美的集團股份有限公司

Midea Group Co., Ltd.

(A joint stock company incorporated in
the People's Republic of China with limited liability)

Stock Code: 0300

GLOBAL OFFERING

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金公司 BofA SECURITIES

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

UBS 瑞銀集團 CITIC SECURITIES Goldman Sachs 高盛

Joint Bookrunners and Joint Lead Managers

华泰国际 HUATAI INTERNATIONAL 廣發証券(香港) GF SECURITIES (HONG KONG) 招银国际 CMB INTERNATIONAL

If you are in any doubt about any of the contents in this document, you should obtain independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**492,135,100 H Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**24,606,800 H Shares (subject to reallocation and the Offer Size Adjustment Option)**
Number of International Offer Shares	:	**467,528,300 H Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)**
Maximum Offer Price	:	**HK$54.80 per H Share plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**0300**

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A copy of this document, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VII, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us on or before Friday, 13 September 2024 (Hong Kong time). If, for any reason, the Offer Price is not agreed by 12:00 noon on Friday, 13 September 2024 (Hong Kong time) between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. The Offer Price will be no more than HK$54.80 per Offer Share and is currently expected to be no less than HK$52.00 per Offer Share unless otherwise announced.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. See "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for further details.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered or sold within or to the United States, or to or for the account or benefit of any U.S. person (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) solely to QIBs pursuant to an exemption from registration under Rule 144A of the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

9 September 2024

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.midea.com.cn. You may download and print from these website addresses if you want a printed copy of this prospectus.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply electronically through the HKSCC EIPO channel and cause HKSCC Nominees to apply on your behalf by instructing your **broker** or **custodian** who is an HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses stated above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 100 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable[2] on application	No. of Hong Kong Offer Shares applied for	Amount payable[2] on application	No. of Hong Kong Offer Shares applied for	Amount payable[2] on application	No. of Hong Kong Offer Shares applied for	Amount payable[2] on application
	HK$		*HK$*		*HK$*		*HK$*
100	5,535.27	4,000	221,410.63	70,000	3,874,686.05	3,000,000	166,057,974.00
200	11,070.54	5,000	276,763.29	80,000	4,428,212.65	3,500,000	193,734,303.00
300	16,605.79	6,000	332,115.95	90,000	4,981,739.22	4,000,000	221,410,632.00
400	22,141.06	7,000	387,468.61	100,000	5,535,265.80	4,500,000	249,086,961.00
500	27,676.33	8,000	442,821.27	200,000	11,070,531.60	5,000,000	276,763,290.00
600	33,211.60	9,000	498,173.93	300,000	16,605,797.40	6,000,000	332,115,948.00
700	38,746.87	10,000	553,526.58	400,000	22,141,063.20	7,000,000	387,468,606.00
800	44,282.13	20,000	1,107,053.15	500,000	27,676,329.00	8,000,000	442,821,264.00
900	49,817.39	30,000	1,660,579.75	1,000,000	55,352,658.00	9,000,000	498,173,922.00
1,000	55,352.66	40,000	2,214,106.32	1,500,000	83,028,987.00	10,000,000	553,526,580.00
2,000	110,705.31	50,000	2,767,632.90	2,000,000	110,705,316.00	12,303,400[1]	681,025,892.44
3,000	166,057.98	60,000	3,321,159.48	2,500,000	138,381,645.00		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

Hong Kong Public Offering commences . . . . .9:00 a.m. on Monday, 9 September 2024

Latest time for completing electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . .11:30 a.m. on Thursday, 12 September 2024

Application lists open[3] . . . . .11:45 a.m. on Thursday, 12 September 2024

Latest time for completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and giving **electronic application instructions** to HKSCC[4] . . . . .12:00 noon on Thursday, 12 September 2024

If you are instructing your **broker** or **custodian** who is an HKSCC Participant to submit **electronic application instructions** on your behalf through HKSCC's FINI system in accordance with your instruction to apply for the Hong Kong Offer Shares, you are advised to contact your **broker** or **custodian** for the earliest and latest time for giving such instructions, as this may vary by **broker** or **custodian**.

Application lists close[3] . . . . .12:00 noon on Thursday, 12 September 2024

Expected Price Determination Date[5] . . . . .Friday, 13 September 2024

Announcement of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.midea.com.cn**[6] at or before . . . . 11:00 p.m. on Monday, 16 September 2024

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares – B. Publication of Results" in this prospectus, including:

- in the announcement to be published on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.midea.com.cn**[6] at or before . . . . 11:00 p.m. on Monday, 16 September 2024

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function from . . . . .11:00 p.m. on Monday, 16 September 2024 to 12:00 midnight on Sunday, 22 September 2024

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on . . . . Tuesday, 17 September 2024, Thursday, 19 September 2024, Friday, 20 September 2024 and Monday, 23 September 2024

Despatch of H Share certificates or deposit of the H Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7][9] . . . . Monday, 16 September 2024

White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering to be despatched or collected on or before[8][9] . . . . .Tuesday, 17 September 2024

Dealings in the H Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . Tuesday, 17 September 2024

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 12 September 2024, the application lists will not open or close on that day. Please see "How to Apply for Hong Kong Offer Shares — E. Severe Weather Arrangements."

(4) Applicants who apply for Hong Kong Offer Shares by instructing your **broker** or **custodian** to apply for on your behalf via HKSCC EIPO channel should see "How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels."

(5) The Price Determination Date is expected to be on or before Friday, 13 September 2024. If, for any reason, our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 12:00 noon on Friday, 13 September 2024, the Global Offering will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this document.

(7) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates will only become valid evidence of title at 8:00 a.m. on Tuesday, 17 September 2024, provided that (1) the Global Offering has become unconditional in all respects and (2) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade H Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

(8) White Form e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

(9) Applicants being individuals who are eligible for personal collection must not authorize any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorized representatives bearing a letter of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Company's H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through HKSCC EIPO channel should refer to the section headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies" for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of White Form e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies."

The above expected timetable is a summary only. You should see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This document is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares by this document pursuant to the Hong Kong Public Offering. This document may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this document. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained nor made in this document must not be relied on by you as having been authorized by us, any of the Joint Sponsors, the Overall Coordinators, the Capital Market Intermediaries, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering.

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document carefully before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares.

We are a leading technology-driven global provider of Smart Home Solutions and Commercial & Industrial Solutions. Under Smart Home Solutions, we offer a wide range of home appliances for consumers; under Commercial & Industrial Solutions, our offerings cover various solutions for enterprise customers, such as home appliance compressors and motors, commercial air conditioners, industrial robots and supply chain services. As a Fortune Global 500 company for nine 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. During the Track Record Period, we generated the majority of our revenue from sales of home appliances under Smart Home Solutions.

The chart below demonstrates the highlights of our businesses:

RMB 373.7 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(5)
Top 10 Largest Active Patent Family Holder Globally(6)	**RMB 39 bn** Aggregate R&D Spending in 2021-2023	**A/A2/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, representing a market share of 14.3%, according to Frost & Sullivan

(5) In terms of revenue in 2023, according to Frost & Sullivan

(6) As at 31 December 2023, based on approximately 65,000 active patent families held by us, according to Frost & Sullivan

Our products offered under Smart Home Solutions include residential air conditioners, refrigerators, washing machines, kitchen appliances, and various other appliances. Our offerings under Commercial & Industrial Solutions include (i) industrial components such as compressors and motors and green energy solutions under Energy Solutions & Industrial Technology; (ii) integrated solutions for buildings, supported by our offerings of commercial air conditioners, elevators, building energy management and building control software, under Intelligent Building Technology; (iii) automation solutions including industrial robotics, production cells, automated systems and automated logistics systems, under Robotics & Automation; and (iv) Other Businesses, including the digital supply chain services offered by Annto Smart Logistics, the industrial software and digitalization consulting services offered by Midea Cloud, and others.

Our business is technology-driven. With 33 R&D centers and more than 23,000 R&D employees, we invest heavily in R&D, incurring more than RMB39 billion in R&D expenses from 2021 to 2023. Our R&D efforts enhance the technological sophistication of our offerings to customers. Under Smart Home Solutions, many of our home appliance products incorporate AI and other technologies that enable intelligent features, such as “smart control” enabled by IoT and AI technologies. Through Energy Solutions & Industrial Technology, we provide technologically advanced industrial components and integrated green energy solutions that enable the storage and use of renewable energy. Under Intelligent Building Technology, we offer integrated solutions for intelligent building ecosystems, with the digital platform iBUILDING at the core of such solutions. This platform digitalizes and connects various equipment and provides comprehensive data analyses and recommendations to facilitate the monitoring, control and management of buildings. In addition, KUKA Group provides sophisticated robotics and automation solutions leveraging its advanced algorithm, ranking among the world’s “big four” industrial robotics makers. Our Other Businesses are also largely technology-driven. For example, Annto Smart Logistics delivers end-to-end supply chain services that leverage data insights to optimize and manage its comprehensive logistics network, with line scheduling and fulfillment systems based on optimization algorithms.

OUR JOURNEY

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. For details of this journey, see “Business — Our Key Milestones.”

Our 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.

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	Midea	WAHIN
TOSHIBA	LittleSwan	comfee
	COOLFREE	

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 the four months ended 30 April 2024, 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.

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.

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.

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 30 June 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.

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 82 million as of 30 April 2024. 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.

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. For the years from 2021 to 2023 and the four months ended 30 April 2024, our revenue was RMB343.4 billion, RMB345.7 billion, RMB373.7 billion and RMB145.8 billion, respectively, and our net profit margin was 8.5%, 8.6%, 9.0% and 9.4%, respectively. Our ROE reached 23.6%, 22.1%, 22.1% and 25.3% in the same periods, respectively. As of the Latest Practicable Date, our credit ratings were A, A2 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:

- A leading technology-driven global provider of smart home and commercial and industrial solutions;
- Leading R&D capabilities enabling continual innovation;
- Operational excellence and digitalization across the entire value chain;

- Extensive and expanding global presence;

- Commercial & Industrial Solutions driving continued growth; and

- Progressive corporate governance and values.

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;

- Enhancing consumer reach and enriching consumer experience;

- Maximizing efficiency through digitalization;

- Accelerating global expansion; and

- Catalyzing growth with Commercial & Industrial Solutions.

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 "Business—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 and the four months ended 30 April 2024 accounted for 10.6%, 11.4%, 11.8% and 13.5%, respectively, of our revenues during the same periods.

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. During the Track Record Period, our suppliers primarily included raw material and component suppliers. Our top five suppliers for each of the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024 together accounted for 6.3%, 6.4%, 6.1% and 6.5%, respectively, of our total purchase.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our financial information during the Track Record Period, extracted from the Accountant's Report set out in Appendix I to this document. The summary financial data set forth below should be read together with, and is qualified in its entirety by reference to, our financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Summary of Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss with line items, both in absolute amounts and as percentages of our revenue, for the years/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000* *(unaudited)*	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	343,360,825	100.0	345,708,706	100.0	373,709,804	100.0	131,381,082	100.0	145,779,559	100.0
Cost of revenue	(266,450,882)	(77.6)	(262,321,797)	(75.9)	(275,320,160)	(73.7)	(99,348,589)	(75.6)	(106,469,785)	(73.0)
Gross profit	**76,909,943**	**22.4**	**83,386,909**	**24.1**	**98,389,644**	**26.3**	**32,032,493**	**24.4**	**39,309,774**	**27.0**
Selling and marketing expenses	(28,646,188)	(8.3)	(28,715,439)	(8.3)	(34,880,794)	(9.3)	(11,248,192)	(8.6)	(14,624,289)	(10.0)
General and administrative expenses	(10,742,475)	(3.1)	(12,023,970)	(3.5)	(13,975,965)	(3.7)	(3,911,452)	(3.0)	(4,630,693)	(3.3)
Research and development expenses	(12,014,891)	(3.5)	(12,667,099)	(3.7)	(14,586,346)	(3.9)	(4,327,729)	(3.3)	(4,960,679)	(3.4)
Net impairment losses on financial assets and contract assets	(384,501)	(0.1)	(538,108)	(0.2)	(235,002)	(0.1)	(179,526)	(0.1)	(56,212)	(0.0)
Other income	6,177,047	1.8	7,088,757	2.1	8,120,251	2.2	2,370,278	1.8	2,862,663	2.0
Other gains/(losses), net	2,777,178	0.8	(1,065,436)	(0.3)	(945,664)	(0.3)	271,205	0.2	(2,012,940)	(1.4)
Operating profit	**34,076,113**	**9.9**	**35,465,614**	**10.3**	**41,886,124**	**11.2**	**15,007,077**	**11.4**	**15,887,624**	**10.9**
Finance income	401,501	0.1	793,175	0.2	1,085,256	0.3	275,801	0.2	590,833	0.4
Finance costs	(1,299,556)	(0.4)	(1,902,422)	(0.6)	(3,372,815)	(0.9)	(1,151,972)	(0.9)	(485,846)	(0.3)
Finance (costs)/income, net	(898,055)	(0.3)	(1,109,247)	(0.4)	(2,287,559)	(0.6)	(876,171)	(0.7)	104,987	0.1
Share of profit of associates and joint ventures, net	560,679	0.2	608,278	0.2	680,759	0.2	224,055	0.2	239,455	0.2
Impairment provision for investments in associates and joint ventures	–	–	(6,179)	(0.0)	–	–	–	–	–	–
Profit before income tax	**33,738,737**	**9.8**	**34,958,466**	**10.1**	**40,279,324**	**10.8**	**14,354,961**	**10.9**	**16,232,066**	**11.2**
Income tax expense	(4,707,309)	(1.3)	(5,146,341)	(1.5)	(6,532,371)	(1.8)	(2,229,553)	(1.7)	(2,585,791)	(1.8)
Profit for the year/period	**29,031,428**	**8.5**	**29,812,125**	**8.6**	**33,746,953**	**9.0**	**12,125,408**	**9.2**	**13,646,275**	**9.4**
Attributable to:										
Owners of the Company	28,586,980	8.4	29,553,342	8.5	33,721,536	9.0	11,995,920	9.1	13,461,205	9.3
Non-controlling interests	444,448	0.1	258,783	0.1	25,417	0.0	129,488	0.1	185,070	0.1

Revenue

The following table sets forth a breakdown of our revenue among Smart Home Solutions, Commercial & Industrial Solutions and others, including the respective revenue from each main product category under Smart Home Solutions and each business unit under Commercial & Industrial Solutions, during the Track Record Period, both in absolute amounts and as percentages of total revenue, for the years/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Revenue										
Air conditioners	104,108,047	30.3	108,638,571	31.4	112,982,505	30.2	43,060,203	32.8	48,054,657	33.0
Laundry appliances and refrigerators	62,883,096	18.3	62,713,261	18.1	68,288,642	18.3	24,008,567	18.3	26,551,938	18.2
Kitchen and other appliances	67,926,859	19.8	61,473,732	17.8	65,080,257	17.4	21,941,156	16.7	24,633,108	16.9
Smart Home Solutions	**234,918,001**	**68.4**	**232,825,564**	**67.3**	**246,351,404**	**65.9**	**89,009,926**	**67.8**	**99,239,703**	**68.1**
Energy Solutions & Industrial Technology	20,111,476	5.9	21,618,496	6.3	27,874,277	7.5	9,512,855	7.2	11,108,348	7.6
Intelligent Building Technology	19,690,855	5.7	22,778,244	6.6	25,914,181	6.9	9,874,995	7.5	10,532,805	7.2
Robotics & Automation	25,286,615	7.4	27,712,820	8.0	31,053,073	8.3	10,017,504	7.6	9,222,915	6.3
Other Businesses	8,290,412	2.4	11,529,651	3.3	12,939,776	3.5	3,553,030	2.7	4,199,236	2.9
Commercial & Industrial Solutions	**73,379,358**	**21.4**	**83,639,210**	**24.2**	**97,781,307**	**26.2**	**32,958,384**	**25.0**	**35,063,304**	**24.0**
Others	**35,063,466**	**10.2**	**29,243,932**	**8.5**	**29,577,093**	**7.9**	**9,412,772**	**7.2**	**11,476,552**	**7.9**
Total	**343,360,825**	**100.0**	**345,708,706**	**100.0**	**373,709,804**	**100.0**	**131,381,082**	**100.0**	**145,779,559**	**100.0**

Gross Profit and Gross Margin

The following table sets forth a breakdown of our gross profit among Smart Home Solutions, Commercial & Industrial Solutions and others, including the respective gross profit of each main product category under Smart Home Solutions and each business unit under Commercial & Industrial Solutions, for the years/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	Gross profit RMB'000	*Gross margin %*	*Gross profit RMB'000*	*Gross margin %*	*Gross profit RMB'000*	*Gross margin %*	*Gross profit RMB'000 (unaudited)*	*Gross margin %*	*Gross profit RMB'000*	*Gross margin %*
Air conditioners	22,604,340	21.7	25,422,272	23.4	29,452,538	26.1	9,397,106	21.8	12,525,438	26.1
Laundry appliances and refrigerators	17,049,311	27.1	18,898,848	30.1	22,189,827	32.5	7,650,792	31.9	8,958,800	33.7
Kitchen and other appliances	19,198,244	28.3	18,499,236	30.1	21,726,330	33.4	6,798,536	31.0	8,236,693	33.4
Smart Home Solutions	**58,851,895**	**25.1**	**62,820,356**	**27.0**	**73,368,695**	**29.8**	**23,846,434**	**26.8**	**29,720,931**	**29.9**
Energy Solutions & Industrial Technology	2,439,657	12.1	3,154,867	14.6	5,027,566	18.0	1,467,575	15.4	2,193,884	19.7
Intelligent Building Technology	5,365,588	27.2	6,346,521	27.9	7,744,598	29.9	2,919,927	29.6	3,330,484	31.6
Robotics & Automation	5,345,136	21.1	5,686,768	20.5	7,373,993	23.7	2,241,729	22.4	2,225,661	24.1
Other Businesses	1,203,039	14.5	1,449,164	12.6	1,672,781	12.9	398,414	11.2	444,561	10.6
Commercial & Industrial Solutions	**14,353,420**	**19.6**	**16,637,320**	**19.9**	**21,818,938**	**22.3**	**7,027,645**	**21.3**	**8,194,590**	**23.4**
Others	**3,704,628**	**10.6**	**3,929,233**	**13.4**	**3,202,011**	**10.8**	**1,158,414**	**12.3**	**1,394,253**	**12.1**
Total	**76,909,943**	**22.4**	**83,386,909**	**24.1**	**98,389,644**	**26.3**	**32,032,493**	**24.4**	**39,309,774**	**27.0**

Profit for the Year/Period

Our profit for the period increased from RMB12.1 billion in the four months ended 30 April 2023 to RMB13.6 billion in the four months ended 30 April 2024. This increase was mainly due to (i) an increase in our revenue from Smart Home Solutions, primarily driven by increased consumer demand for our air conditioners, laundry appliances, refrigerators and kitchen appliances as a result of enhanced product competitiveness from our continued innovation and upgrades, and (ii) an increase in our revenue from Commercial & Industrial Solutions, primarily driven by (x) an increase in revenue of our Energy Solutions & Industrial Technology business driven by increased sales of core industrial components and the consolidation of Clou Electronics in our financial statements following our acquisition of Clou Electronics, (y) an increase in revenue of our Intelligent Building Technology, as a result of strong sales of certain key products, and (z) an increase in revenue of our Other Businesses, partially offset by (i) an increase in our cost of revenue, primarily due to our increased raw materials and consumables used, which was generally in line with our growth in revenue, and (ii) an increase in our expenses, largely driven by our business growth.

