and submit data in connection with the implementation of these initiatives, and regularly review the progress.

Metrics and Targets

We are committed to reaching carbon peak by 2030, with each factory in mainland China recognized as a National Green Factory (國家級綠色工廠水準), and achieving carbon neutrality by 2060. We also target to increase our percentage of green electricity usage to 10% by 2025 and to 30% by 2030.

We collect and analyze quantitative information as part of our review of ESG-related risks. To illustrate, our total greenhouse gas ("GHG") emission in 2023 was 2,298,311 tonnes of CO_2 equivalent or 0.061 tonne of CO_2 equivalent per RMB10,000 worth of product output. By comparison, the average greenhouse gas emission of selected listed home appliance companies[1] was 0.0590 tonne of CO_2 equivalent per RMB10,000 worth of product output in 2022, according to the Frost & Sullivan Report. Our photovoltaic power stations generated a total of 220,760 mWh in 2023, marking our increasing usage of renewable electricity in the manufacturing process.

Our manufacturing plants have adopted energy management systems and 35 of them have obtained the ISO 50001 certification. We have dedicated personnel to collect and compare our emissions data against various evolving industry standards associated with pollutant discharge during the production process. We strictly abide by PRC Environmental Protection Law, PRC Water Pollution Prevention and Control Law, PRC Atmospheric Pollution Prevention and Control Law, PRC Noise Pollution Prevention and Control Law, PRC Solid Waste Pollution Prevention and Control Law, PRC Environmental Impact Assessment Law, Regulation on the Administration of Permitting of Pollutant Discharges and other relevant laws, administrative rules and regulations. We take effective environmental protection measures to protect our environment and ecosystem and fulfill our corporate social responsibility. In terms of pollutant management, we strictly comply with the current pollutant emission standards and limits applicable to our business and industry as follows:

- *Waste water management:* Integrated Wastewater Discharge Standard ("污水綜合排放標準") (GB8978-1996), Discharge Limits of Water Pollutants ("水污染物排放限值") (DB44/26-2001), Electroplating Water Pollutant Discharge Standard ("電鍍水污染物排放標準") (DB 44/1597-2015), Guangdong Provincial Water Pollutant Discharge Limits Standard ("廣東省水污染物排放限值標準") (DB44/26-2001) and other standards.

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1   Including four listed leading home appliance companies, namely Haier Smart Home Co., Ltd., LG Electronics Inc., Hisense Home Appliances Group Co., Ltd., and Zhejiang Supor Co., Ltd.

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- *Air pollutant management:* Integrated Emission Standard of Air Pollutants ("大氣污染物綜合排放標準") (GB16297-1996), Emission Standard of Air Pollutants for Boiler ("鍋爐大氣污染物排放標準") (GB13271-2014), Emission Control Standard of Volatile Organic Compounds from Industrial Enterprises ("工業企業揮發性有機物排放控制標準") (DB13/2322-2016), Emission Standard of Pollutants for Synthetic Resin Industry ("合成樹脂工業污染物排放標準") (GB31572-2015), Emission Limit of Air Pollutants ("大氣污染物排放限值") (DB44/27-2001), Emission Standard of Volatile Organic Chemicals of Furniture Manufacturing Industry ("家具製造行業揮發性有機化學物排放標準") (DB44/814-2010), and Emission Standards for Air Pollutants from Industrial Furnaces and Kilns ("工業爐窯大氣污染物排放標準") (GB 9078-1996), among others.

- *Noise management:* Emission Standard for Industrial Enterprises Noise at Boundary ("工業企業廠界環境噪聲排放標準") (GB12348-2008).

- *Solid and Hazardous Waste Disposal:* PRC Solid Waste Pollution Prevention and Control Law.

Environment

In 2021, we adopted our "Green" strategy focusing on clean environment, happy community, beneficial technologies, and prosperous ecosystem to manage our ESG risks. We are dedicated to improving the environmental sustainability across all aspects of our business: design, procurement, manufacturing, logistics, recycling, and service.

Green Design

We conduct a full-cycle evaluation of the carbon footprint of our products, from raw material procurement and manufacturing, to use, recycling and disposal. Our low-carbon design initiatives primarily include (i) using eco-friendly refrigerants for our products to lower direct greenhouse gas emissions; (ii) enhancing the energy efficiency of our products pursuant to the China Green Refrigeration Action Plan; and (iii) digitalizing manufacturing lines to enhance production efficiency and minimize the energy consumption. We estimate and monitor the aggregate emission amount for a product category via digital toolkits to achieve comprehensive monitoring and analyses spanning the whole value chain. We strive that all new product designs will meet the criteria for green design products (綠色產品設計企業標準) starting no later than 2030.

We are also dedicated to the R&D, promotion and application of eco-friendly refrigerant products, and have formulated the first benchmark production line of Multilateral Fund for the Implementation of the Montreal Protocol, an international treaty designed to protect the ozone layer. We pioneered low-GWP refrigerant products that earned the first global certificate from the Air-Conditioning, Heating, and Refrigeration Institute.

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Green Procurement

In selecting our suppliers, we take into consideration their carbon footprints. For example, we completed the collection of the carbon emission data of over 4,000 suppliers in 2022, including direct greenhouse gas emissions, such as emissions from various combustion sources and direct fugitive emissions, and indirect greenhouse gas emissions, including emissions resulting from the use of electricity, heating, cooling and compressed air. We also educate our suppliers on various green strategies and have established a monitoring and assessment system to grade and guide our suppliers to reduce their carbon footprints. As of the Latest Practicable Date, we conducted training sessions for over 5,000 suppliers with regards to various environmental and social risks along the supply chain. We set in place a social responsibility assessment system for suppliers, which is standardized, transparent, cooperative, reciprocal, long-standing and forward-looking. Six red lines of social responsibilities have been specified for our suppliers, which cover the prohibitive rules on child labor, forced labor, bribery and extortion, and the occurrence of major safety, fire and environmental protection incidents. Violation of the red lines will be punished according to the severity by restricting the procurement amount or terminating the cooperation. We conduct social responsibility self-assessment for all new suppliers, so as to assess their capability to comply with laws, regulations and sustainable development agreements. High-risk suppliers which fail the on-site social responsibility assessment will not be accepted, and we will continue to supervise and assist our suppliers in rectifying any deficiency we identified and continuously improving their ESG management framework. We strive to procure eco-friendly materials in our manufacturing, such as recycled plastics and recycled scrap steel. We strive to have at least ten National Green Supply Chain Enterprises (國家級綠色供應鏈企業) as our suppliers by 2030, and promote our Midea Sustainable Development Proposals (美的可持續發展倡議書) to all of our raw material suppliers.

In terms of supply chain management, we require materials supplied by all of our suppliers to comply with requirements of Restriction of Hazardous Substances Directive, or ROHS, and Registration, Evaluation, Authorisation and Restriction of Chemicals, or REACH, satisfy the environmental directives or certifications required by national and local regulations and the government, and meet our environmental directive requirements and the above-mentioned green design requirements. A quality management system has been put in place for this purpose. Suppliers also need to provide material testing reports on hazardous substances restricted by environmental protection regulations according to our requirements. The testing reports should be valid for one year, and the suppliers should keep testing reports, drawings, management regulations and other technical documents and quality records related to the RoHS and the REACH regulation for ten years.

Green Manufacturing

We are dedicated to reducing waste, pollution and energy consumption in our manufacturing process. All our subsidiaries have set up effective waste treatment for water and gas. Through regular monitoring and third-party evaluations, we ensure that the discharge of waste water, waste gas and solid waste during the manufacturing and operation process meets the requirements under national and local laws and regulations.

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Green Logistics

We make full use of our IoT, cloud computing, artificial intelligence and other technologies to optimize transportation routes and reduce the mileage and frequency of transportation, with the goal of saving energy and reducing emissions. In addition, we actively promote green and low-carbon transportation vehicles.

Green Recycling

We have built a nationwide recycling network through online and offline platforms. Consumers can recycle and trade in used products through our retail outlets, our Weixin mini program, service lines and other channels. In 2023 alone, we recycled approximately 3.1 million units of disposed appliances.