Our profit for the year increased from RMB29.8 billion in 2022 to RMB33.7 billion in 2023. This increase was mainly due to an increase in our revenue from Smart Home Solutions, primarily driven by increased consumer demand for our air conditioners, laundry appliances, refrigerators and kitchen appliances as a result of enhanced product competitiveness from our continued innovation and upgrades, partially offset by (i) an increase in our cost of revenue, primarily due to our increased raw materials and consumables used, which was generally in line with our growth in revenue, and (ii) an increase in our expenses, largely driven by our business growth.

Our profit for the year increased from RMB29.0 billion in 2021 to RMB29.8 billion in 2022. This increase was mainly due to (i) an increase in our revenue from Commercial & Industrial Solutions, primarily driven by (x) an increase in revenue of our Intelligent Building Technology, as a result of strong growth of overseas heat pump sales, (y) an increase in revenue of our Robotics & Automation, as a result of strong demand from automotive customers, particularly in mainland China, and the sales growth of Swisslog's logistics systems, and (z) an increase in revenue of our Other Businesses, including the intelligent supply chain business operated by Annto Smart Logistics, and (ii) a decrease in our cost of revenue partially attributable to a decline in raw material costs, partially offset by a decline in revenue from Smart Home Solutions as we proactively streamlined certain product categories and faced macroeconomic headwind that resulted in a decrease in consumer demand for certain home appliance products.

For details, see "Financial Information — Period to Period Comparison of Results of Operations."

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position for the years/periods indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	139,074,597	161,451,641	204,715,035	205,141,554
Total current assets	248,864,505	261,099,271	281,320,980	304,016,205
Total assets	**387,939,102**	**422,550,912**	**486,036,015**	**509,157,759**
Total non-current liabilities	30,267,757	64,288,606	60,492,344	61,034,759
Total current liabilities	222,851,476	206,341,741	251,245,721	279,733,408
Net current assets	**26,013,029**	**54,757,530**	**30,075,259**	**24,282,797**
Total liabilities	**253,119,233**	**270,630,347**	**311,738,065**	**340,768,167**
Net assets	**134,819,869**	**151,920,565**	**174,297,950**	**168,389,592**
Share Capital	6,986,564	6,997,273	7,025,769	6,974,933
Treasury shares	(14,044,550)	(14,933,944)	(12,871,738)	(7,651,734)
Reserves	28,943,657	31,193,091	32,440,770	28,766,505
Retained earnings	102,979,342	119,675,616	136,282,362	128,872,334
Equity attributable to owners of our Company	124,865,013	142,932,036	162,877,163	156,962,038
Non-controlling interests	9,954,856	8,988,529	11,420,787	11,427,554
Total equity	**134,819,869**	**151,920,565**	**174,297,950**	**168,389,592**

For details of our fluctuation in key items of our consolidated statements of financial position and net current assets during the Track Record Period, see "Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position."

Our net assets decreased from RMB174.3 billion as at 31 December 2023 to RMB168.4 billion as at 30 April 2024, mainly due to the declared dividends of RMB20.8 billion in the four months ended 30 April 2024, partially offset by our profit for the period of RMB13.6 billion for the four months ended 30 April 2024. We recorded profit for the period of RMB13.6 billion for the four months end 30 April 2024, mainly as a result of the increases in our revenue from Smart Home Solutions driven by increased consumer demand and our revenue from multiple businesses under Commercial & Industry Solutions. See "— Summary of Consolidated Statements of Profit or Loss — Profit for the Year/Period" for details. We incurred dividends of RMB20.8 billion in the four months ended 30 April 2024 as part of our profit distribution to shareholders. See "Dividend Policy″ for details.

Our net assets increased from RMB151.9 billion as at 31 December 2022 to RMB174.3 billion as at 31 December 2023, mainly due to our profit for the year of RMB33.7 billion in 2023, partially offset by the dividends of RMB17.5 billion in 2023. We recorded profit for the year of RMB33.7 billion in 2023, mainly as a result of an increase in our revenue from Smart

Home Solutions driven by increased consumer demand. See "— Summary of Consolidated Statements of Profit or Loss — Profit for the Year" for details. We incurred dividends of RMB17.5 billion in 2023 as part of our profit distribution to shareholders. See "Dividend Policy" for details.

Our net assets increased from RMB134.8 billion as at 31 December 2021 to RMB151.9 billion as at 31 December 2022, mainly due to our profit for the year of RMB29.8 billion in 2022, partially offset by the dividends of RMB11.9 billion in 2022. We recorded profit for the year of RMB29.8 billion in 2022, mainly as a result of an increase in our revenue from Commercial & Industry Solutions and a decrease in cost of revenue. See "— Summary of Consolidated Statements of Profit or Loss — Profit for the Year" for details. We incurred dividends of RMB11.9 billion in 2022 as part of our profit distribution to shareholders. See "Dividend Policy" for details.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the years/periods indicated:

	For the Year Ended 31 December			For the Four Months Ended 30 April	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash generated from operating activities	35,448,953	34,657,828	57,902,611	11,820,270	16,916,694
Net cash generated from/(used in) investing activities	13,599,586	(13,509,510)	(31,219,855)	(27,842,393)	(8,577,869)
Net cash (used in)/generated from financing activities	(31,561,788)	(10,854,881)	(17,910,213)	10,785,347	(3,731,916)
Net increase/(decrease) in cash and cash equivalents	17,486,751	10,293,437	8,772,543	(5,236,776)	4,606,909
Cash and cash equivalents at the beginning of the year/period	**23,548,508**	**40,550,039**	**51,131,968**	**51,131,968**	**59,887,260**
Exchange (losses)/gains on cash and cash equivalents	(485,220)	288,492	(17,251)	(66,853)	(241,798)
Cash and cash equivalents at the end of the year/period	**40,550,039**	**51,131,968**	**59,887,260**	**45,828,339**	**64,252,371**

Key Financial Ratios

	As at/For the Year Ended 31 December			As at/For the Four Months Ended
	2021	2022	2023	30 April 2024
Net profit margin	8.5%	8.6%	9.0%	9.4%
ROE[(1)]	23.6%	22.1%	22.1%	25.3%
Inventory turnover days[(2)]	53	64	62	50
Trade and note receivables turnover days[(3)]	31	33	35	36
Operating cash flow conversion ratio[(4)]	1.2	1.2	1.7	1.3
Gearing ratio[(5)]	65.2%	64.0%	64.1%	66.9%

Notes:

(1) ROE is calculated by dividing profit for the year/period attributable to the owners of our Company by the average balance of equity attributable to owners of our Company. For the four months ended 30 April 2024, ROE is annualized by multiplying the number by three.

(2) Inventory turnover days is calculated as the average of beginning and ending balance of inventories for the year/period divided by cost of revenue for that year/period and multiplied by 365 days (for a year) or 121 days (for the four-month period).

(3) Trade and note receivables turnover days is calculated as the average of beginning and ending balance of trade and note receivables at amortized cost for the year/period divided by revenue for that year/period and multiplied by 365 days (for a year) or 121 days (for the four-month period).

(4) Operating cash flow conversion ratio is calculated by dividing net cash generated from operating activities by profit for the year/period.

(5) Gearing ratio is calculated by dividing total liabilities by total assets of the year/period.

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, including (i) risks relating to our business and industries and (ii) risks relating to the Global Offering, which are set out in the section headed “Risk Factors” in this document. You should read that section in its entirety carefully before you decide to invest in the Offer Shares. Some of the major risks we face include, but are not limited to:

- Global markets for our products and services are highly competitive and subject to rapid technological changes, and we may be unable to compete effectively in these markets;

- If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected;

- Maintaining our brand image is critical to our success, and any failure to do so could severely damage our reputation and brands, which would have a material adverse effect on our business, financial condition and results of operations;

- We may face risks and challenges in developing our Commercial & Industrial Solutions;

- Our business may be adversely affected if we fail to introduce new products and services on a timely basis to adapt to rapidly evolving customer needs and advancements in technology, and our investments in research and development may not yield the expected results;

- If we fail to grow or retain our customer base, or if customer satisfaction declines, our business and operating results may be materially and adversely affected;

- We may face challenges managing our expansion into new products, services and business activities;

- If we are not able to continue to innovate or if we fail to adapt to changes in our industry, our business, financial condition and results of operations would be materially and adversely affected; and

- Our business is subject to legal, regulatory, political, economic, commercial and other risks associated with conducting operations in various jurisdictions.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our business, financial condition and results of operations since 30 April 2024, which is the end date of the years/period reported on in the Accountant's Report in Appendix I to this document, and there is no event since 30 April 2024 which would materially affect the information as set out in the Accountant's Report in Appendix I to this document.

Summary of Unaudited Financial Information for the Six Months Ended 30 June 2024

We are a public company listed on the Shenzhen Stock Exchange and we have disclosed unaudited key financial information prepared under PRC GAAP as at and for the six months ended 30 June 2024 pursuant to the relevant PRC securities laws and regulations. We have included our unaudited interim condensed consolidated financial information prepared in accordance with IAS 34, *Interim Financial Reporting* as at and for the six months ended 30 June 2024 in Appendix IA to this document. Our unaudited interim condensed consolidated financial information as at and for the six months ended 30 June 2024 has been reviewed by our reporting accountant in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. The members of the Board, including those of the Audit Committee, have received and reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2024, as set out in Appendix IA to this document. We have complied with the code provisions in Part 2 of Appendix C1 to the Listing Rules. We are not in breach of our Articles of Association or laws and regulations of the PRC or other regulatory requirements regarding our obligation to distribute interim reports in accordance with the requirements under Rule 13.48(1) of the Listing Rules. Pursuant to the Note to Rule 13.48(1) of the Listing Rules, we do not intend to distribute a separate interim report in respect of the six months ended 30 June 2024 under the aforementioned Rule.

Our revenue increased by 10.3% from RMB197.8 billion for the six months ended 30 June 2023 to RMB218.1 billion for the six months ended 30 June 2024. Specifically, our revenue from Smart Home Solutions increased by 11.4% from RMB132.4 billion for the six months ended 30 June 2023 to RMB147.6 billion for the six months ended 30 June 2024, and our revenue from Commercial & Industrial Solutions increased by 6.3% from RMB50.3 billion to RMB53.4 billion during the same period. Our gross profit increased by 18.3% from RMB49.4 billion for the six months ended 30 June 2023 to RMB58.5 billion for the six months ended 30 June 2024, and our overall gross margin increased from 25.0% to 26.8% during the same period. Specifically, our gross profit for Smart Home Solutions increased by 20.1% from RMB36.7 billion for the six months ended 30 June 2023 to RMB44.1 billion for the six months ended 30 June 2024, with gross margin increasing from 27.7% to 29.9% during the same period, and our gross profit for Commercial & Industrial Solutions increased by 12.6% from RMB11.1 billion for the six months ended 30 June 2023 to RMB12.5 billion for the six months ended 30 June 2024, with gross margin increasing from 22.1% to 23.4% during the same period. Our profit for the period increased by 14.1% from RMB18.5 billion for the six months ended 30 June 2023 to RMB21.1 billion for the six months ended 30 June 2024. See "Appendix IA — Unaudited Interim Condensed Consolidated Financial Information" for details and "Financial Information — Recent Development and No Material Adverse Change — Summary of Unaudited Financial Information for the Six Months Ended 30 June 2024" for our discussion of fluctuations of selected line items.

OUR LISTING ON THE SHENZHEN STOCK EXCHANGE

Since 2013, our Company has been listed on the Shenzhen Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shenzhen Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors' attention in relation to our compliance record on the Shenzhen Stock Exchange. Based on the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation with regard to the compliance records of the Company on the Shenzhen Stock Exchange.

OUR LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, our Company was held as to approximately 31.0% by Midea Holding, which was in turn held as to 94.5% by Mr. He, the founder of our Company. Separately, Mr. He also held approximately 0.5% direct interest in our Company, and together with the Shares held by Midea Holding, Mr. He was interested in approximately 31.5% in our Company.

Immediately following the completion of the Global Offering and assuming that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing, Midea Holding will hold approximately 29.0% of the issued share capital of our Company and Mr. He will, directly and indirectly, hold approximately 29.4% of the issued share capital of our Company. Accordingly, Midea Holding and Mr. He will be our Largest Group of Shareholders immediately after the Listing.

For further details about our Largest Group of Shareholders, please see the section headed "Relationship with our Largest Group of Shareholders".

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 492,135,100 H Shares are newly issued in the Global Offering, (ii) the Offer Size Adjustment Option and the Over-allotment Option for the Global Offering are not exercised, and (iii) 7,485,265,951 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK$52.00 per H Share	**Based on an Offer Price of HK$54.80 per H Share**
Market capitalization of our H Shares	HK$25,591.0 million	HK$26,969.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(1)	HK$20.84 (RMB19.01)	HK$21.03 (RMB19.18)

Notes:

(1) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this document and on the basis that 7,485,265,951 Shares were in issue, assuming that the Global Offering had been completed on 30 April 2024 but does not take into account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option, any Shares that may be issued by the Company pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time under the Share Schemes or any Shares which may be issued or repurchased by the Company after the Latest Practicable Date.

(2) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 April 2024.

For the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share, see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this document.

USE OF PROCEEDS

Assuming an Offer Price of HK$53.40 per H Share (being the mid-point of the Offer Price range of between HK$52.00 and HK$54.80 per H Share), we estimate that we will receive net proceeds of approximately HK$25,972 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 20% of the net proceeds, or approximately HK$5,194 million, is expected to be used for our worldwide research and development efforts;
- approximately 35% of the net proceeds, or approximately HK$9,090 million, is expected to be used for continual investment in upgrading our intelligent manufacturing system and supply chain management;
- approximately 35% of the net proceeds, or approximately HK$9,090 million, is expected to be used for enhancing our distribution channels and sales network around the world and increasing our overseas sales under our own brands; and
- approximately 10% of the net proceeds, or approximately HK$2,597 million, is expected to be used for working capital and general corporate purposes.

See the section headed "Future Plans and Use of Proceeds" in this document for further information relating to our future plans and use of proceeds from the Global Offering, including the adjustment on the allocation of the net proceeds in the event that the final Offer Price is set to be above or below the mid-point of the Offer Price range.

DIVIDEND POLICY

Subject to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (2023 Revision) (《上市公司監管指引第3號 —上市公司現金分紅(2023年修訂)》), and Articles 156 through 161 of the Articles of Association, we are required to pay cumulative cash dividends of any three fiscal years that account for not less than 30% of our average net profits for those three fiscal years which are available for distribution, calculated in accordance with PRC GAAP. In 2022, our Shareholder Return Plan for 2022-2024 was adopted. We have strictly implemented this plan, which specifies the decision-making process for dividend standards, dividend ratios and profit distribution policies, aiming to ensure a consistent profit distribution policy and to protect the legitimate interests of minority shareholders.

Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant.

During the Track Record Period, we declared cash dividends to our shareholders as follows:

	For the Year Ended 31 December			For the Four Months Ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Final dividends in respect of the previous year, declared or paid during the year/period (tax inclusive)	11,066,392	11,677,509	17,188,858	–	20,780,278
Dividends of lapsed restricted shares	(13,663)	(25,484)	(44,594)	(7,242)	(3,926)
Dividends provided during the year /period	**11,052,729**	**11,652,025**	**17,144,264**	**(7,242)**	**20,776,352**

LISTING EXPENSES

Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, an Offer Price of HK$53.40 per Offer Share (which is the mid-point of the Offer Price range) and the full payment of the discretionary incentive fee, if any, we expect to incur approximately RMB280.8 million (equivalent to HK$307.8 million) of listing expenses (including (i) underwriting-related expenses, including but not limited to commissions, fees, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, amounting to approximately RMB193.8 million, and (ii) fees and expenses of legal advisers and accountants amounted to approximately RMB67.3 million and other fees and expenses relating to the Global Offering, including but not limited to the listing application fees, amounted to approximately RMB19.7 million), accounting for approximately 1.2% of the gross proceeds from the Global Offering. Approximately RMB12.6 million of our listing expenses is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately RMB268.2 million is expected to be deducted from equity upon Listing. During the Track Record Period, we incurred listing expenses of RMB38.3 million, of which (i) RMB4.3 million was charged to the consolidated statements of profit or loss, and (ii) RMB34.0 million was directly attributable to the offering and listing of our Offer Shares and will be deducted from equity upon the Listing. The estimate of listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

KEY STATISTICS OF GLOBAL OFFERING

Global Offering	Global offering of initially 492,135,100 Offer Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option) comprising the following: • the Hong Kong Public Offering of 24,606,800 Shares (subject to reallocation and the Offer Size Adjustment Option); and • the International Offering of 467,528,300 Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)
Offer Size Adjustment Option	Up to 73,820,200 additional Offer Shares representing in aggregate up to 15.0% of the initial number of Offer Shares at the Offer Price to cover additional market demand *Note: The additional Offer Shares will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Offering as determined after the application of the clawback arrangements. However, if the Hong Kong Public Offering is fully subscribed with no over-subscription, the additional Offer Shares pursuant to the Offer Size Adjustment Option will all be allocated to the International Offering due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares in the Global Offering after exercise of the Offer Size Adjustment Option. See "Structure of the Global Offering — Offer Size Adjustment Option."*
Over-allotment Option	Up to 73,820,200 additional Offer Shares representing not more than 15% of the number of Offer Shares initially being offered under the Global Offering (assuming the Offer Size Adjustment Option is not exercised) or up to 84,893,200 additional Offer Shares representing not more than 15% of the number of Offer Shares being offered under the Global Offering (assuming the Offer Size Adjustment Option is exercised in full) to be issued upon exercise
Offer Price Range	HK$52.00 per Offer Share to HK$54.80 per Offer Share

Market Capitalization at Listing

Expected to be between HK$389,233.8 million (based on the Offer Price of HK$52.00 per Offer Share) and HK$410,192.6 million (based on the Offer Price of HK$54.80 per Offer Share) (assuming neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised)

Expected to be between HK$393,072.5 million (based on the Offer Price of HK$52.00 per Offer Share) and HK$414,237.9 million (based on the Offer Price of HK$54.80 per Offer Share) (assuming the Offer Size Adjustment Option is fully exercised and the Over-allotment Option is not exercised)

Board Lot

100 H Shares

OUR SHAREHOLDING STRUCTURE

The following tables set forth the shareholding structure of the Company showing the effect of the exercise of the Over-allotment Option in full, (a) assuming that the Offer Size Adjustment Option is not exercised; and (b) assuming that the Offer Size Adjustment Option is fully exercised.