Green Service

We provide green service through a variety of means, including our energy solutions that help customers adopt renewable energy, reduce pollution and improve energy efficiency, and our Intelligent Building Technology that helps customers transform buildings into highly efficient and green eco-systems. See "Our Offerings — Commercial & Industrial Solutions" for more details.

Social Responsibility

As a socially responsible corporate citizen, we actively share the fruits of our development with our employees and the community.

Employees

Striving to form a fair, open and inclusive organizational culture, we are committed to safeguarding and protecting the rights and interests of all of our employees and creating a working environment that makes employees feel cared for and motivated. As a global employer, we adhere to the equal employment principle and strictly prohibit discrimination of any kind to ensure that the rights and interests of our employees around the world are adequately protected. In addition, we have adopted measures to prohibit the use of child labor and forced labor and proactively protect the rights and interests of female employees. In November 2023, we were selected by Forbes as one of the World's Top Companies for Women. As of 31 March 2024, we had over 190,000 employees from over 60 countries.

We have implemented principle of openness, fairness and impartiality when conducting recruitment and has policies on compensation, equal opportunities, diversity and anti-discrimination. Accordingly, we give each job applicant an equal opportunity and we have an internal policy in place to ensure that there is no discrimination as to nationality, region, gender and ethnicity. We also offered our employees competitive compensation packages. See "Business — Employees" for more details on remuneration and benefits.

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We care about the physical and mental health of employees. We have established a fund dedicated to extending financial assistance to our employees who endure economic hardships due to illness or accidents. In 2023, we provided financial assistance through this fund to approximately 220 employees in an aggregate amount of over RMB19.2 million. We have also provided free legal counseling services for approximately 1,600 employees since 2021.

Committed to creating a corporate culture that encourages lifelong learning, we have established a sound talent training system to help our employees realize their potential and improve their professional and general skills. Our professional online learning platform, M-Learning, empowers all our employees through unique courses and practical trainings for their growth. This platform features over 28,800 e-learning courses as of 31 December 2023, including over 2,700 new courses added in 2023.

Community

We care about community and actively fulfill our corporate social responsibility by contributing to the development of local communities, giving back to society with concrete actions, and creating sustainable value in a responsible manner. We have contributed to local education in Shunde, where our headquarters are located, and to the establishment of the East China Normal University Affiliated Shunde Midea School ("華東師大順德美的學校") since 2021 through donations and by mobilizing other resources. In April 2023, we began to help establish the Second Affiliated Midea High School of the East China Normal University ("華東師大二附中美的高中"), on which we expect to spend over RMB140 million.

Corporate Governance

Advanced corporate governance (先進的治理機制), adaptive values and ideas (與時俱進的價值理念), and the growth of our management's mindset (管理層的心智成長) are the cornerstones of our long-lasting growth. Our corporate governance emphasizes the sharing and a close alignment of responsibility, authority and reward, as well as the cultivation of entrepreneurship.

Anti-bribery and Anti-corruption

We published and set in place an anti-bribery and anti-corruption policy in 2018 to safeguard our business against any fraud, bribe or corruption. The policy specifies potential bribery and corruption conduct and our anti-bribery and anti-corruption measures. We make our internal reporting channel open and available for our staff to report any suspected bribery and corruption conduct. In 2021, we further developed a whistle-blower program on a group level to ensure that such prohibited conduct would be reported without fear of retaliation, investigated by an independent third party, and that the identity of the whistle-blower along with other sensitive information will be kept confidential. We also provide regular anti-corruption and anti-bribery compliance trainings for employees and publish articles on related topics on one of our internal platforms, "Midea Compliance," which is accessible to all our employees, in order to cultivate a good compliance culture.