(a) Assuming that the Offer Size Adjustment Option is not exercised

The table below sets forth the shareholding structure of the Company assuming that the Offer Size Adjustment Option is not exercised (a) as of the Listing Date; and (b) as at the end of the Over-allotment Option exercise period, assuming that the Over-allotment Option is fully exercised.

		As of the Listing Date (assuming that the Offer Size Adjustment Option is not exercised)		As at the end of the Over-allotment Option exercise period, assuming that the Over-allotment Option is fully exercised	
	Description of Shares	Number of Shares	Approximate % of the issued share capital	Number of Shares	Approximate % of the issued share capital
Midea Holding[1]	A Shares	2,169,178,713	29.0%	2,169,178,713	28.7%
Mr. He	A Shares	31,909,643	0.4%	31,909,643	0.4%
Mr. Fang Hongbo	A Shares	116,990,492	1.6%	116,990,492	1.5%
Other A Shareholders	A Shares	4,675,052,003	62.5%	4,675,052,003	61.8%
H Shareholders	H Shares	492,135,100	6.6%	565,955,300	7.5%
Total		7,485,265,951	100.0%	7,559,086,151	100.0%

Note:

(1) Midea Holding is held as to 94.5% by Mr. He.

(b) Assuming that the Offer Size Adjustment Option is fully exercised

The table below sets forth the shareholding structure of the Company assuming that the Offer Size Adjustment Option is fully exercised: (a) as of the Listing Date; and (b) as at the end of the Over-allotment Option exercise period, assuming that the Over-allotment Option is fully exercised.

		As of the Listing Date (assuming that the Offer Size Adjustment Option is fully exercised)		As at the end of the Over-allotment Option exercise period, assuming that the Over-allotment Option is fully exercised	
	Description of Shares	Number of Shares	Approximate % of the issued share capital	Number of Shares	Approximate % of the issued share capital
Midea Holding[1]	A Shares	2,169,178,713	28.7%	2,169,178,713	28.4%
Mr. He	A Shares	31,909,643	0.4%	31,909,643	0.4%
Mr. Fang Hongbo	A Shares	116,990,492	1.5%	116,990,492	1.5%
Other A Shareholders	A Shares	4,675,052,003	61.8%	4,675,052,003	61.2%
H Shareholders	H Shares	565,955,300	7.5%	650,848,500	8.5%
Total		7,559,086,151	100.0%	7,643,979,351	100.0%

Note:

(1) Midea Holding is held as to 94.5% by Mr. He.

POTENTIAL SPIN-OFF

Having considered, amongst others, the market conditions, financing needs and development of the subsidiaries and business, we intend to spin off Annto Smart Logistics and retain the possibility to spin-off Midea Lighting and certain business under the robotics and automation system business segment reported in the financial statements of our Company ("**Robotics & Automation System Related Business**").

We have commenced the preliminary preparatory work of the spin-off Annto Smart Logistics. In addition, our Company wishes to retain the possibility to spin-off Midea Lighting and the Robotics & Automation System Related Business within three years after the Listing, and does not currently have any detailed plan in relation to such potential spin-off.

The potential spin-off will be subject to compliance with all applicable requirements of the Hong Kong Listing Rules including, without limitation, Practice Note 15, unless otherwise waived by the Hong Kong Stock Exchange. We have obtained from the Hong Kong Stock Exchange a waiver from strict compliance with the three-year restriction requirement under paragraph 3(b) of Practice Note 15 in relation to the potential spin-offs of Midea Lighting, Annto Smart Logistics and the Robotics & Automation System Related Business. The potential spin-offs will remain subject to other requirements of Practice Note 15.

Notwithstanding the above, the potential spin-offs remain highly uncertain and could be subject to material changes in the future.

Company	Midea Group Co., Ltd. (美的集團股份有限公司)
Global Offering	Global offering of initially 492,135,100 Offer Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option) comprising the following: • the Hong Kong Public Offering of 24,606,800 Shares (subject to reallocation and the Offer Size Adjustment Option); and • the International Offering of 467,528,300 Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)
Offer Size Adjustment Option	Up to 73,820,200 additional Offer Shares representing in aggregate up to 15.0% of the initial number of Offer Shares at the Offer Price to cover additional market demand. See "Structure of the Global Offering – Offer size Adjustment Option."
Over-allotment Option	Up to 73,820,200 additional Offer Shares representing not more than 15% of the number of Offer Shares initially being offered under the Global Offering (assuming the Offer Size Adjustment Option is not exercised) or up to 84,893,200 additional Offer Shares representing not more than 15% of the number of Offer Shares being offered under the Global Offering (assuming the Offer Size Adjustment Option is exercised in full) to be issued upon exercise of the Over-allotment Option
Offer Price Range	HK$52.00 per Offer Share to HK$54.80 per Offer Share
Price Determination Date	The Offer Price is expected to be determined on or before Friday, 13 September 2024 and in any event no later than 12:00 noon on Friday, 13 September 2024

Lock-up Undertakings

- The Company – no issuance of new Shares for six (6) months from the Listing Date, except (a) pursuant to the Global Offering (including the Offer Size Adjustment Option and the Over-allotment Option); or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules

- Largest Group of Shareholders – no disposal of Shares in the period commencing on the date by reference to which disclosure of their shareholdings are made in this prospectus and ending on the date which is six (6) months from the Listing Date

- Cornerstone Investors – no disposal of H Shares for six (6) months from the Listing Date

See "Underwriting" and "Cornerstone Investors."

Market Capitalization at Listing

Expected to be between HK$389,233.8 million (based on the Offer Price of HK$52.00 per Offer Share) and HK$410,192.6 million (based on the Offer Price of HK$54.80 per Offer Share) (assuming neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised)

Expected to be between HK$393,072.5 million (based on the Offer Price of HK$52.00 per Offer Share) and HK$414,237.9 million (based on the Offer Price of HK$54.80 per Offer Share) (assuming the Offer Size Adjustment Option is fully exercised and the Over-allotment Option is not exercised)

Board Lot

100 H Shares

Listing and Trading

Expected to commence on Tuesday, 17 September 2024

See "Underwriting" and "Structure of the Global Offering."

In this document, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in "Glossary of Technical Terms" in this document.

"**A Share(s)**"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in Renminbi
"**Accountant's Report**"	the accountant's report of our Company for the Track Record Period, as included in Appendix I
"**affiliate(s)**"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"**AFRC**"	the Accounting and Financial Reporting Council of Hong Kong
"**Annto Smart Logistics**"	Annto Logistics Supply Chain Technology Co., Ltd. (安得智聯供應鏈科技股份有限公司), a PRC subsidiary of ours established on 24 February 2011
"**Articles**" or "**Articles of Association**"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this document
"**associate(s)**"	has the meaning ascribed thereto under the Listing Rules
"**Audit Committee**"	the audit committee of the Board
"**big four**"	internationally recognized industrial robotics companies, including KUKA Group
"**Board**" or "**Board of Directors**"	the board of Directors of our Company
"**business day**"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong

"**Capital Market Intermediaries**"	the capital market intermediaries as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"**CCASS**"	the Central Clearing and Settlement System established and operated by HKSCC
"**China**" or "**the PRC**"	the People's Republic of China
"**Clivet**"	Clivet S.P.A, a company incorporated in Italy on 1 March 1988 and acquired by us in 2016
"**Clou Electronics**"	Shenzhen CLOU Electronics Co. Ltd (深圳市科陸電子科技股份有限公司), a PRC company established on 12 August 1996 and acquired by us in 2023, the shares of which have been listed on the Shenzhen Stock Exchange (stock code: 002121)
"**Companies Ordinance**"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"**Companies (Winding Up and Miscellaneous Provisions) Ordinance**" or "**CWUMPO**"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"**Company**", "**our Company**", or "**the Company**"	Midea Group Co., Ltd. (美的集團股份有限公司), a PRC company established on 7 April 2000, the A Shares of which have been listed on the Shenzhen Stock Exchange (stock code: 000333)
"**connected person(s)**"	has the meaning ascribed to it under the Listing Rules
"**connected transaction(s)**"	has the meaning ascribed to it under the Listing Rules
"**COVID-19**"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus
"**CSRC**"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"**Director(s)**"	the director(s) of our Company
"**EIT**"	the enterprise income tax

"**EIT Law**"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》), which was promulgated on 16 March 2007, came into effect on 1 January 2008, and was most recently amended on 29 December 2018 becoming effective on the same date
"**Eligible Core Connected Person Participants**"	Eligible Employees who are directors, supervisors and chief executives at subsidiary level of the Company
"**Eligible Employee(s)**"	employees of the Group selected by the Company, who are also willing to participate in the Employee Preferential Offering and satisfy the following criteria: (a) remain to be an employee of the Group as of the date of this prospectus; (b) are not a core connected person of the Company (other than by nature of being a director, supervisor or chief executive of a subsidiary of the Company, where applicable); (c) are not any person whose acquisition of securities will be financed directly or indirectly by a core connected person (other than by himself/herself where he/she is a director, supervisor or chief executive of a subsidiary of the Company); (d) are not any person who is accustomed to take instructions from a core connected person (other than from himself/herself where he/she is a director, supervisor or chief executive of a subsidiary of the Company, where applicable) in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in his/her name or otherwise held by him/her; (e) are outside the U.S. and not a U.S. person (as defined in Rule 902 of Regulation S); and (f) will only participate in the Global Offering through the subscription of the Employee Reserved Shares under the Employee Preferential Offering and will not subscribe for the Company's H Shares in the Global Offering through any other channels
"**Employee Preferential Offering**"	the preferential offering of the Employee Reserved Shares to the Eligible Employees for subscription at the Offer Price on a preferential basis, as further described in "Structure of the Global Offering" in this prospectus
"**Employee Reserved Shares**"	no more than 46,752,800 International Offer Shares being offered to Eligible Employees pursuant to the Employee Preferential Offering

"**ESG Committee**"	the ESG committee of our Company
"**Existing Shareholder Employee Participants**"	Eligible Employees (or their close associates) who hold less than 1% of the total number of A Shares in issue of the Company prior to the completion of the Global Offering
"**Extreme Conditions**"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"**FINI**"	"Fast Interface for New Issuance," an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"**Frost & Sullivan**"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"**Frost & Sullivan Report**"	the report prepared by Frost & Sullivan
"**General Rules of HKSCC**"	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
"**Global Offering**"	the Hong Kong Public Offering and the International Offering
"**Group**", "**our Group**", "**the Group**", "**we**", "**us**", or "**our**"	our Company and our subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"**Guide for New Listing Applicants**"	the Guide for New Listing Applicants issued by the Stock Exchange in December 2023
"**H Share Registrar**"	Computershare Hong Kong Investor Services Limited

"**H Share(s)**"	shares in the share capital of our Company with a nominal value of RMB1.00 each, to be listed and traded on the Hong Kong Stock Exchange
"**Hiconics**"	Hiconics Eco-energy Technology Co., Ltd. (北京合康新能科技股份有限公司), a PRC company established on 11 June 2003 and acquired by us in 2020, the shares of which have been listed on the Shenzhen Stock Exchange (stock code: 300048)
"**HK**" or "**Hong Kong**"	the Hong Kong Special Administrative Region of the PRC
"**HK$**", "**HK dollars**" or "**Hong Kong dollars**"	Hong Kong dollars, the lawful currency of Hong Kong
"**HKSCC**"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HKSCC EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your **broker** or **custodian** who is an HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf
"**HKSCC Nominees**"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"**HKSCC Operational Procedures**"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"**HKSCC Participant(s)**"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant

"**Hong Kong Offer Shares**"	the 24,606,800 H Shares being initially offered for subscription in the Hong Kong Public Offering (subject to reallocation and the Offer Size Adjustment Option as described in "Structure of the Global Offering")
"**Hong Kong Public Offering**"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) on the terms and subject to the conditions described in this document, as further described in "Structure of the Global Offering — The Hong Kong Public Offering"
"**Hong Kong Takeovers Code**" or "**Takeovers Code**"	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
"**Hong Kong Underwriters**"	the underwriters of the Hong Kong Public Offering as listed in "Underwriting — Hong Kong Underwriters"
"**Hong Kong Underwriting Agreement**"	the underwriting agreement, dated 6 September 2024, relating to the Hong Kong Public Offering, entered into by, among others, the Overall Coordinators, the Hong Kong Underwriters and our Company
"**IFRS**"	IFRS Accounting Standards, as issued by the International Accounting Standards Board
"**Independent Third Party(ies)**"	person(s) or company(ies), who/which, to the best of our Directors' knowledge, information and belief, is/are not our connected persons
"**International Offer Shares**"	the 467,528,300 H Shares being initially offered for subscription under the International Offering together, where relevant, with any additional H Shares that may be issued pursuant to any exercise of the Offer Size Adjustment Option and/or the Over-allotment Option (subject to reallocation as described in "Structure of the Global Offering")

"**International Offering**"	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirements under the U.S. Securities Act, as further described in "Structure of the Global Offering"
"**International Underwriters**"	the underwriters expected to enter into the International Underwriting Agreement relating to the International Offering
"**International Underwriting Agreement**"	the international underwriting agreement, expected to be entered into on or about Friday, 13 September 2024, relating to the International Offering, by, among others, our Company, the Overall Coordinators and the International Underwriters in respect of the International Offering, as further described in "Underwriting — International Offering"
"**Joint Bookrunners**", "**Joint Global Coordinators**", "**Joint Lead Managers**"	the joint bookrunners, the joint global coordinators, and the joint lead managers as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"**Joint Sponsors**"	the joint sponsors as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"**KUKA AG**"	KUKA Aktiengesellschaft, a stock corporation incorporated under the laws of the Federal Republic of Germany and one of our subsidiaries
"**KUKA China**"	the subsidiaries of KUKA Group in China
"**KUKA Group**"	KUKA AG and its consolidated subsidiaries
"**Largest Group of Shareholder(s)**"	Midea Holding and Mr. He, collectively the substantial shareholders of our Company; prior to the Listing and as at the date of this document, Midea Holding and Mr. He controlled more than 30% of the total voting rights in our Company, and upon Listing, Midea Holding and Mr. He will continue to remain as our Company's largest group of shareholders

"**Latest Practicable Date**"	30 August 2024, being the latest practicable date for ascertaining certain information in this document before its publication
"**Listing**"	the listing of the H Shares on the Main Board
"**Listing Committee**"	the Listing Committee of the Hong Kong Stock Exchange
"**Listing Date**"	the date, expected to be on or about Tuesday, 17 September 2024, on which the H Shares are to be listed and on which dealings in the H Shares are to be first permitted to take place on the Hong Kong Stock Exchange
"**Listing Rules**" or "**Hong Kong Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"**Little Swan**"	Wuxi Little Swan Co., Ltd. (無錫小天鵝股份有限公司), a PRC company established on 29 November 1993 that we acquired in 2008, and its subsidiaries
"**M IoT**"	the industrial internet platform developed by us
"**Main Board**"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"**Midea Cloud**"	Meicloud Technology Co., Ltd. (美雲智數科技有限公司), a PRC subsidiary of ours established on 8 August 2018
"**Midea Electric**"	GD Midea Holding Co., Ltd. (廣東美的電器股份有限公司), then a PRC company established on 30 March 1992 that was listed on the Shenzhen Stock Exchange (stock code: 000527) since 1993 until it was merged by our Company in 2013
"**Midea Holding**"	Midea Holding Co., Ltd. (美的控股有限公司), a PRC company established on 5 August 2002 and a member of the Largest Group of Shareholders of our Company

"**Midea Lighting**"	Midea Intelligent Lighting & Controls Technology Co., Ltd (美智光電科技股份有限公司), a PRC subsidiary of ours established on 5 January 2001
"**Midea Real Estate**"	Midea Real Estate Holding Limited (美的置業控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2017, the ordinary shares of which have been listed on the Hong Kong Stock Exchange (stock code: 3990) and a connected person of our Company
"**Ministry of Finance**" or "**MOF**"	Ministry of Finance of the PRC (中華人民共和國財政部)
"**MOFCOM**"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"**Mr. He**"	Mr. He Xiangjian (何享健先生), the founder of our Company
"**M-Smart**"	our app and mini-program for consumers to manage our smart home appliances and enjoy additional benefits and services
"**NDRC**"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"**Nomination Committee**"	the nomination committee of the Board
"**NPC**"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"**Offer Price**"	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in "Structure of the Global Offering — Pricing and Allocation"

"**Offer Share(s)**"	the Hong Kong Offer Shares and the International Offer Shares, together, where relevant, with any additional H Shares which may be issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option
"**Offer Size Adjustment Option**"	the option under the Hong Kong Underwriting Agreement, exercisable by the Company with the prior written agreement between the Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before the execution of the Price Determination Agreement, pursuant to which the Company may issue and allot up to an aggregate of 73,820,200 additional H Shares (representing in aggregate approximately 15.0% of the Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover additional market demand, as described in "Structure of the Global Offering — Offer Size Adjustment Option"
"**Overall Coordinators**"	the overall coordinators as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering"
"**Over-allotment Option**"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 73,820,200 additional H Shares (representing in aggregate approximately 15% of the Offer Shares initially being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all) or up to 84,893,200 additional H Shares (representing in aggregate approximately 15% of the Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) to the International Underwriters to, among other things, cover over-allocations in the International Offering, if any, details of which are described in "Structure of the Global Offering — Over-Allotment Option"

"**PBOC**"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"**PRC Company Law**"	the Company Law of the PRC, as amended, modified and/or otherwise supplemented from time to time
"**PRC GAAP**"	generally accepted accounting principles in mainland China
"**PRC government**" or "**State**"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"**Price Determination Agreement**"	the agreement to be entered into between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date to record and fix the Offer Price
"**Price Determination Date**"	the date, expected to be on or before Friday, 13 September 2024 and in any event no later than 12:00 noon on Friday, 13 September 2024, on which the Offer Price is to be fixed for the purposes of the Global Offering
"**province**"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"**QIB**"	a qualified institutional buyer within the meaning of Rule 144A
"**Regulation S**"	Regulation S under the U.S. Securities Act
"**Remuneration and Evaluation Committee**"	the remuneration and evaluation committee of the Board

"**Restricted Share Incentive Schemes**"	the 2018 Restricted Share Incentive Scheme, 2019 Restricted Share Incentive Scheme, 2020 Restricted Share Incentive Scheme, 2021 Restricted Share Incentive Scheme, 2022 Restricted Share Incentive Scheme and 2023 Restricted Share Incentive Scheme, the principal terms of which are set out in "Statutory and General Information — 4. Our Incentive Schemes — B. Restricted Share Incentive Schemes" in Appendix VI to this document
"**Risk Control Committee**"	the risk control committee of our Company
"**RMB**" or "**Renminbi**"	Renminbi, the lawful currency of mainland China
"**Rule 144A**"	Rule 144A under the U.S. Securities Act
"**SAFE**"	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"**SAIC**"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
"**SAMR**"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"**SAT**"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"**Securities Law**"	the Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"**SFC**"	Securities and Futures Commission of Hong Kong
"**SFO**" or "**Securities and Futures Ordinance**"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"**Share(s)**"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising A Shares and H Shares

"**Share Schemes**"	the share schemes adopted by our Company, including the Stock Option Incentive Plans, Restricted Share Incentive Schemes and Stock Ownership Schemes
"**Shareholder(s)**"	holder(s) of the Share(s)
"**Shenzhen-Hong Kong Stock Connect**"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"**Stabilizing Manager**"	China International Capital Corporation Hong Kong Securities Limited
"**State Council**"	the State Council of the PRC (中華人民共和國國務院)
"**Stock Exchange**" or "**Hong Kong Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**Stock Option Incentive Plans**"	the Fifth Stock Option Incentive Plan, the Sixth Stock Option Incentive Plan, the Seventh Stock Option Incentive Plan, the Eighth Stock Option Incentive Plan and the Ninth Stock Option Incentive Plan, the principal terms of which are set out in "Statutory and General Information — 4. Our Incentive Schemes — A. Stock Option Incentive Plans" in Appendix VI to this document
"**Stock Ownership Schemes**"	the Fourth and the Fifth Core Management Team and Business Partner Stock Ownership Schemes, the Seventh and the Eighth Core Management Team and Global Partner Stock Ownership Schemes, the 2023 Stock Ownership Scheme and the 2024 Stock Ownership Scheme, the principal terms of which are set out in "Statutory and General Information — 4. Our Incentive Schemes — C. Stock Ownership Schemes" in Appendix VI to this document
"**Strategy Committee**"	the strategy committee of the Board
"**subsidiary**" or "**subsidiaries**"	has the meaning ascribed to it in section 15 of the Companies Ordinance

"**substantial shareholder(s)**"	has the meaning ascribed to it in the Listing Rules
"**Supervisor(s)**"	member(s) of Supervisory Committee
"**Supervisory Committee**"	the supervisory committee of our Company
"**Toshiba Lifestyle**"	Toshiba Lifestyle Products & Services Corp. (東芝生活電器株式會社), a company established in Japan acquired by us in 2016
"**Track Record Period**"	the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024
"**Trial Measures**"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies ("境內企業境外發行證券和上市管理試行辦法"), promulgated by the CSRC on 17 February 2023
"**U.S.**", "**US**" or "**United States**"	the United States of America, its territories, its possessions and all areas subject to its jurisdictions
"**U.S. dollars**", "**US dollars**" or "**US$**"	United States dollars, the lawful currency of the United States
"**U.S. Securities Act**"	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
"**Underwriters**"	the Hong Kong Underwriters and the International Underwriters
"**Underwriting Agreements**"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"**VAT**"	value-added tax
"**WAHIN**"	Guangzhou Hualing Refrigerating Equipment Co., Ltd. (廣州華凌製冷設備有限公司), a PRC subsidiary of ours established on 13 June 2010
"**Wandong Medical**"	Beijing Wandong Medical Technology Co., Ltd. (北京萬東醫療科技股份有限公司), a PRC company established on 12 May 1997 and acquired by us in 2021, the shares of which have listed on the Shanghai Stock Exchange (stock code: 600055)

"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO Service Provider**"	Computershare Hong Kong Investor Services Limited
"**Winone**"	WINONE Elevator Company Limited (菱王電梯有限公司), a PRC subsidiary of ours established on 8 February 2002 that we acquired in 2020, and its subsidiaries
"**%**"	per cent

Unless otherwise specified, in this document:

(a) certain amounts and percentage figures have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and

(b) for ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, nature persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

This glossary of technical terms contains explanations of certain technical terms used in this document in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"**5G**"	the fifth generation technology standard for cellular networks in telecommunications, which cellular phone companies began deploying worldwide in 2019 as the planned successor to the 4G networks that provide connectivity to most current cell phones
"**AI**"	artificial intelligence
"**CAGR**"	compound annual growth rate
"**distributed photovoltaic**"	a type of distributed energy resource which converts the sun's rays to electricity, and includes all grid-connected solar that is not centrally controlled
"**ESG**"	environmental, social, and corporate governance
"**GWP**"	global warming potential, a measure of how much infrared thermal radiation a greenhouse gas added to the atmosphere would absorb over a given time frame, as a multiple of the radiation that would be absorbed by the same mass of added carbon dioxide (CO2)
"**HVAC**"	heating, ventilation, and air conditioning
"**industrial internet platform**"	a platform encompassing a set of integrated software capabilities
"**IoT**"	internet of things, the collective network of connected devices and the technology that facilitates communication between devices and the cloud, as well as between devices themselves
"**ISC**"	integrated supply chain, a supply chain management strategy that seeks to improve the flow of information and materials between suppliers, factories and stores
"**IT**"	information technology

"**motion controllers**"	devices used to control and coordinate the motion of machinery and automation systems
"**MSRP**"	manufacturer's suggested retail prices
"**NEV**"	new energy vehicle, automobiles that are fully or predominantly powered by electric energy
"**OBM**"	original brand manufacturer, a company that sells its manufactured products under its own brands
"**ODM**"	original design manufacturer, a company that designs and manufactures products eventually be sold under third-party brands
"**OEM**"	original equipment manufacturer, a company that manufactures products eventually be sold under third-party brands
"**R&D**"	research and development
"**ROE**"	return on equity
"**S&OP**"	sales and operations planning, an integrated business management process through which the management team of companies continually achieves focus, alignment and synchronization among all organization functions
"**servo system**"	electromagnetic device that converts electricity into precise controlled motion by use of negative feedback mechanisms, mainly including servo motors, servo drives, feedback devices, encoders and other component
"**SME**"	small and medium enterprises

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as “aim”, “anticipate”, “aspire”, “believe”, “could”, “estimate”, “expect”, “goals”, “going forward”, “intend”, “may”, “objective”, “ought to”, “outlook”, “plan”, “project”, “projection”, “seek”, “schedules”, “should”, “target”, “vision”, “will”, “would”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our mission, goals and strategies;
- our future business development, financial conditions and results of operations;
- the expected growth of the home appliance industry, the energy solutions and industrial technology industry, the intelligent building technology industry and industrial robotics and automation industry in mainland China and other jurisdictions in which we operate;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with customers, business partners, suppliers and other partners;
- changes in the macro environment, regional and global economy, as well as industry trends related to our operations;
- our ability to adequately protect our reputation and brand image, as well as our intellectual property rights;
- our ability to obtain adequate capital resources to fund future development plans;
- our ability to control costs, as well as to achieve and maintain operational efficiency;
- our ability to attract and retain qualified personnel;

- competition in the industries and markets in which we operate or into which we intend to expand;

- our proposed use of proceeds;

- rapid developments in technology and our ability to successfully keep up with technological advancement;

- changes in currency exchange rates;

- relevant government policies and regulations relating to industries which we operate in; and

- all other risks and uncertainties described in "Risk Factors."

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as at the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

You should carefully consider all of the information in this Listing Document, including the following risk factors before making any investment decision in relation to the H Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The market price of the H Shares could fall significantly due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

Global markets for our products and services are highly competitive and subject to rapid technological changes, and we may be unable to compete effectively in these markets.

Our products and services compete in highly competitive global markets characterized by intense price competition, frequent introduction of new products, continual upgrades in features, design and performance, energy efficiency, evolving industry standards, rapid adoption of technological and product advancements by competitors, and broad distribution channels and sales network. Significant new competitors or increased competition from existing competitors may adversely affect our business, results of operations and financial condition. We cannot assure you that we will be able to compete effectively in the highly competitive global markets of our products and services. To illustrate, the global home appliance market saw an overall growth trend from 2017 to 2023 at a CAGR of 3.5% in terms of sales value, and yet the number of competitors in this market increased by more than 2,000 from 2017 to 2023, according to Frost & Sullivan.

Our competitors primarily include large Chinese and multinational home appliance companies and Chinese and global commercial and industrial solutions providers. We have a variety of local and overseas competitors in each region. We compete with our competitors in a variety of aspects including market experience, brand recognition, product breadth, manufacturing scale, cost efficiencies, and financial, sales and marketing, manufacturing, research and development or technological resources. Some of our competitors may also be willing to reduce prices and accept lower profit margins to compete with us. As a result of this competition, we could lose market share and sales, or be forced to reduce our prices to meet competition, which could adversely impact our margin.

Our competitors may consolidate in the future, which could result in us facing increased competition and affect our relative market position domestically and globally. Many of our competitors are increasingly expanding beyond their existing manufacturing footprints, aggressively price or introduce their products to increase market share and expand into new geographies, and expanding their presence in the rapidly changing retail environment, including launching an e-commerce platform to seize the new market opportunities, but we cannot assure you that we will be able to compete effectively in this highly competitive global market. Additionally, we face significant competition as competitors imitate our product design and features, and/or join forces to develop and launch products and services that are more competitive than those currently available on the market. Our existing competitors and new market entrants may also seek to develop new product and service offerings, technologies or capabilities that could render many of the products and services that we offer obsolete or less competitive, and may adopt more aggressive pricing policies or devote greater resources to marketing and promotional campaigns than us. The occurrence of any of these circumstances may result in stronger competition for us, hinder our growth, reduce our market share and harm our brand recognition. If we fail to respond to these circumstances in a timely and effective manner, our business, results of operations, financial condition and prospects may be materially and adversely affected.

If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

Our business has continued to grow in recent years, so has our business network and number of employees. In addition, as we expand our product portfolio, customer base and geographical markets, we will need to work with a larger number of suppliers and partners efficiently and maintain and expand mutually-beneficial relationships with our existing and new suppliers and partners. We also need to continuously enhance and upgrade our infrastructure and technology, improve control over our operational, financial and management aspects, strengthen our supplier and sales network management, refine our reporting systems and procedures, and expand, train and manage our growing employee base. All these efforts will require significant managerial, financial and human resources. We cannot assure you that such efforts will reach our expected success. We cannot assure you that we will be able to effectively manage our growth, that our current infrastructure, systems, procedures and controls or any new measures to enhance them will be adequate and successful to support our expanding operations or that our strategies and new business initiatives will be executed successfully. In addition, changes and developments taking place in industries that we operate in may also require us to re-evaluate our business model and adopt material changes to our long-term strategies and business plans. Our failure to innovate and adapt to these changes and developments may have a materially adverse effect on our business, financial condition and results of operations. Even if we innovate and adapt to these changes and developments, we may nevertheless fail to realize the anticipated benefits of changes adopted to our long-term strategies and business plans or even harm our profitability as a result.

Maintaining our brand image is critical to our success, and any failure to do so could severely damage our reputation and brands, which would have a material adverse effect on our business, financial condition and results of operations.

Our brands have worldwide recognition, and our success depends on our ability to maintain and enhance our brand image and reputation. For example, we currently pursue a global and multi-tier brand strategy featuring key home appliance brands for our Smart Home Solutions, including COLMO and Toshiba for the premium market, Midea, Little Swan and Coolfree for the mass market, and Comfee and WAHIN tailored for the younger consumers. Under our Commercial & Industrial Solutions, we also possess industry-renowned brands such as KUKA Group, GMCC ("美芝") and Welling ("威靈"). Our business depends significantly on the value and reputation of our brands, which, in turn, depends on factors such as the quality, design, performance, functionality, and durability of our products, marketing efforts, including advertising and consumer campaigns, product innovation, and customer experience. We intend to continue making substantial investments in these areas in order to develop, maintain and enhance our brand image. For example, among selling and marketing expenses, the advertising and promotion expenses were RMB12.9 billion, RMB12.0 billion, RMB16.0 billion and RMB8.0 billion for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024, respectively. As a result, costs associated with maintaining our brand image can be significant, and we may further incur substantial expenses to establish our brand image in new markets we have decided to or will enter. However, we cannot assure you that our investments in these areas would be successful, and expenses related to maintaining our brand image may have an adverse impact on our results of operations and financial condition if they do not yield the expected results.

Our brands, reputation and product sales could be harmed if, for example, our products fail to meet expectations of our customers or contain defects or fail. See "— Our products and services may experience quality problems from time to time that can result in harm to our reputation. Product-related liability, product recall costs, and significant return or exchange could also adversely affect our business and financial performance." In addition, adverse publicity about regulatory or legal action against us could damage our reputation and brand image, undermine customer confidence in us and reduce long-term demand for our products. See "— Unfavorable results of legal and regulatory proceedings could materially adversely affect our business and financial condition and performance."

Further, our success in maintaining and improving our brand image depends on our ability to adapt to a rapidly changing media ecosystem, including our increasing reliance on social media and online dissemination of advertising campaigns. Negative posts or comments about us on social networking platforms and other websites that spread rapidly through such forums, even if it is factually incorrect, could seriously damage our reputation and brand image. See "— We may be the subject of anti-competitive, harassing, or other detrimental conduct by third parties including complaints to regulatory agencies, negative social media postings, and the public dissemination of malicious assessments of our business that could harm our reputation and cause us to lose market share, customers and revenues." In order to attract and retain customers, we may need to substantially increase our expenditures for creating and maintaining brand loyalty. As a result, our sales and marketing related expenses may increase significantly. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our products and services, it may be difficult to maintain and grow our customer base, and our business and growth prospects may be materially and adversely affected.

We may face risks and challenges in developing our Commercial & Industrial Solutions.

Our Commercial & Industrial Solutions provide our customers with a full range of products and services across Energy Solutions & Industrial Technology, Intelligent Building Technology, Robotics & Automation and Other Businesses. Revenue from Commercial & Industrial Solutions has experienced rapid growth during the Track Record Period, growing at a CAGR of 15.4% from 2021 to 2023 and accounting for 26.2% of the total revenue in 2023, representing an increase from 21.4% in 2021. There is no assurance that we will be able to maintain the growth rate of our Commercial & Industrial Solutions in future periods. If the market does not develop as we expect or if we fail to address the dynamic market needs, our results of operations and financial performance would be materially and adversely impacted. Any potential future decrease in growth of the commercial and industrial solutions industry in general or the price and profit margin of our Commercial & Industrial Solutions could result in material and adverse change to our business, growth and prospects.

Some of our Commercial & Industrial Solutions require longer lead time to develop, and their competitiveness and market acceptance depend, to a larger extent, on our research in new technologies that are constantly advancing and evolving in terms of standards and applications, and frequent introductions of new and continual upgrading or existing products and solutions that meet the evolving customer demand. In response to the increasing market competition, we plan to continue to invest in our R&D efforts, as well as our sales and marketing efforts, which would incur significant capital expenditures. However, it typically takes a long period of time to realize returns on such investments, if at all. If we are unable to keep up with the technological developments or if new technologies render our technologies or solutions obsolete, customers may no longer be attracted to our products and solutions, which could cause material adverse impact on our business and financial performance.

The customer base of our Commercial & Industrial Solutions is by nature more concentrated compared with that of our Smart Home Solutions. It is also common practice among enterprise customers to procure commercial and industrial solutions through tendering on a case-by-case or project-by-project basis. If any or some of our major customers decide to purchase less products and/or solutions than they have in the past, or not to purchase products and/or solutions from us at all, or may decide not to renew existing contracts at all, our revenue from our Commercial & Industrial Solutions may decline and our financial condition and results of operations may be adversely affected.

Our business may be adversely affected if we fail to introduce new products and services on a timely basis to adapt to rapidly evolving customer needs and advancements in technology, and our investments in research and development may not yield the expected results.

We compete in highly competitive global home appliance and commercial and industrial solutions markets characterised by iterative technologies, evolving industry standards and continual improvements in performance characteristics and product features. To be able to compete effectively, we must continually introduce new products, services and technologies, enhance existing products and services, and effectively stimulate customer demand for new and upgraded products and services. The success of new product introductions depends on a number of factors, such as timely and successful completion of development efforts, successful production ramp-ups and market acceptance of the products.

Customer demands, preferences and lifestyle trends in mainland China and in our overseas markets may change from time to time and depend upon various factors, including, among other things, lifestyle trends, consumption patterns, disposable income, customer confidence and other factors beyond our control. Our success in turn also depends on our ability to anticipate, identify and respond in a timely manner to these trends.

Advancements in technology, the introduction of new products and changing customer demands, preferences and lifestyle trends typically lead to rapid declines in retail volumes for products made with older technologies and their loss of competitiveness or even obsolescence. If we are unable to compete successfully by introducing competitive new products that meet the demands and preferences of customers, our business, results of operations and financial condition would be adversely affected.

As a result, we seek to continuously design new products, upgrade existing products, develop new technologies, develop and promote more appealing solutions, and invest in the marketing of new products and solutions. These investments require significant management time and a high level of financial and other commitments to research and development. 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, and increased by 14.6% from RMB4.3 billion in the four months ended 30 April 2023 to RMB5.0 billion in the four months ended 30 April 2024. We may need to increase expenditure on research and development in response to changes in customer demand. Further, there can be no assurance that our investments of research and development resources will yield the desired results. Our business, results of operations and financial condition may be adversely affected if we fail to successfully anticipate and react in a timely manner to changes in customer preferences or if our investments in research and development do not result in successful product introductions. Following the development of new products, we will also need to invest in promoting such new products. If we fail to balance the marketing efforts or optimise the pricing strategies of our existing and new products, we may fail in promoting our new products but increase competition among our own products, which in turn could lead to overall decrease in sales.