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EMPLOYEES

The strength and talent of our workforce are critical to the success of our businesses, and we continually strive to attract, develop and retain personnel commensurate with the needs of our businesses in their operating environments. As of 31 March 2024, we had a total of 198,790 full-time employees, including 163,006 located in mainland China and 35,784 located overseas. The following table sets forth the numbers of our employees in mainland China and overseas categorized by function as of 31 March 2024:

Function	Number of Employees
Manufacturing	154,033
Research and Development	23,330
Sales	14,256
Administrative	7,171
Total	**198,790**

Our employees are located in more than 60 countries around the world. The following table sets forth the numbers of our employees categorized by location as of 31 March 2024:

Location	Number of Employees
Mainland China	163,006
Asia Pacific (excluding mainland China)	16,144
Europe, Middle East and Africa (EMEA)	14,126
Americas	5,514
Total	**198,790**

Sharing our successes with and empowering our employees is a key aspect of our corporate culture. We always strive to provide employees with comprehensive social benefits, a safe work environment and a wide range of career development opportunities. Furthermore, we are committed to strictly complying with applicable laws, regulations and standards in different countries and regions related to workplace safety, providing a safe and healthy workplace for our employees and implementing an effective management system to help ensure employee safety and well-being.

As required by laws and regulations in mainland China, we participate in various employee social security plans, including pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans.

We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our staff, we continually refine our remuneration and incentive policies. We conduct performance evaluation for our employees regularly to provide feedback on their performance. Compensation for our staff typically consists of base salary and a performance-based salary. We decide the base salary of employees based on position value and evaluation performances and decide the performance-based salary based on performance of our Company and the employee. The remuneration distribution shows more consideration for strategic talent and ensures the market competitiveness in the salary of core talent. We make dynamic adjustments to our staff remuneration policy based on various factors, including regional differences, talent supply, staff turnover, changes in the industry and financial conditions of our Company.

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We typically enter into employment agreements, confidentiality agreements and non-compete agreements with our senior management and core employees. These employees are prohibited from joining companies that compete with us or our affiliates during their employment and for a certain period of time thereafter. We maintain a good working relationship with our employees, and have not experienced any material labor disputes.

PROPERTIES

Our corporate headquarters are located in Shunde, Guangdong Province, China. As of 31 December 2023, our Company and Major Subsidiaries in mainland China owned land use rights of 57 parcels of land, each occupying over 1,000 square meters, with an aggregate site area of approximately 6.05 million square meters. All of these land parcels have been granted land use right certificates. For the land with land use certificates, we have the right to legally occupy, use, transfer, lease, mortgage, or otherwise dispose of such land and there is no restriction on the seizure, mortgage and other forms of rights in the ownership of such lands or existence of any third-party rights during the Track Record Period.

We also own or lease certain properties in mainland China and overseas. As of 31 December 2023, we owned over 190 properties with an aggregate site area of over 12.6 million square meters. As of 31 December 2023, we leased over 100 properties with an aggregate site area of over 2.6 million square meters. The properties we own and lease are primarily used for office, manufacturing and warehousing functions. As of the Latest Practicable Date, we had not received any claims from third-parties disputing the ownership of our properties.

As of 31 December 2023, we did not have any single property with a book value accounting for 15% or more of our total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this [**REDACTED**] is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

We believe that our existing facilities are generally adequate to meet our current needs.

INSURANCE

We consider our insurance coverage to be adequate and in accordance with the commercial practices in the industries in which we operate. We have purchased property insurance covering all risks of physical loss, destruction or damage to the inventory of our products and our fixed assets. We maintain third-party insurance policies covering certain potential risks and liabilities including product liability and property liability. We mitigate our credit risks by insuring certain sales to our distributors and retailers, protecting us from non-payment of commercial debts, covering business-to-business accounts and trade receivables. We have also purchased information technology insurance mitigating risks associated with technology errors and omissions and cybersecurity breaches, among others. We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees in mainland China and statutorily required insurance coverage for overseas employees. In

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addition, we have defined benefit plans for employees of certain overseas subsidiaries, providing supplemental retirement benefits beyond the national regulatory insurance system. Our management will evaluate the adequacy of our insurance coverage from time to time and purchase additional insurance policies as needed.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Our Brazilian subsidiary, in which we acquired a majority interest in 2011, is involved in certain tax disputes which had been initiated before our acquisition. As at the Latest Practicable Date, the relevant cases (other than some disputes that have been resolved) were still ongoing. With reference to judgements of third-party attorneys, our management believes that the probability of losing the relevant lawsuits and paying compensation is low. We started negotiating the terms for the acquisition with the original shareholders of this Brazilian subsidiary in 2011. Consistent with customary practice, the original shareholders of this Brazilian subsidiary negotiated with us about the indemnification terms pertaining to the pending tax disputes involving this Brazilian subsidiary prior to our acquisition. Consequently, for the relevant disputes, they agreed to indemnify us up to a certain amount in accordance with the final verdicts in the share purchase agreement that we entered into for the acquisition in August 2011. See "Financial Information — Contingent Liabilities" for more details.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