If we fail to grow or retain our customer base, or if customer satisfaction declines, our business and operating results may be materially and adversely affected.

The size of our customer base and the level of satisfaction are critical to our success. Our business has been depending and will continue to significantly depend on our customers and their loyalty in and level of satisfaction with our products and services. If customers no longer view our products and services as useful and attractive as compared to competing offerings, we may not be able to increase or maintain our customer base and the level of satisfaction. A number of factors could negatively affect customer growth, retention and satisfaction, including:

- despite our continual research, monitoring and analysis of customer needs, we may be unable to identify and meet evolving customer demands;
- we may not be able to timely develop and introduce new or updated products and services, or the new or updated products and services we introduce may not be favorably received by customers;
- we may fail to update existing technology or develop new technology in time to stay ahead or abreast of market advances;
- we may not be able to continue to successfully drive organic growth of customer base, which may require us to devote more additional resources to acquire customers;
- we may be unable to prevent or combat inappropriate use of our products and services, which may lead to negative public perception of us and damage our brand or reputation;
- we may encounter technical or other problems that prevent our products and services from operating in a smooth and reliable manner or otherwise adversely affect customer experience;
- our competitors may launch or develop similar or disruptive products and services with better customer experience, which may result in loss of existing customers or decline in new customers growth;
- we may fail to address customer concerns related to privacy and communication, data safety, security or other factors; and
- we may be compelled to modify our products and services to address requirements imposed by legislation, regulations, government policies or requests from government authorities in manners that may compromise user experience.

We may face challenges managing our expansion into new products, services and business activities.

We have expanded and will continue to expand our businesses, and our operations will become more widespread and complex. Expansion of our business activities exposes us to a number of risks and challenges, including:

- failure of our new products and services to be accepted by our customers or meet the expected targets;
- insufficient experience or expertise in certain new products and services and dealing with new counterparties and customers, which may prevent us from effectively competing in these areas;
- difficulty in materialising synergies among our businesses;
- failure to achieve investment returns from our new businesses;
- failure to make accurate analysis or judgement regarding market conditions facing our new business;
- increasing difficulty for us in directing and monitoring the day-to-day operations of our businesses;
- inability to hire additional qualified personnel or to hire and retain personnel on commercially reasonable terms;
- insufficient financial, operational, management and other human resources to support our expanded range of products and services;
- failure of our logistics management to support timely delivery;
- failure of sales network management to grow our revenue and profitability;
- failure to enhance our risk management capabilities, internal control capabilities and information technology systems in a timely manner to support new businesses and a broader range of products and services;
- stricter regulation and increased credit, market and operational risks;
- regulatory risks relating to our expanding operations domestically and globally, including those relating to labor, environmental and industry-specific regulations;
- inability to obtain regulatory approvals for our new products or services or to anticipate legal or government action or changes in legal or regulatory requirements;

- failure to obtain sufficient financing from internal and external sources to support our business expansion on commercially reasonable terms or at all;
- failure to protect our intellectual property rights across different jurisdictions;
- imitation or replication of our products and services by our competitors; and
- increasing difficulty in preventing and detecting fraud and protecting our assets, both physical and intangible.

Our planned expansion is based on our assessment of market prospects, among other considerations. There is no assurance that our assessments will turn out to be accurate. We may also face challenges to acceptance of our products in new markets or our new products in markets in which we have been operating. If we are not able to successfully expand into or grow new products, services and related business areas, our business, financial condition and results of operations may be materially adversely affected.

Furthermore, we may encounter other risks and difficulties when expanding our business through acquisitions and other forms of business integration. See "— Investment in new business strategies, acquisitions and other forms of business integration could disrupt our ongoing business and present risks not originally contemplated, and we may be unable to realize the anticipated benefits, synergies, cost savings or efficiencies from acquisitions."

If we are not able to continue to innovate or if we fail to adapt to changes in our industry, our business, financial condition and results of operations would be materially and adversely affected.

Our long-term success in the competitive environment depends on our ability to develop and commercialize a continuing stream of innovative products. As a result, we continue to invest significant resources in our infrastructure, research and development and other areas in order to remain competitive in our businesses and operations, as well as to explore new growth strategies and introduce new high-quality products and services. During the Track Record Period, we incurred research and development expenses of RMB12.0 billion, RMB12.7 billion, RMB14.6 billion and RMB5.0 billion in 2021, 2022, 2023 and the four months ended 30 April 2024, respectively. However, our investments in innovations and new technologies, which may be significant, may not increase our competitiveness or generate financial returns in the short term, or at all, and we may not be successful in adopting and implementing new technologies. New product development and commercialization efforts, including efforts to enter markets or product categories in which we have limited or no prior experience, have inherent risks. These risks include the costs involved, such as development and commercialization, product development or launch delays and the failure of new products to achieve anticipated levels of market acceptance or growth in sales or operating income. We also face the risk that our competitors will introduce innovative products that compete with our products and thereby divert demand for our products to such competitors' products. In addition, sales generated by new products could cause a decline in sales of our existing products. If new product development and commercialization efforts are not successful, our business, financial condition and results of operations could be adversely affected.

Our business is subject to legal, regulatory, political, economic, commercial and other risks associated with conducting operations in various jurisdictions.

We derive a significant portion of our revenues from our overseas operations. During the Track Record Period, we generated over 40% of our revenues outside mainland China. We expect that overseas sales will continue to account for a significant percentage of our revenues. Accordingly, we have faced and continue to face numerous risks, including legal, regulatory, political, economic, commercial and other risks associated with conducting operations in various jurisdictions, any of which could negatively affect our financial performance. These risks include the following:

- legal, regulatory, political, economic and commercial instability and uncertainty;
- changes in foreign tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations of tax laws;
- changes in international trade policies and regulations including those in relation to economic sanctions, export controls, and import restrictions, as well in trade barriers such as imposition of tariffs;
- difficulty in coping with possible conflict of laws resulting from sanctions and import/export controls measures of different jurisdictions where we operate;
- changes in foreign country regulatory requirements, including data privacy laws;
- complexities relating to compliance with foreign anti-bribery, anti-corruption and anti-money laundering regulations and antitrust laws;
- difficulty in obtaining or enforcing intellectual property rights;
- difficulty in enforcing agreements and collecting overdue receivables through local legal systems;
- changes in geopolitical situations especially those in jurisdictions where we do business;
- foreign currency exchange rate fluctuations;
- strict foreign exchange controls and cash repatriation restrictions;

- inflation and/or deflation, and changes in interest rates;
- trade customer insolvency and the inability to collect accounts receivable;
- misconduct by our customers beyond our control, including but not limited to breaching the agreements with them, policies that we require them to adhere to, and laws and regulations of various jurisdictions that are applicable to them;
- labor disputes and work stoppages at our operations and suppliers; and
- increased costs associated with maintaining the ability to understand local markets and follow their trends, as well as develop and maintain an effective marketing and distribution presence.

We are subject to various laws and regulations of mainland China and other jurisdictions in which we operate and are required to obtain and comply with various permits, licenses, certificates, consents and other approvals from administrative authorities. Each approval is dependent on the satisfaction of certain conditions and failure to obtain governmental approvals could have an adverse effect on our operations. We are also subject to inspections, examinations, inquiries and audits by governmental authorities as part of the process of maintaining or renewing our permits, licenses or certificates. There can be no assurance that we will be able to fulfil the pre-conditions necessary to obtain the required governmental approvals or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to our operations. There may be delays on the part of relevant administrative bodies in reviewing our applications and granting approvals.

Furthermore, we are subject to various labor-related laws and regulations in mainland China and other jurisdictions in which we operate. For example, we are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund on behalf of our employees in mainland China. According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), we are required to set up housing provident fund accounts (住房公積金賬戶) and pay the housing provident fund in time and in full for our employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), a mainland China enterprise is required to obtain social insurance certificates (社會保險登記證) for its employees and to pay the social insurance contributions in time and in full. There is no assurance that our historical and current practice with respect to the contribution of social insurance plans will at all times be deemed in full compliance with relevant laws and regulations in mainland China by government authorities. In the event of any such non-compliance, we may be required to pay any shortfall in social insurance contributions within a prescribed time period and to pay penalties if we fail to do so. As advised by Jia Yuan Law Offices, the legal advisor to our Company as to PRC laws, (i) under the Regulations on Administration of Housing Provident Fund, (a) if we fail to complete housing provident fund registration before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch; and (b) if we fail to pay housing provident fund contributions within the prescribed deadlines, we may be subject to an order by the relevant people's court to make such payments; and (ii) according to the PRC Social Insurance Law, (a) for outstanding social insurance fund contributions that we did not fully pay within the prescribed deadlines, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; and (b) if we fail to make such payments, we may be liable to a fine of one to three times the outstanding contribution amount.

A violation by our employees, contractors or agents could occur. In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. Violations of these laws and regulations could materially and adversely affect our brand, overseas growth efforts and business. We may not be able to develop and implement policies and strategies that address these risks effectively in each location in which we conduct business, and there can be no assurance that our exposure to such risks, which may become greater as we expand our operations, will not adversely affect our reputation, business, results of operations and financial condition or otherwise divert our resources in handling any lawsuits, legal proceedings or complaints.

Our growth and profitability depend on economic conditions and the level of consumer spending and corporate investment in mainland China and our other key markets.

Our results of operations depend significantly on economic conditions and non-essential spending in mainland China and our other key markets. In particular, we derived a majority of our revenues from our operations in mainland China in 2021, 2022 and 2023 and for the four months ended 30 April 2024, respectively. Non-essential spending is affected by a number of economic factors. Economic uncertainty and related factors exacerbate negative trends in business and consumer spending and may cause certain customers to postpone, cancel or refrain from placing orders for our products.

Worldwide and regional economic conditions could have a material adverse effect on the customer demand for our products and services. Demand also could differ materially from our expectations as a result of currency fluctuations. Other factors that could influence worldwide or regional demand include changes in fuel and other energy costs, increase in interest rates, conditions in the real estate and mortgage markets, unemployment, labor and healthcare costs, access to credit, consumer confidence, corporate willingness to invest or spend, and other macroeconomic factors affecting the spending behavior of consumers and corporates. These and other economic factors could materially and adversely affect demand for our products and services and therefore adversely affect our business, results of operations and financial condition.

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.

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete agreements with our employees and others, to protect our proprietary rights. We may become an attractive target to counterfeiting and intellectual property theft activity because of our brand recognition. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Further, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain technologies from these third parties at all or on reasonable terms.

It is often difficult to register, maintain and enforce intellectual property rights. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We can provide no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

Various other issues may arise with respect to our intellectual property portfolio. We may not have sufficient intellectual property rights in all countries and regions where unauthorized third-party copying or use of our proprietary technology may occur and the scope of our intellectual property might be more limited in certain countries and regions. Our existing and future patents may not be sufficient to protect our products, services, technologies or designs and/or may not prevent others from developing competing products, services, technologies or designs. We cannot predict the validity and enforceability of our patents and other intellectual property with certainty.

Claims by third parties that we are infringing their intellectual property and other litigation could adversely affect our business.

Intellectual property rights, such as trademarks, copyrights, patents, domain names, know-how, and proprietary technologies protect brand images, product formulations and other valuable rights. We license certain trademarks from other parties and our continual use of such trademarks depend on the terms of our arrangements with the licensing parties. For example, we have been granted the rights to use the Toshiba trademark in most home appliances. Our competitors or other third parties may have intellectual property rights and interests which could potentially conflict with ours. If any trademark or brand names infringement or other intellectual property claims against us are successful, we may not have a legal right to continue to use or sell products that are adjudicated to have infringed third parties' intellectual property rights. We may be legally required to expend significant resources to review and revise our business and operations so that they do not infringe third parties' intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. Intellectual property litigation against us could significantly disrupt our business, divert our management's attention or consume much of our financial resources.

Any interruption in the operation throughout our entire operation process for an extended period may have an adverse impact on our business.

Our operation process covers from R&D through production, storage, logistics, marketing and sales to after-sales services. Any interruption or failure in the operation process, which involves use of raw materials, parts and components supplied by third-party vendors, could result in product quality or safety problems and other regulatory or environmental risks that may have an adverse impact on our business. Our operation process may be disrupted by fire, flood, earthquake, power outage, telecommunications failure, security breach, and other incidents that are beyond our control. Any interruption in the operation may render us unable to fulfil the orders placed with us in a timely manner and/or design and manufacture products to the customer's satisfaction or at all. In addition, the use of the more advanced, complex and costly technologies and equipment may further increase our exposure to operational risks and the difficulty in timely repair or replacement. Any interruption in the operation throughout our entire operation process for an extended period could cause us to suffer financial loss and reputational harm, which may adversely affect our business, results of operations and financial condition.

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.

Raw materials are the largest component of our total cost of sales. The raw materials that we mainly use in our products are copper, steel, plastics and aluminium materials for the manufacturing of our products. The prices of these materials and components containing those materials are susceptible to significant fluctuations due to supply and demand trends in the commodities markets, transportation costs, government regulations and tariffs, geopolitical events, changes in currency exchange rates, price controls, the economic climate and other unforeseen circumstances. Our supply agreements for raw materials may allow pricing adjustments depending on the contract. Our results of operations could be adversely affected if we were unable to obtain adequate supplies of high quality raw materials or components in a timely manner at reasonable prices or make alternative arrangements for such supplies, or if there were significant increases in the costs of raw materials or components that we could not pass on in full.

We rely on the timely supply of raw materials, components and products in order to carry out our production plans as scheduled. Any delays or disruptions in such supplies from our suppliers, may have a material and adverse impact on our ability to meet the market demands and our marketing and sale of our products. In addition, any natural or man-made disasters or other unanticipated catastrophic events, including adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of pandemics could impair the operations of our suppliers and/or disrupt our transportation channels and, and impede our ability to manufacture and deliver our products to customers in a timely manner.

Many raw materials, components and products, including those that are available from multiple sources, are at times subject to industry-wide shortages and significant commodity pricing fluctuations. There can be no assurance that we will be able to extend or renew the agreements that we have entered into for the supply of many raw materials, components and products on similar terms, or at all. A number of suppliers of raw materials, components and products may suffer from poor financial conditions, which can lead to business failure for the supplier or consolidation within a particular industry, further limiting our ability to obtain sufficient quantities of raw materials, components and products on commercially reasonable terms. The effects of global or regional economic conditions on our suppliers also could affect our ability to obtain raw materials, components and products. Although we have entered into certain futures contracts and hedging transactions to lock the prices for some of the bulk materials required for manufacturing, we remain subject to significant risks of supply shortages and price increases, which may adversely affect our business, results of operations and financial condition.

If our logistics service providers fail to provide reliable and timely logistics services, our business, financial condition and results of operations may be materially and adversely affected.

We have outsourced some of our transportation and logistics management, especially in overseas markets, to third-party logistics service providers over whom we do not have direct control. Our logistics service providers may experience disruptions in their operations due to equipment breakdowns, information technology system failures, commercial disputes, labor shortage or strikes, natural disasters, non-compliance issues or other economic, business, labor, environmental, public health or political issues. In addition, we may not be able to identify substitute logistics service providers who are capable of supply logistics services on terms that are commercially acceptable to us. Any failure of our logistics service providers to provide reliable and timely logistics services may cause disruptions in the supply and distribution of our products in a timely manner, which may have a material negative impact on our business operation and reputation.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

Our inventory primarily includes finished goods, raw materials and work in progress products. During the Track Record Period, our inventory turnover days was 53 days, 64 days, 62 days and 50 days in 2021, 2022, 2023 and the four months ended 30 April 2024, respectively. However, we may not be able to accurately track our inventory level or to identify any excessive build-up or insufficient stock of inventory at various levels of our global network. We may misjudge market demand. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs, and the sale of excess inventory at discounted prices or in less preferred distribution channels could impair the image of our brands and harm our gross margin; but if we underestimate the demand for our products, insufficient stock could result in delays in the shipment of our products, thereby impacting our ability to generate sales and cause damage to our reputation and relationships with our customers and distribution partners. Therefore, failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales, which could adversely impact our business, financial condition and results of operations.

Our sales and results of operations are subject to seasonal variations.

Certain of our product categories can be affected by weather due to the nature of the products, such as air conditioners and electric fans. 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. As a result of these seasonal variations, we believe that comparisons of our operational results between different quarters within a single fiscal year or across different fiscal years are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of our future performance.

Our operations rely on complex information technology systems and networks and our business and reputation may be impacted by information technology system failures, network disruptions or cybersecurity breaches.

We rely extensively on information technology systems, some of which are supported by third party vendors including cloud-based systems and managed service providers, to manage and operate our business. We invest in new information technology systems designed to improve our operations. We may have failures of these systems in the future. If these systems cease to function properly, if these systems experience security breaches or disruptions or if these systems do not provide the anticipated benefits, our ability to manage our operations could be impaired, which could have a material adverse impact on our results of operations, financial condition, and cash flows.

We may be subject to information technology system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could adversely impact our business by, among other things, preventing access to our internet services, interfering with customer transactions or impeding the assembling and shipping of our products. These events could materially and adversely affect our reputation, financial condition and operating results.

Our information technology systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorized access attempts, phishing and other cyberattacks. We continue to assess potential threats and make investments seeking to address and prevent these threats, including monitoring of our networks and systems and upgrading skills, employee training and security policies for us and our third-party providers. However, because the techniques used in these cyberattacks change frequently and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures. To date, we have seen no material impact on our business or operations from these attacks; however, we cannot guarantee that our security efforts will prevent breaches or breakdowns to our or our third-party providers' databases or systems. If the information technology systems, networks or service providers we rely upon fail to function properly or if we or one of our third-party providers suffer a loss, significant unavailability of or disclosure of our business or stakeholder information and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive and business harm as well as litigation and regulatory action, including administrative fines. The costs and operational consequences of responding to breaches and implementing remediation measures could be significant.

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.

Our business requires us to use and store confidential information, including, among other things, personally identifiable information ("**PII**") with respect to our customers and employees. We are subject to local and overseas laws relating to the collection, use, retention, security and transfer of PII. In many cases, these laws apply not only to third-party transactions, but also may restrict transfers of PII among us and our overseas subsidiaries. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing overseas requirements may cause us to incur substantial costs or require us to change our business practices. Non-compliance could result in significant penalties or legal liability.

To ensure our compliance with these laws and regulations relating to the collection, use, retention, security and transfer of personal information, we have established relevant protocols and mechanisms with respect to how we collect, store, process and use user personal data and information. For example, we get consent from users before collecting their personal information, we notify users the information collected and the purpose of collecting the information, explain to them what, how and why the personal information may be shared with third parties and also obtain consent from relevant users. Any failure by us to comply with these public statements or with other local or overseas privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others. In addition to reputational impacts, penalties could include ongoing audit requirements and significant legal liability. We have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive data, including through the use of encryption and authentication technologies. As with all companies, these security measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other irregularities. For example, third parties may attempt to fraudulently induce employees or users into disclosing user names, passwords or other sensitive information, which may in turn be used to access our information technology systems. To help protect customers and ourselves, we monitor our services and systems for unusual activity and may freeze accounts under suspicious circumstances, which, among other things, may result in the delay or loss of customer orders or impede customer access to our products and services.

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.

Our global operations subject us to various applicable sanctions and export controls regulations. We have exported our products to a large number of countries and regions and derive significant sales from exporting to these countries and regions. In the event that any of these countries or regions which we export to imposes economic sanctions or enforces import restriction or tariffs in relation to our products, our business and operations may be adversely affected. Furthermore, we rely on a global network of suppliers to obtain components and raw materials for the assembling of our products. In the event that any of the countries or regions where we procure imposes export controls, tariffs, trade restrictions or other trade barriers on any of the raw materials or components supplied to us, we may not be able to obtain a steady supply of necessary components or raw materials at competitive prices, and our business and operations may be materially and adversely affected.

Exports of our products must be made in compliance with various economic sanctions and export controls laws in different jurisdictions. For example, U.S. economic sanctions prohibit the provision of products and services to certain countries or regions, governments, and persons targeted by U.S. sanctions. European Union sanctions also have similar regime to prohibit the provision of products and services to countries or regions, governments and persons on their respective target list. We take precautions to prevent our products from being provided to any target of these sanctions. See "Business — Risk Management and Internal Control" for more details. However, we cannot assure you that our products would not be provided to those targets through independent distributors despite such precautions. Any such provision could have negative consequences, including government investigations, penalties and reputational harm. We could be subject to future enforcement action with respect to compliance with governmental economic sanctions and export controls laws that result in penalties and costs that could have a material effect on our business and operating results.

We have operations in a large number of jurisdictions. Therefore, government policies restricting international trade and investment, such as capital controls, economic or trade sanctions, export controls, tariffs or foreign investment filings and approvals, may affect the demand for our products and services, impact the competitive position of our products, or prevent us from being able to sell products in certain countries or regions. If any new tariffs, legislation, or regulations are implemented (including those imposing economic or trade sanctions, export control restrictions or outbound investments restrictions), or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations.

In recent years, there have been heightened complexity in international relations. Such tensions could reduce levels of international trade, investment, technological exchange, and other economic activities, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our and our customers' business, prospects, financial condition, and results of operations. In addition, as our business depends on markets and supplies located overseas, economic sanctions and trade restriction measures (including tariffs) taken by government authorities or other trade tensions or unfavorable trade policies may affect the costs and/or marketability of our products. The current international trade tensions and political tensions, and any escalation of such tensions, may have a material negative impact on our ability to secure the supply of raw materials and key components necessary for our operations and our ability to continue to sell to global customers and further grow our customer base.

Existing and new anti-monopoly and anti-unfair competition laws and regulations may impose higher compliance cost on us and may affect our business, financial condition and results of operations.

We are subject to applicable antitrust and competition laws in the jurisdictions in which we operate, and we may be subject to certain regulatory scrutiny procedures and investigations, from time to time, by antitrust or competition regulatory authorities relating to claims of infringement of antitrust or competition laws, or civil lawsuits and criminal proceedings with respect to anticompetitive behaviors, in certain of these jurisdictions. Such regulatory scrutiny procedures and investigations, may be carried out by the relevant antitrust or competition regulatory authorities on an individual entity or a group of entities within an industry or a segment of an industry and may relate to a range of activities including acquisitions, pricing and other behaviors. These investigations and scrutiny procedures may be carried out by antitrust or competition regulatory authorities in confidence and we may not become aware of the details of such scrutiny procedures or investigations until we are formally notified of the outcome. In addition, our competitors may resort to making allegations or complaints against us to regulators without our knowledge which may give rise to further scrutiny and investigations. Such scrutiny procedures, investigations, lawsuits and proceedings may result in fines, civil liability or criminal liabilities or may result in a change in the way we operate. Further, there can be no assurance that our business, results of operations and financial condition will not be adversely affected by the introduction of new antirust or competition laws in the jurisdictions in which we operate, the interpretation of existing antirust or competition laws, or the enforcement of existing antitrust or competition laws by competent regulatory authorities or civil antitrust litigation by private parties against us or our subsidiaries.

As we are a company incorporated under the PRC laws, we are subject to anti-monopoly and anti-unfair competition laws and regulations of mainland China. In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the Ministry of Commerce, the NDRC and the SAIC. Since its inception, the SAMR has continued strengthening enforcement under the PRC Anti-Monopoly Law and the PRC Anti-unfair Competition Law. Pursuant to the PRC Anti-Monopoly Law, the relevant operators of a concentration of undertakings which reaches the standard for declaration shall make an advance declaration to the anti-monopoly law enforcement authority under the State Council. The PRC Anti-Monopoly Law has been amended in 2022 which further strengthens supervision on concentration of undertakings and empower the anti-monopoly law enforcement authority of the State Council to require a declaration for a concentration of undertakings that does not reach the threshold of declaration as prescribed in certain circumstances. For more information on PRC Anti-Monopoly Law, see "Regulatory Overview — Laws and Regulations Relating to Anti-unfair Competition" in this document. We endeavor to comply with the PRC Anti-monopoly Law or the PRC Anti-unfair Competition Law. Nonetheless, we may be required by competent regulatory authorities to adjust our business practices or may be subject to penalties, such as confiscation of incomes or potential fines, if any of our past or future acquisitions or investments, or any other business practices involving us, is deemed to be non-compliant with the PRC Anti-monopoly Law or the PRC Anti-unfair Competition Law. We may also be subject to claims from our competitors or users, which could affect our business and operations. The PRC authorities may keep supervising the competition compliance issues, and we may receive greater scrutiny and attention from regulators and more frequent and rigid investigations or reviews by regulators, which may increase our compliance costs and subject us to heightened risks and challenges. We may have to spend much more personnel cost and time evaluating and managing these risks and challenges in connection with our products and services as well as our investments in our ordinary business course to avoid any failure to comply with these laws and regulations.

In particular, legal proceedings, including regulatory actions, may result from antitrust scrutiny of market practises for anti-competitive conduct in foreign jurisdictions where we operate our businesses. As we expand our operations globally, antitrust or competition regulatory authorities in certain jurisdictions may find our cooperation with other entities, or our conduct of business with other entities in a coordinated way, is not compliant with certain antitrust or competition laws and regulations. Consequently, we may be subject to certain antitrust investigations, lawsuits or regulatory proceedings, and may be subject to fines, civil liability or criminal liability. Any failure or perceived failure by us to comply with the anti-monopoly and anti-unfair competition laws and regulations may result in governmental investigations or enforcement actions, litigations or claims against us and could affect our business, financial condition and results of operations.

Our success depends largely on the continued service of our senior management and key technical personnel and our ability to recruit, train or retain qualified personnel or sufficient workforce while controlling our labor costs.

Much of our future success depends on the continued contributions of our senior management and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers, our senior management team and other highly skilled employees could harm our business. Competition for qualified talent is intense. Our future success depends on our ability to attract a large number of qualified employees and retain existing key employees. If we are unable to do so, our business and growth may be materially and adversely affected.

We intend to hire additional qualified employees to support our business operations and planned expansion. Our future success depends, to a significant extent, on our ability to recruit, train or retain qualified personnel, particularly technical, marketing and other operational personnel with experience in the relevant industry. Our experienced mid-level managers are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. The effective operation of our managerial and operating systems also depends on the hard work and quality performance of our management and employees. Since our industry is characterized by high demand and intense competition for talent and labor, we can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. Labor costs have increased with the economic development of developing countries and labor shortage and inflation around the world. For example, the annual average wage of urban employees in private sectors in mainland China rose from RMB45,761 in 2017 to RMB65,237 in 2022, according to National Bureau of Statistics of China. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth on a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

We may not be able to effectively manage any overlap or potential competition among our different sales channels. Any deterioration of our offline and online distribution channels could have a material adverse effect on our business and results of operations.

We sell our products through a global distribution network. We have established a comprehensive multi-channel sales network, which comprises offline and online channels. However, we cannot assure you that any of our measures to manage overlap or potential competition among our sales network will be effective. As a result, the expansion of our sales network may not lead to proportionate increase in our net revenues. Furthermore, adverse competition or cannibalisation among the various channels may have a negative impact on the relationship with our distribution partners, which could have a material adverse effect on our business and results of operations.

Our current agreements with distribution partners generally do not prohibit them from working with our competitors or from selling competing products. Our competitors may be more effective in providing incentives to our distribution partners to favor our competitors' products and promote their sales. In addition, if our distribution partners are not successful in selling our products due to various reasons, including lower demand, market competition and decreasing efficiency of distribution network, our revenue may decrease. Pursuing, establishing and maintaining relationships with our distribution partners require significant time and resources. We cannot assure you that we will be able to renew our agreements with our distribution partners upon their expiry or on acceptable terms. If for any reason, our relationship with our distribution partners deteriorates, our business and results of operations may be materially and adversely affected.

Investment in new business strategies, acquisitions and other forms of business integration could disrupt our ongoing business and present risks not originally contemplated, and we may be unable to realize the anticipated benefits, synergies, cost savings or efficiencies from acquisitions.

We have invested, and in the future, may invest, in new business strategies or acquisitions. Throughout the years, we acquired, for example, Toshiba Lifestyle, Clivet and KUKA Group, to expand our product portfolio, customer base and geographic footprints. Endeavors of such kinds are inherently risky, and future ventures of such nature may involve significant risks and uncertainties, including distraction of management from current operations, greater than expected liabilities and expenses, inadequate return of capital and unidentified issues not discovered in our due diligence.

We may incur significant acquisition, administrative and other costs in connection with such transactions, including costs related to the integration of acquired businesses. These costs may include unanticipated costs or expenses, including post-closing asset impairment charges, legal, regulatory and contractual costs, and expenses associated with eliminating duplicate facilities. In addition, upon completion of an investment or acquisition, we may allocate significant resources to the integration new business into our existing business to realize synergetic benefits. The integration process involves certain risks and uncertainties, some of which are outside our control, and there can be no assurance that we will be able to realize the anticipated benefits, synergies, cost savings or efficiencies. We may also experience difficulties integrating any investments, acquisitions and/or partnerships into our existing business and operations. There is no assurance that we will be able to successfully implement these initiatives or that we will be able to identify successful initiatives in the future.

These acquisitions and business initiatives may also expose us to potential risks, including risks associated with:

- the integration of new business lines, operations and personnel;
- cultural integration;

- compliance with the laws, regulations and policies that are applicable to the acquired businesses and local business practises;

- failure to achieve the anticipated synergies, cost savings or revenues, enhancing opportunities resulting from the acquisition of new businesses and operating those businesses at a level of profitability acceptable to us;

- difficulty exercising control and supervision over the newly acquired operations, including failure to implement our risk management procedures;

- the potential loss of, or harm to, relationships with our stakeholders; and

- unforeseen or hidden liabilities.

There can be no assurance that we will be able to identify and acquire, on reasonable terms, if at all, suitable acquisition candidates or investment opportunities. We could be faced with increasing competition for attractive acquisition candidates. Compliance with antitrust, foreign investment review, or any other regulations may delay proposed acquisitions or prevent us from closing such acquisitions or investments in the manner proposed, if at all. Such delay or failure to close proposed acquisitions could impair our ability to achieve our strategic objectives. Failure to successfully identify or undertake future investments, acquisitions, partnerships and new business lines and strategies may have a material adverse effect on our business, financial condition and results of operations.

We are subject to credit risk in collecting trade and note receivables due from the customers.

During the Track Record Period, a majority of our trade receivables were outstanding for less than six months. For a substantial portion of our Smart Home Solutions in mainland China, we generally require full payment upon delivery of goods. For other businesses, we generally grant a credit period of 60 days. For certain customers for our Commercial & Industrial Solutions, we may extend longer credit terms depending on the credit history of our customers and the transaction value. During the Track Record Period, the trade and note receivables at amortized cost turnover days of our Group were 31 days, 33 days, 35 days and 36 days for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024, respectively. As at 31 December 2021, 2022 and 2023 and 30 April 2024, the carrying amount of our trade and note receivables at amortized cost were approximately RMB29.4 billion, RMB33.0 billion, RMB38.4 billion and RMB48.0 billion, respectively, after deducting the allowance for credit losses of approximately RMB890.8 million, RMB1,394.4 million, RMB1,548.3 million and RMB1,611.8 million during the respective period. There is no assurance that all such amounts due to our Group will be settled on time or at all, and we are subject to credit risk in collecting the trade and note receivables due from the customers. Our Group's performance, liquidity and profitability will be adversely affected if significant amounts due to our Group are not settled on time. The bankruptcy or deterioration of the credit condition of any of our major customers could also materially and adversely affect our business.

We recorded significant amount of goodwill, and the impairment of goodwill could have a material adverse effect on our operating results.

We carried a substantial amount of goodwill on our balance sheet during the Track Record Period. As of 30 April 2024, we had RMB30.0 billion in goodwill. We test the goodwill and intangible assets for impairment on an annual basis and when events occur or circumstances change that indicate that the fair value of the reporting unit may be below its carrying amount. Fair value determinations require considerable judgment and are sensitive to inherent uncertainties and changes in estimates and assumptions regarding revenue growth rates, capital expenditures, working capital requirements, tax rates, benefits associated with a taxable transaction and synergies available to market participants. Declines in market conditions, a trend of weaker than anticipated financial performance for our reporting units, a decline in our share price for a sustained period of time or an increase in the market-based weighted average cost of capital, among other factors, are indicators that the carrying value of our goodwill.

We are exposed to changes in the fair value of our financial assets measured at fair value and other financial assets at amortised cost. Fluctuations in their values would affect our results of operations and financial condition.

As at 31 December 2021, 2022 and 2023 and 30 April 2024, we recorded financial assets measured at fair value of RMB50.9 billion, RMB45.9 billion, RMB35.6 billion and RMB41.6 billion, respectively. Fair values of financial assets measured at FVPL and FVOCI are determined based on quoted prices in active markets, other market-observable inputs, or unobservable inputs using valuation techniques. See note 3.3 to the Accountant's Report included in Appendix I to this document for more details.

For financial assets measured at FVPL and FVOCI, factors beyond our control can significantly influence and cause adverse changes to the market-observable inputs that we use and thereby affect the fair value of such financial assets. These factors include, but are not limited to, general economic condition, changes in market interest rates, stability of the capital markets, shifts in our creditworthiness and other market-driven variables. Any of these factors, as well as others, could cause the fair values to fluctuate or our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. Additionally, judgement and estimation are required in establishing the relevant valuation techniques where market-observable data for certain financial assets are not readily available, which inherently involve a certain degree of uncertainty. Changes in assumptions relating to our valuation could result in the material adjustments to the fair value of such financial assets, which may in turn have a material adverse effect on our financial position and results of operations.

In addition to financial assets measured at FVPL and FVOCI, we recorded other financial assets measured at amortized cost of RMB59.2 billion, RMB111.9 billion, RMB138.4 billion and RMB133.6 billion as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively. Our other financial assets at amortized cost represent the financial products that are held for collection of contractual cash flows, and the contractual cash flows solely represent payments of principal and interest. Our other financial assets at amortized cost primarily consist of constant return financial products, which mainly include term bank deposits with initial terms over one year, custom deposits and non-transferable certificates of deposits deposited in financial institutions, which were subsequently measured using the effective interest method. These financial assets at amortised cost are subject to credit risks. We perform impairment assessment on these financial assets by considering the risk of default of the counterparties with reference to credit ratings assigned by international credit-rating agencies. Any failure or distress of banks or financial institutions with which we have a commercial relationship, or any events involving limited liquidity, defaults, non-performance or other adverse developments that affect the financial services industry in general (or any concerns or rumors about events of these kinds) may cause a substantial decrease in the value of our other financial assets at amortised cost, which may in turn adversely affect our results of operations and financial condition.

Our financial assets denominated in foreign currencies are also subject to foreign currency risks. See "— Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment" for more information.

We are exposed to fair value changes of other financial liabilities at fair value through profit or loss.

We operate a technology industry investment fund. For details, see "Financial Information — Indebtedness — Other Financial Liabilities at Fair Value Through Profit or Loss." For the amount raised from limited partners, we have contractual obligation to settle the liabilities with the limited partners at the fund's prevailing fair value and the management designates such obligation as other financial liabilities at fair value through profit or loss. As at 31 December 2021, 2022 and 2023 and 30 April 2024, our other financial liabilities at fair value through profit or loss amounted to nil, RMB1,580.8 million, RMB1,346.7 million and RMB1,174.0 million, respectively. The determination of the fair value changes requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such liabilities. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operations and financial condition.

Our products and services may experience quality problems from time to time that can result in harm to our reputation. Product-related liability, product recall costs, and significant return or exchange could also adversely affect our business and financial performance.

We cannot assure you that our quality control measures will be as effective as we expect. There can be no assurance that we will be able to detect and fix all defects in our products. We may face the risk of significant monetary exposure to claims if we fail to implement and maintain our quality control steps and our products do not perform as expected or contain design and/or manufacturing defects or malfunctions.

If our products are defective, the sale of such products could expose us to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties who are subject to such injury or damage may bring claims or legal proceedings against us. Certain product liability claims may be the result of defects from components and parts purchased from our suppliers. Attempting to enforce our rights against such suppliers and manufacturers may be expensive, time-consuming and ultimately futile. Such suppliers and manufacturers may not be able to indemnify us for the losses resulting from such defects and product liability claims in full or at all. Further, our insurance coverage might be insufficient to fully cover all damages sought and the claiming process might be prolonged. As a result, any material product liability claim or litigation could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation. We recorded provisions for product liability claims that amounted to RMB772.9 million, RMB1,122.8 million, RMB1,242.2 million and RMB399.2 million in 2021, 2022 and 2023 and for the four months ended 30 April 2024, respectively. Further, a product liability claim could generate substantial negative publicity about our products and brand, which would have a material adverse effect on our business prospects and financial condition.