We have adopted and implemented various policies and procedures to ensure rigorous risk management and internal control, and we are dedicated to continually improving these policies and procedures. Pursuant to our risk management policy, our key risk management objectives include: (i) identifying different types of risks; (ii) analyzing the identified risks, setting appropriate risk resistant level, and designing responsive policies and procedures; (iii) establishing a risk control and compliance management professionals organization; (iv) leveraging our IT systems to improve the accuracy and efficiency of related controls; (v)

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regularly reviewing risk management policies and relevant internal control systems to adapt to changes in regulatory updates, market conditions or our operating activities; and (vi) monitoring implementation of those designed policies and procedures.

Our risk management and internal control policies and procedures cover various aspects of our business operations, such as quality control, financial reporting, information disclosure, information system, internal control, human resources and regulatory risk management. We have taken various internal control measures and will continue to monitor and enhance our internal control policies to ensure our compliance with the requirements under the [REDACTED] rules of the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. We have formulated and implemented the Policy on Inside Information and Securities Dealing, which provides that (a) the Directors, officers or employees of the Company shall keep inside information confidential; and (b) the Company's financial results or forecasts, its annual, half-year and quarterly reports, or related information shall not be disclosed prior to the publication of announcements by the Company. Among others, the Policy on Information Disclosure we set in place, which will take effect upon the [REDACTED], provides that (i) a shareholder holding 5% or more of the shares of the Company shall notify us in the event of any change in its shareholding of the Company, any major change in its control of the Company or any other circumstances as required under the listing rules of the Company's place of listing, and (ii) the Directors, Supervisors, senior management and other staff who have access to material non-public information of the Company shall keep such information confidential and no inside information may be disclosed in the press conferences for the financial results, meetings with analysts, roadshow, meetings with potential investors or other meetings or communications in respect of the operations, financial conditions or other matters of the Company. Furthermore, the Directors, Supervisors and senior management of the Company have attended and will continue to attend trainings on securities laws and continuing compliance obligations under the [REDACTED] rules of the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. We have also engaged a compliance adviser and will continue to engage PRC and Hong Kong legal advisers to advise us on the compliance with the applicable laws, regulations and listing rules.

To comply with applicable sanctions and export controls regulations, we maintain a trade compliance program which includes policies, standard operating procedures, automated control systems, compliance governance organization and an inquiry and reporting mechanism. We have been continually investing resources to enhance the program over the past years. As part of this compliance program, we generally screen our customers and suppliers against consolidated sanctions lists. We have also incorporated sanctions compliance controls into our IT systems, which, for example, do not allow orders from or destinated to certain sanctioned countries.

We have established a Risk Control Committee to monitor the implementation of our risk management policies across our group on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Risk Control Committee currently comprises 16 members, 12 of whom are our

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executive Directors and/or members of senior management. The Risk Control Committee meets from time to time to discuss, analyze and make decisions on different risk management issues. The Risk Control Committee also discusses with and reports issues to the executive committee.

Under the leadership of the Risk Control Committee, we have adopted the "three-lines-of-defense" mechanism for risk management. Business units, functional departments at the Group level, and our internal audit department each constitute "risk defense line" and are assigned different responsibilities.