Our reputation could be adversely impacted in the event of a significant product recall or product-related litigation due to product defects. We are subject to warranty and product liability claims in the ordinary course of our business. There can be no assurance that we will not experience material product liability losses arising from such claims in the future and that these will not have a negative impact on our reputation and, consequently, our sales. There can be no assurance that such provisions will be adequate for liability ultimately incurred. In addition, consumer products are becoming increasingly sophisticated and complicated as rapid advancements in technologies occur. This trend may increase our product quality and liability exposure. Given the association of our individual products with our overall brand, an issue with one of our products could negatively affect demand for other products of ours or the reputation of us as a whole, which could have an adverse impact on the business, results of operations and financial condition of us. See "— Maintaining our brand image is critical to our success, and any failure to do so could severely damage our reputation and brands, which would have a material adverse effect on our business, financial condition and results of operations."

We adhere to our product return policies and generally do not allow our distributors and retailers to return products other than due to product quality issues or product returns from consumers or recalls, which is in line with customary industry practice. However, we may be required by law to adopt new or amend existing return and exchange policies from time to time. Should we be the ultimate responsible party for the costs and losses associated with significant return and exchange, our results of operations may be materially and adversely affected. If our return and exchange policy is misused by a significant number of consumers, our costs may increase significantly and our results of operations may be materially and adversely affected. If we adopt more customer-friendly return and exchange policies, these policies also subject us to additional costs and expenses which we may not recoup through increased revenue, which may materially negatively affect our results of operations. If we adopt less customer-friendly return and exchange policies to reduce such costs and expenses, our users may be dissatisfied, which may result in loss of existing users or failure to acquire new users at a desirable pace, which may materially and adversely affect our results of operations.

The strategic priorities and financial performance of many of our businesses are subject to the market and other dynamics related to carbon neutrality and ESG, which can pose risks in addition to opportunities.

There is an increasing focus from certain investors, customers and other parties in society concerning corporate responsibility, specifically related to ESG factors. Accordingly, there is an increased emphasis on corporate responsibility ratings and a number of third parties provide reports on companies in order to measure and assess ESG performance, which pose reputational, regulatory and other risks on us. We believe that it is our responsibility to devote substantial time and resources to develop technology and products designed to reduce carbon footprint. In the meantime, given the nature of our businesses and the industries we serve, we must anticipate and respond to market, technological, regulatory and other changes driven by broader trends related to decarbonization efforts in response to climate change, and these changes present both risks and opportunities for our businesses. The process of developing new technology products and enhancing existing products to mitigate climate change is often complex, costly and uncertain, and we may pursue strategies or make investments that do not prove to be commercially successful in the time frames expected, or at all, which could impact our operating results and financial conditions. Furthermore, our success in advancing decarbonization objectives across our businesses will depend in part on the actions of governments, regulators and other market participants to invest in infrastructure, create appropriate market incentives and to otherwise support the development of new technologies.

In addition, the ESG factors by which companies' corporate responsibility practices are assessed may change, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. Alternatively, if we are unable to satisfy such new criteria or we are unable to respond or perceived to be inadequately responding to sustainability concerns, investors may conclude that our policies with respect to corporate responsibility are inadequate and choose to purchase products from a competitor of us. We risk damage to our brands and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties. In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any of these circumstances could cause negative publicity and material and adverse effect on our business, financial condition and results of operations. Moreover, not all of our competitors may seek to establish climate or other ESG targets and goals, or at a comparable level to ours, which could result in our competitors achieving competitive advantages through lower costs in supply chain or operation, which could adversely affect our business, results of operations, financial condition and prospects.

We are subject to a broad range of increasingly strict laws and regulations relating to, among other areas, the environment, occupational health and safety and labor practices, in jurisdictions in which we operate. In particular, in terms of environmental protection, we are required to comply with laws, regulations and various industry standards relating to air emissions, discharges of waste water, waste gas and solid waste, noise pollution, toxic chemicals, waste treatment, and the energy efficiency of certain products, among other things. We are also subject to periodic monitoring by environmental protection authorities in various jurisdictions in which we operate. Compliance with these laws and regulations is costly, and failure to comply could subject us to, among other things, legal liability, fines, suspension of production, a loss of license to operate certain facilities and other sanctions, unexpected interruptions to operations, securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business prospects, financial condition and results of operations as well as the market value of our Shares. Furthermore, future developments such as new and more restrictive or changes to existing laws and regulations relating to, among other areas, the environmental, occupational health and safety and labor practices, more aggressive enforcement of existing laws and regulations or the discovery of presently unknown environmental conditions may require us to make material changes to our products and operations or require additional expenditures, which could have an adverse effect on our business, financial condition and results of operations.

Our business may be impacted by political events, war, terrorism, public health issues, natural disasters and other business interruptions.

War, terrorism, geopolitical uncertainties, public health issues and other business interruptions could cause damage or disruption to international commerce and the global economy, and thus could have a material adverse effect on us, our suppliers, logistics service providers, distribution partners and customers. Our business operations are subject to interruption by, among others, natural disasters, whether as a result of climate change or otherwise, fire, power shortages and other industrial accidents, terrorist attacks and other hostile acts, labor disputes, public health issues, demonstrations or strikes, and other events beyond our control. Such events could decrease demand for our products, make it difficult or impossible for us to make and deliver products to our customers, or to receive components or products from our suppliers, and create delays and inefficiencies in our supply chain. While our suppliers are required to maintain safe working environments and operations, an industrial accident could occur and could result in disruption to our business and harm to our reputation. In the event of a natural disaster or major public health issue, we could incur significant losses, require substantial recovery time and experience significant expenditures in order to resume operations.

Divestitures of businesses and assets may have a material and adverse effect on our business and financial condition.

We may undertake in the future, partial or complete divestitures or other disposal transactions in connection with certain of our businesses and assets, particularly ones that are not closely related to our core focus areas or might require excessive resources or financial capital, to help our company meet its objectives. These decisions are largely based on our management's assessment of the business models and likelihood of success of these businesses.

However, our judgment could be inaccurate, and we may not achieve the desired strategic and financial benefits from these transactions. Our financial results could be adversely affected by the impact from the loss of earnings and corporate overhead contribution/allocation associated with divested businesses.

Dispositions may also involve continued financial involvement in the divested business, such as through guarantees, indemnities or other financial obligations. Under these arrangements, performance by the divested businesses or other conditions outside of our control could affect our future financial results. We may also be exposed to negative publicity as a result of the potential misconception that the divested business is still part of our consolidated group. On the other hand, we cannot assure you that the divesting business would not pursue opportunities to provide services to our competitors or other opportunities that would conflict with our interests. If any conflicts of interest that may arise between the divesting business and us cannot be resolved in our favor, our business, financial condition, results of operations could be materially and adversely affected.

Furthermore, reducing or eliminating our ownership interests in these businesses might negatively affect our operations, prospects, or long-term value. We may lose access to resources or know-how that would have been useful in the development of our own business. Our ability to diversify or expand our existing businesses or to move into new areas of business may be reduced, and we may have to modify our business strategy to focus more exclusively on areas of business where we already possess the necessary expertise. We may sell our interests too early, and thus forego gains that we otherwise would have received had we not sold. Selecting businesses to dispose of or spin off, finding buyers for them (or the equity interests in them to be sold) and negotiating prices for what may be relatively illiquid ownership interests with no easily ascertainable fair market value will also require significant attention from our management and may divert resources from our existing business, which in turn could have an adverse effect on our business operations.

Having considered, amongst others, the market conditions, financing needs and development of the subsidiaries and business, we intend to spin off Midea Lighting and Annto Smart Logistics and retain the possibility to spin off the Robotics & Automation System Related Business. We have obtained from the Hong Kong Stock Exchange a waiver from strict compliance with the requirements under Practice Note 15 in relation to the spin-off of Midea Lighting; and a waiver from strict compliance with the three-year restriction requirement under paragraph 3(b) of Practice Note 15 in relation to the potential spin-offs of Midea Lighting (in the event that Midea Lighting submits a new listing application to another stock exchange in the PRC), Annto Smart Logistics and the Robotics & Automation System Related Business. For additional information, see "Waivers and Exemptions — Waiver in Respect of Strict Compliance with Practice Note 15 and the Three-Year Restriction on Spin-Offs."

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

A substantial portion of our revenues and cost of revenue is denominated in RMB. However, as we operate part of our business in foreign jurisdictions, we are subject to risks associated with foreign currency exchange fluctuations. Through other gains or losses, we incurred net foreign exchange gains of RMB733.3 million in 2021, net foreign exchange losses of RMB435.6 million in 2022 and net foreign exchange losses of RMB340.0 million in 2023 and, through finance cost, we incurred net exchange gains of RMB64.9 million in 2021, net exchange losses of RMB71.5 million in 2022 and net exchange losses of RMB564.7 million in 2023. Through other gains or losses, we incurred net foreign exchange gains of RMB234.7 million for the four months ended 30 April 2023 and net foreign exchange losses of RMB2,272.8 million for the four months ended 30 April 2024, respectively, and, through finance cost, we incurred net foreign exchange losses of RMB326.6 million for the four months ended 30 April 2023 and net exchange gains of RMB171.6 million for the four months ended 30 April 2024, respectively. In addition, we recognized a currency translation loss of RMB231.7 million and RMB53.6 million through other comprehensive losses in 2021 and 2023, respectively, and recognized a currency translation gain of RMB1,222.8 million through other comprehensive income in 2022. For the four months ended 30 April 2023 and 2024, we recognized a currency translation loss of RMB478.0 million and RMB488.7 million, respectively, through other comprehensive losses. See "Financial Information — Major Factors Affecting Our Results of Operations — Foreign Currency Fluctuations." We cannot guarantee that future fluctuations of exchange rates would not have a material adverse impact on our financial condition and results of operations.

Changes in the value of foreign currencies could increase our RMB costs for, or reduce our RMB revenues from, our foreign operations. The fluctuation of foreign exchange rates also affects the value of our monetary and other assets and liabilities denominated in foreign currencies. We cannot guarantee that future fluctuations of exchange rates would not have a material adverse impact on our financial condition and results of operations.

During the Track Record Period, we have maintained certain hedging policies, such as leveraging certain derivative instruments, in an effort to reduce our exposure to foreign exchange risks, and we may maintain, or further enhance, our hedging policies in the future. Our derivative financial instruments mainly include forwards, options and futures contracts. As at 31 December 2021, 2022 and 2023 and 30 April 2024, our derivative financial liabilities amounted to RMB166.6 million, RMB314.5 million, RMB415.5 million and RMB657.1 million, respectively, while our derivative financial assets amounted to RMB1,298.8 million, RMB5,029.1 million, RMB3,753.1 million and RMB5,708.4 million, respectively. However, the availability and effectiveness of these hedging measures may be limited, and we may not be able to adequately cover our exposure or at all.

It is difficult to predict how external factors may impact the exchange rate of RMB to foreign currencies in the future. There can be no assurance that such exchange rate will remain stable against USD or other foreign currencies in the market. Any appreciation of RMB against foreign currencies may affect our overseas operations. Conversely, if we decide to convert our RMB into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, any depreciation of RMB against the Hong Kong dollar would have a negative effect on the value of, and any dividends payable on, our H Shares.

We are subject to certain regulatory requirements over foreign currency conversion and remittance.

We receive substantial payments from our operations in mainland China in RMB and may need to convert Renminbi into other currencies payment of dividends, if any, to holders of our Shares, and to fund our business activities outside mainland China. The convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of mainland China are subject to certain regulatory requirements under PRC laws over foreign currency conversion and remittance. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations.

Under existing foreign exchange regulations of mainland China, payment of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, prior registration and other procedures with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of mainland China to pay capital expenses. If we cannot fulfill the regulatory requirements over foreign currency conversion to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have further requirements on the remittance of Renminbi into or out of mainland China. Any existing and future requirements on currency exchange may limit our ability to purchase raw materials and components outside of mainland China or otherwise fund any future business activities that are conducted in foreign currencies.

We could be subject to changes in our tax rates, the adoption of new local or overseas tax legislation or exposure to additional tax liabilities.

The PRC EIT Law imposes a tax rate of 25% on business enterprises. Some of our subsidiaries are entitled to preferential tax treatment. For example, certain of our subsidiaries in the mainland China were approved as High-tech Enterprises, and they were subject to a preferential corporate income tax rate of 15% during the Track Record Period. See "Financial Information — Taxation" in this document. To the extent there are any changes in the laws and regulations governing preferential tax treatment, or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC authorities may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with mainland China tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to mainland China tax laws and regulations and tax penalties or fines could affect our businesses, financial condition and results of operations.

We also operate in countries and regions overseas and are subject to various taxes. See "Financial Information — Taxation" in this document. Due to the fact that the tax environment can be different in different jurisdictions and that the regulations regarding various taxes, including but not limited to corporate income tax, are complex, our overseas operations may expose us to risks associated with the overseas tax policy changes. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our results of operations.

We are also subject to the examination of our tax returns and other tax matters by local and overseas tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected.

We may need additional capital, and financing may not be available on terms acceptable to us, or at all.

We primarily rely on cash flow generated from operating activities to fund our current operations during the Track Record Period. We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources due to changed business conditions or other future developments, including any expansion into new business or geographic markets, marketing initiatives or investments we may decide to pursue. If our business does not generate sufficient cash flow from operations to fund these activities and sufficient funds are not otherwise available from our current or future credit facility, we may need to obtain additional equity or debt financing. If such financing is not available to us on satisfactory terms or in a timely manner, our ability to operate and expand our business or to respond to competitive pressures could be harmed. Moreover, if we raise additional capital by issuing equity securities or securities convertible into equity securities, the ownership of our existing Shareholders may be diluted. The holders of new securities may also have rights, preferences or privileges which are senior to those of existing holders of ordinary shares. In addition, any indebtedness we incur may subject us to covenants that restrict our operations and our ability to effectuate certain corporate decisions for our business and will require interest and principal payments that could create additional cash demands and financial risk for us.

We have limited insurance coverage which could expose us to significant costs and business disruption.

We currently have insurance coverage for our properties and fixed assets, plant and equipment and inventories, which we consider to be exposed to major business risks. We also maintain third-party insurance policies covering certain potential risks and liabilities including product liability and property liability. We do not, however, carry insurance in respect of certain risks that we believe are not insured under customary industry practise in mainland China, or which are uninsurable on commercially acceptable terms, if at all, such as those caused by war, nuclear contamination, tsunami, pollution, acts of terrorism and civil disorder. Accordingly, there may be circumstances in which we will not be covered or compensated, in part or at all, for specific losses, damages and liabilities. We cannot guarantee that our insurance coverage is sufficient to cover potential losses. Nevertheless, we would remain obliged for any bank borrowings or other financial obligations related to the property.

In addition, we are subject to the risks of losses arising from the misappropriation of cash or other assets by our employees or third parties, which losses may not be sufficiently covered by our insurance policies. Any risk that is not adequately covered by insurance may have an adverse effect on our business, results of operations and financial condition.

It may be complex to effect service of process upon us or our management or to enforce against them or us any judgments obtained from foreign courts.

We are a company incorporated under the PRC laws and a majority of our assets are located in mainland China. In addition, most of our Directors, Supervisors and senior management reside in mainland China. As a result, it may be complex for investors to effect service of process outside of mainland China upon us, our Directors, Supervisors or senior management or to enforce judgments obtained against us in courts outside mainland China. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in mainland China only if the jurisdiction has a treaty with mainland China or if the jurisdiction has been otherwise deemed by the courts of mainland China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, mainland China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in mainland China of judgments of a court in these jurisdictions may consequently be difficult or impossible. On July 3, 2008, the Supreme People's Court and the Government of the Hong Kong Special Administrative Region signed the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "2008 Arrangement"). Under the 2008 Arrangement, where any designated court of mainland China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of mainland China or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 18, 2019, the Supreme People's Court and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement"), which became effective on 29 January 2024. The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of 2008 Arrangement which is made before the effective date of 2019 Arrangement.

We may be the subject of anti-competitive, harassing, or other detrimental conduct by third parties including complaints to regulatory agencies, negative social media postings, and the public dissemination of malicious assessments of our business that could harm our reputation and cause us to lose market share, customers and revenues.

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, allegations, directly or indirectly against us, may be posted online by anyone, whether or not related to us, on an anonymous basis. Customers value readily available information concerning distributors, retailers, manufacturers, and their products and services and often act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media is virtually immediate, as is its impact. Social media immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our reputation, business operations and financial performance. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues.

Unfavorable results of legal and regulatory proceedings could materially adversely affect our business and financial condition and performance.

We are or may in the future become subject to a variety of litigation and legal compliance risks. Unfavorable outcomes regarding these assessments could have a material adverse effect on our financial statements in any particular reporting period. See "Financial Information — Contingent Liabilities" fore more details. Results of legal and regulatory proceedings cannot be predicted with certainty and for some matters, such as class actions, no insurance is cost-effectively available. Regardless of merit, legal and regulatory proceedings may be both time-consuming and disruptive to our operations and could divert the attention of our management and key personnel from our business operations. Such proceedings could also generate significant adverse publicity and have a negative impact on our reputation and brand image, regardless of the existence or amount of liability. We estimate loss contingencies and establish accruals as required by the applicable accounting standard, based on our assessment of contingencies where liability is deemed probable and reasonably estimable, in light of the facts and circumstances known to us at a particular point in time. Subsequent developments in legal proceedings, volatility in foreign currency exchange rates and other factors may affect our assessment and estimates of the loss contingency recorded and could result in an adverse effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which amounts would be paid. Actual results may significantly vary from our reserves.

Uncertainties embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

Furthermore, many of the legal systems in the geographic markets where we operate are based in part on their respective government policies and internal interpretations, some of which are not published on a timely basis or at all and may have retroactive effects. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of our industries and affect our business, financial condition and results of operations.

We are a mainland China enterprise and we are subject to mainland China tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to mainland China income taxes.

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the mainland China and a non-mainland China investor's jurisdiction of residence that provides for a different income tax arrangement, mainland China withholding tax at the rate of 10% is normally applicable to dividends from mainland China sources payable to investors that are non-mainland China resident enterprises, which do not have an establishment or place of business in mainland China, or which have an establishment or place of business in mainland China if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% mainland China income tax rate if such gains are regarded as income from sources within mainland China unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within mainland China paid to foreign individual investors who are not mainland China residents are generally subject to a mainland China withholding tax at a rate of 20% and gains from mainland China sources realized by such investors on the transfer of shares are generally subject to a 20% mainland China income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in mainland China. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-mainland China resident individual holders of H Shares are generally subject to individual income tax of mainland China at the withholding tax rate of 10%, in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of mainland China and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-mainland China resident individuals on the sale of shares of mainland China resident enterprises listed on overseas stock exchanges.

If mainland China income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-mainland China resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with mainland China may not qualify for benefits under such tax treaties or arrangements.