Our business and financial performance may be influenced by geopolitical risks. Geopolitical tensions have resulted in and may continue to cause changes in international trade policies and additional barriers to trade such as increased tariffs and export restrictions. During the Track Record Period, a number of our products exported to the United States, mainly under Smart Home Solutions and Intelligent Building Technology, were subject to tariffs imposed by the U.S. government, ranging from 2.0% to 25.0%. The tariff rates for most of the categories of our products subject to U.S. tariffs remained stable during the Track Record Period. In 2023, our products exported from mainland China to the United States that were subject to U.S. tariffs contributed to less than 5% of our total revenue. The tariffs imposed by the U.S. government may affect the competitiveness of our products in the U.S. market. In terms of export control, we generally import less than 0.5% of the raw materials and components we use from the United States, and the majority of the raw materials and components that we import from the United States are currently not subject to U.S. export restrictions. The raw materials and components we import from the United States consist primarily of compressors and integrated circuits. A portion of the integrated circuits from the United Sates, which makes up approximately 0.2% of the our total integrated circuit purchases in terms of value, is currently subject to U.S. export control. During the Track Record Period, we consistently complied with the applicable licensing, documentation and other requirements in accordance with U.S. export control rules and did not encounter any material issue related to U.S. export control measures including with respect to obtaining and renewing necessary licenses and fulfilling other requirements, as applicable. Our trade compliance program helps us adhere to U.S. export control requirements. In addition, we actively monitor and manage our supply chain risks, striving to diversify our supply sources. Overall, the U.S. export control measures currently in place have no material impact on our business and financial performance. Future developments in geopolitics could have further impacts on our business and financial performance. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to governmental economic sanctions and export controls laws that could subject us to liability and impair our ability to compete in overseas markets. Geopolitical tensions resulting in worsening relationship between countries and regions in which we operate may further negatively affect our business and results of operations."

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LICENSES, APPROVALS AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, we have obtained all licenses, approvals, permits and certificates that are material and necessary for our business operations in jurisdictions where we operate, and such licenses, permits, approvals and certificates are valid and subsisting.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received numerous recognitions for our technologies as well as our products and services. Some of the significant awards and recognition we received are set forth below.

Award Year	Award/Recognition	Awarding Institution/Authority
2023	Silver Award, China Patent Awards (中國專利銀獎)	China National Intellectual Property Administration
2023	Silver Award, China Design Awards (中國外觀設計銀獎)	China National Intellectual Property Administration
2023	Excellence Award, China Patent Awards (中國專利優秀獎)	China National Intellectual Property Administration
2023	Listed on the Fortune 2023 China ESG Impact List	Fortune
2023	Listed on the Most Admired Chinese Companies in 2023	Fortune
2023	Ranked 199th, Forbes Global 2000 List 2023	Forbes
2023	TIME World's Best Companies 2023	Time Magazine
2023	Ranked 1st, 2022 China Top 200 Enterprises in Light Industry (2022年度中國輕工業二百強企業)	China Light Industry Top 100 Enterprises Summit
2023	Ranked 7th, China Grand Awards for Industry (中國工業大獎)	China Federation Of Industrial Economics
2023	Gold Awards of International Exhibition of Inventions of Geneva (日內瓦國際發明展金獎)	International Exhibition of Inventions of Geneva organized by Swiss Confederation, etc.
2023	Ranked 198th, World's Top 500 Most Valuable Brands (全球最具價值品牌500強)	Brand Finance

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Award Year	Award/Recognition	Awarding Institution/Authority
2023	Ranked 30th, Google x Kantar BrandZ Chinese Global Brands (Google x Kantar BrandZ 中國全球化品牌)	Google and Kantar
2022	Ranked 6th, 2022 Top 100 Chinese Large Enterprises in Innovation	China Enterprise Confederation, China Enterprise Directors Association
2022	7th China Grand Awards for Industry (中國工業大獎)	China Federation Of Industrial Economics
2022	National Green Factory (國家綠色工廠)	Ministry of Industry and Information Technology
2021	China Quality Award (中國質量獎)	State Administration for Market Regulation
2021	Science and Technology Progress Award (科學技術進步獎)	The State Council of the People's Republic of China
2021	Listed on China New Growth – ESG Innovation Practices (中國新增長•ESG創新實踐榜)	Harvard Business Review
2021	Award for Outstanding Contribution to Environmental Protection (傑出環境貢獻獎)	United Nations Industrial Development Organization
2020	Gold Award, China Patent Awards (中國專利金獎)	China National Intellectual Property Administration