RISKS RELATING TO THE GLOBAL OFFERING

We will be concurrently subject to listing and regulatory requirements of mainland China and Hong Kong.

As we are listed on the Shenzhen Stock Exchange and will be listed on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

The characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the Global Offering, our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be traded on the Stock Exchange. Under current laws and regulations of mainland China, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

There has been no prior public market for our H Shares, and an active trading market for our H Shares may not develop or be sustained.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, and may not be an indication of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares may be materially and adversely affected.

The price and trading volume of our H Shares may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the price and trading volume of our Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

The market price of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate could be negatively impacted as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, especially by our Directors, executive officers and Largest Group of Shareholders, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. Furthermore, we may issue Shares pursuant to any existing or future share option incentive schemes, which would further dilute our Shareholders' interests in our Company. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares. Certain amount of the Shares controlled by our Largest Group of Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the market price of our Shares.

In addition, while investors subscribing shares in the Global Offering are not subject to any restrictions on the disposal of the H Shares they subscribed (except as disclosed in the section headed "Cornerstone Investors"), they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the Global Offering for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the Listing Date. Any sale of the H Shares subscribed by such investors pursuant to such arrangement or agreement could adversely affect the market price of our H Shares and any sizeable sale could have a material and adverse effect on the market price of our H Shares and could cause substantial volatility in the trading volume of our H Shares.

The interests of our Largest Group of Shareholders may not be aligned with the interests of other Shareholders.

Immediately following the completion of the Global Offering and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, our Largest Group of Shareholders will hold approximately 29.4% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Largest Group of Shareholders may differ from the interests of our other Shareholders. It is possible that our Largest Group of Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

We have declared dividends in the past. We protect our Shareholders' interest by ensuring a consistent dividend policy. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of mainland China, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of mainland China. See "Financial Information — Dividend Policy" for further details of our dividend policy. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of mainland China, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of mainland China to pay capital expenses such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of mainland China.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in mainland China. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in mainland China, which are different from those applicable to the Global Offering. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. As a result, prospective investors in our H Shares should be reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the Global Offering.

There have been recent media reports indicating that our statutory auditor in mainland China may face certain penalties, including possibly a business suspension for a period of time. We are monitoring this development and will assess its potential impact, if any, on our future financial reporting on the Shenzhen Stock Exchange. We may take certain remedial actions including, if deemed necessary, engaging a new statutory auditor in mainland China to audit our future annual financial statements published on the Shenzhen Stock Exchange.

You should read the entire document carefully and only rely on the information included in this document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the Global Offering.

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us, our Shares and the Global Offering. Prior to the publication of this document, there may be press and media coverage regarding the Global Offering and us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “aim”, “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “might”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance.

In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules and exemption from the CWUMPO.

Rules	Subject matter
Rules 8.12 and 19A.15 of the Listing Rules	Management presence in Hong Kong
Rules 3.28 and 8.17 of the Listing Rules	Appointment of joint company secretaries
Paragraph 26 of Appendix D1A to the Listing Rules	Particulars of any alterations in the capital of any member of our Group
Rule 17.02(1)(b) of, and Paragraph 27 of Appendix D1A to the Listing Rules	
Paragraph 10 of Part I of the Third Schedule to the CWUMPO	Disclosure requirements in respect of outstanding share options
Paragraph 3(b) of Practice Note 15 to the Listing Rules	Three-year restriction on spin-offs
Rules 4.04(2) and 4.04(4)(a) of the Listing Rules	Investments after the Track Record Period
Chapter 14A of the Listing Rules . . .	Continuing connected transactions
Rule 8.08(1)(b) of the Listing Rules	Minimum public float of the H Shares
Rule 10.04 and Paragraph 5(2) of Appendix F1 to the Listing Rules .	Subscription for H Shares by existing shareholders and their close associates
Rules 10.04 and 9.09(b) and Paragraph 5(2) of Appendix F1 to the Listing Rules	Allocations to Existing Shareholder Employee Participants and restrictions on dealings in securities by core connected persons during the listing application process
Paragraph 4.2 of Practice Note 18 of the Listing Rules	Clawback mechanism
Paragraph 5(1) of Appendix F1 to the Listing Rules and Chapter 4.15 of the Guide for New Listing Applicants	Proposed subscriptions of H Shares by UBS AM Singapore and China Structural Reform Fund through GF Securities AM

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 and Rule 19A.15 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. The Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole. Therefore, our Company does not, and does not contemplate in the foreseeable future that we will, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is an effective channel of communication between the Stock Exchange and us by way of the following arrangements:

(i) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange. At present, our two authorised representatives are Mr. Fang Hongbo, our executive Director, chairman of the Board and the chief executive officer of our Group, and Ms. Lai Siu Kuen, our joint company secretary;

(ii) pursuant to Rule 3.20 of the Listing Rules, each Director will provide their contact information to the Stock Exchange and to the authorised representatives. This will ensure that the Stock Exchange and the authorised representatives should have means for contacting all Directors promptly at all times as and when required;

(iii) we will endeavour to ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and

(iv) pursuant to Rule 3A.19 of the Listing Rules, we have retained the services of Huatai Financial Holdings (Hong Kong) Limited as compliance adviser (the "**Compliance Adviser**"), who will act as an additional channel of communication with the Stock Exchange. We will ensure that the Compliance Adviser will have access at all times to our authorised representatives, our Directors and other officers. We shall also ensure that such persons will promptly provide such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorised representatives, our Directors, and other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Chartered Governance Institute;

(ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing the "relevant experience", the Hong Kong Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the CWUMPO and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company appointed Mr. Jiang Peng, our board secretary, (“**Mr. Jiang**”) and Ms. Lai Siu Kuen of Tricor Services Limited, (“**Ms. Lai**”) as joint company secretaries of our Company. For further details, please see the section headed “Directors, Supervisors and Senior Management — Joint Company Secretaries” for their biographies.

Ms. Lai is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Our Company’s principal business activities are outside Hong Kong. Our Company believes that it would be in the best interests of our Company and the corporate governance of our Group to have as its joint company secretary a person such as Mr. Jiang, who is an employee of our Company and who has day-to-day knowledge of our Company’s affairs. Mr. Jiang has the necessary nexus to the Board and close working relationship with management of our Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the Listing Date, in accordance with paragraphs 11 to 17 of Chapter 3.10 of the Guide for New Listing Applicants, on the conditions that: (i) Ms. Lai is appointed as a joint company secretary to assist Mr. Jiang in discharging his functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; the waiver will be revoked immediately if Ms. Lai, during the three-year period, ceases to provide assistance to Mr. Jiang as the joint company secretary; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. In addition, Mr. Jiang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Mr. Jiang has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Mr. Jiang and the need for on-going assistance of Ms. Lai will be further evaluated by our Company. We will demonstrate Mr. Jiang, having benefited from the assistance of Ms. Lai for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER IN RESPECT OF ALTERATION IN SHARE CAPITAL

Paragraph 26 of Appendix D1A to the Listing Rules requires this document to include the particulars of any alterations in the capital of any member of our Group within the two years immediately preceding the issue of this document.

As of the Latest Practicable Date, we have more than 400 subsidiaries globally. It would be unduly burdensome for us to disclose the required information in respect of all of its subsidiaries as our Company would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material nor meaningful to investors. The non-disclosure of such information will not prejudice the interests of our Shareholders or potential investors.

We have identified 32 subsidiaries (collectively, the "**Major Subsidiaries**" and each a "**Major Subsidiary**") that we consider are material to our operations and/or contributed significantly to our financial performance during the Track Record Period. None of the non-Major Subsidiaries is individually material to us in terms of its contribution to our Company's total assets, total revenue or total net profits, or holds any major assets and intellectual property rights. By way of illustration, after intercompany eliminations, as of 31 December 2021, 2022 and 2023 and 30 April 2024, the aggregate assets of the Company and its Major Subsidiaries represent 78.3%, 78.6%, 76.8% and 76.4% of our total assets and for each of the financial years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024, and the aggregate revenue of the Company and its Major Subsidiaries represents 71.7%, 70.3%, 64.2% and 52.0% of our total revenue respectively; and the aggregate net profits of the Company and its Major Subsidiaries (without intercompany eliminations) represent 121.2%, 109.0%, 113.2% and 51.2% of the Group's total net profits for each of the financial years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024. The decrease in the relevant percentage for net profits for the four months ended 30 April 2024 is primarily due to the decrease in dividend income received from the respective subsidiaries of the relevant entities, the majority of which will only be distributed and accounted for in the second half of the year. None of the other subsidiaries of our Company that are not Major Subsidiaries individually contributes to 5% or more of our Group's total assets as of 31 December 2021, 2022, or 2023 or 30 April 2024 or 5% or more of our Group's revenue or net profits for each of the financial years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024. Accordingly, the remaining subsidiaries which are not Major Subsidiaries in our Group are relatively insignificant to the overall results of our Group.

We have disclosed the particulars of the changes in the share capital of our Company and the Major Subsidiaries in the section headed "Statutory and General Information — 1. Further Information About Our Group — C. Further Information About Our Major Subsidiaries" in Appendix VI to this document.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under paragraph 26 of Appendix D1A to the Listing Rules, in respect of disclosing the particulars of any alteration in the capital of any member of our Group within the two years immediately preceding the issue of this document.

WAIVER AND EXEMPTION IN RELATION TO THE SHARE INCENTIVE PLANS DISCLOSURE REQUIREMENTS

The Listing Rules and the CWUMPO prescribe certain disclosure requirements in relation to the share options granted by our Company (the "**ESOP Disclosure Requirements**"):

(a) Rule 17.02(1)(b) of the Listing Rules stipulates that all material terms of a scheme must be clearly set out in this document. Our Company is also required to disclose in this document full details of all outstanding options and their potential dilution effect on the shareholdings upon Listing as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options;

(b) Paragraph 27 of Appendix D1A to the Listing Rules requires our Company to set out in this document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee; and

(c) Paragraph 10 of Part I of the Third Schedule to the CWUMPO requires our Company to disclose, amongst others, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the prospectus.

Pursuant to paragraphs 6 to 7 of Chapter 3.6 of the Guide for New Listing Applicants, the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

Our Company and its subsidiaries may, from time to time, adopt share incentive plans. For details of our Stock Option Incentive Plans which involve the issuance of new A Shares, see section headed "Appendix VI — Statutory and General Information — 4. Our Incentive Schemes" in this document.

As of the Latest Practicable Date, our Company had granted outstanding options under the Stock Option Incentive Plans to 3,073 grantees who are employees of our Group, including two connected persons who are not Directors, Supervisors or senior management of the our Company and 3,071 other employees of our Group, to subscribe for an aggregate of 121,837,304 Shares. As of the Latest Practicable Date, among the outstanding options, 142,000 were held by two connected persons and 121,695,304 were held by 3,071 employees of our

Group. The Shares underlying the granted options represent 1.6% of the total number of Shares in issue immediately after completion of the Global Offering (assuming that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing). None of the grantees is a Director, Supervisor or senior management of our Company.

We have applied to: (i) the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules; and (ii) the SFC for a certificate of exemption under section 342A of the CWUMPO exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the CWUMPO, respectively, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company and the exemption would not prejudice the interests of the investing public for the following reasons:

(a) given that 3,071 grantees (who are not Directors, Supervisors, members of the senior management or connected persons of our Company) are involved for the granting of outstanding options, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Stock Option Incentive Plans in this document would be costly and unduly burdensome for us in light of a significant increase in cost and timing for information compilation and prospectus preparation. For example, we would need to collect and verify the addresses of a large number of grantees to meet the disclosure requirement;

(b) the grant and exercise in full of the options under the Stock Option Incentive Plans will not cause any material adverse impact to the financial position of our Group. The 3,071 grantees who are not Directors, Supervisors, members of the senior management or connected persons of our Company have been granted options to acquire an aggregate of 121,695,304 Shares, representing 1.6% of the total number of Shares in issue immediately after completion of the Global Offering (assuming that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing), which is not material in the circumstances of our Company;

(c) there will not be any new H Shares issued under the Stock Option Incentive Plans as the foregoing plans are A-share incentive schemes;

(d) non-compliance with the above disclosure requirements would not prevent us from providing our potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

(e) material information relating to the shares under the Stock Option Incentive Plans has been disclosed in this document to provide prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options in making their investment decision, and such information includes:

(i) a summary of the latest terms of the Stock Option Incentive Plans;

(ii) the aggregate number of Shares subject to the options and the percentage of our Shares of which such number represents;

(iii) the dilutive effect and the impact on earnings per Share upon full exercise of the options immediately following completion of the Global Offering (assuming that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing);

(iv) full details of the options granted by the Company to Directors, Supervisors, members of senior management and connected persons (if any) of our Company, on an individual basis, are disclosed in this document, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part 1 of the Third Schedule to the CWUMPO;

(v) with respect to the options granted to other grantees (other than those referred to in (iv) above), disclosure are made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee, being (1) 1 to 50,000; (2) 50,001 to 100,000; (3) 100,001 to 150,000 and (4) 150,001 to 221,000 for each lots of Share, the following details are disclosed in this document, including (1) the aggregate number of such grantees and the number of Shares subject to the options; (2) the consideration paid for the grant of the options; and (3) the exercise period of the options and the exercise price for the options; and

(vi) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, respectively.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the applicable ESOP Disclosure Requirements on the conditions that:

(i) on an individual basis, full details of the options under the Stock Option Incentive Plans granted by the Company to each of our Directors, Supervisors, members of senior management of the Group and connected persons of our Company, will be disclosed in the section headed "Appendix VI — Statutory and General Information — 4. Our Incentive Schemes" as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the CWUMPO;

(ii) in respect of the options under the Stock Option Incentive Plans granted to remaining grantees (being the other grantees who are not our Directors, Supervisors, senior management or connected persons of our Company), disclosure will be made, on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee, being (1) 1 to 50,000; (2) 50,001 to 100,000; (3) 100,001 to 150,000 and (4) 150,001 to 221,000 for each lots of Share, the following details are disclosed in this document, including (1) their aggregate number of grantees and number of Shares underlying the options under the Stock Option Incentive Plans, (2) the consideration (if any) paid for the grant of the options under the Stock Option Incentive Plans, and (3) the exercise period of the options and the exercise price of the options granted under the Stock Option Incentive Plans;

(iii) aggregate number of Shares underlying the options granted under the Stock Option Incentive Plans and the percentage to our total issued share capital represented by such number of Shares as of the Latest Practicable Date;

(iv) the dilutive effect and impact on earnings per Share upon the full exercise of the options under the Stock Option Incentive Plans will be disclosed in the section headed "Appendix VI — Statutory and General Information — 4. Our Incentive Schemes";

(v) a summary of the major terms of the Stock Option Incentive Plans will be disclosed in the section headed "Appendix VI — Statutory and General Information — 4. Our Incentive Schemes";

(vi) a full list of all the grantees with outstanding options under the Stock Option Incentive Plans containing all the particulars as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection" in Appendix VII to this document;

(vii) the grant of a certificate of exemption under the CWUMPO from the SFC exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the CWUMPO; and

(viii) the particulars of the waiver will be disclosed in this document.

We have applied for, and the SFC has granted, a certificate of exemption under section 342A of the CWUMPO from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the CWUMPO on the conditions that:

(i) on an individual basis, full details of the options under the Stock Option Incentive Plans granted by the Company to each of our Directors, Supervisors, members of senior management of the Group and connected persons of our Company, will be disclosed in the section headed "Appendix VI — Statutory and General Information — 4. Our Incentive Schemes" as required under paragraph 10 of Part I of the Third Schedule to the CWUMPO;

(ii) in respect of the options under the Stock Option Incentive Plans granted to remaining grantees (being the other grantees who are not our Directors, Supervisors, senior management or connected persons of our Company), disclosure will be made, on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee, being (1) 1 to 50,000; (2) 50,001 to 100,000; (3) 100,001 to 150,000 and (4) 150,001 to 221,000 for each lots of Share, the following details are disclosed in this document, including (1) their aggregate number of grantees and number of Shares underlying the options under the Stock Option Incentive Plans, (2) the consideration (if any) paid for the grant of the options under the Stock Option Incentive Plans, and (3) the exercise period of the options and the exercise price of the options granted under the Stock Option Incentive Plans;

(iii) a full list of all the grantees with outstanding options under the Stock Option Incentive Plans, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection" in Appendix VII to this document; and

(iv) the particulars of the exemption will be disclosed in this document which will be issued on or before Tuesday, 10 September 2024.

WAIVER IN RESPECT OF STRICT COMPLIANCE WITH PRACTICE NOTE 15 AND THE THREE-YEAR RESTRICTION ON SPIN-OFFS

Paragraph 3(b) of Practice Note 15 ("**PN15**") provides that the Listing Committee would not normally consider a spin-off application within three years of the date of listing of the issuer with regard to proposals submitted by issuers to effect the separate listing on the Stock Exchange or elsewhere of assets or business wholly or partly within their existing groups (the "**spin-offs**"), given the original listing of the issuer will have been approved on the basis of the issuer's portfolio of businesses at the time of listing, and that the expectation of investors at that time would have been that the issuer would continue to develop those businesses.

Given our significant scale of overall business operation, we assess different opportunities for financing and business operation from time to time with an aim to create value to our shareholders, including spinning off certain subsidiaries or business, subject to, amongst others, the market conditions, financing needs and development of the subsidiaries and business. We have issued an announcement on the Shenzhen Stock Exchange that we have authorized our management to commence with the preliminary preparatory work of the spin-off of Annto Smart Logistics, a subsidiary of our Company. Further, we wish to retain the possibility to spin-off Midea Lighting, a subsidiary of the Company, and certain business under the robotics and automation system business segment reported in the financial statements of our Company ("**Robotics & Automation System Related Business**") within three years from the Listing.

(A) Midea Lighting

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's main product offerings include LED lighting, smart door locks, switch sockets, amongst others. Its products are used at homes, hotels, commercial complexes, schools, hospitals and other facilities. It integrates intelligent interaction and control technologies such as wireless communication technology, voice control technology, lighting control technology, and edge computing technology into product design, and continues to provide customers with intelligent, safe, convenient, and beautiful lighting and intelligent front-mounted electrical solutions in order to satisfy customers' needs.

Midea Lighting previously made an application for initial public offering and listing to the Shenzhen Stock Exchange, which was accepted by the Shenzhen Stock Exchange on 19 April 2023, and the application was subsequently withdrawn on 19 December 2023 in light of the market conditions then. The Company wishes to retain the possibility to spin-off Midea Lighting within three years after the Listing, which will depend on various factors, including, amongst others, the prevailing market conditions and the strategic development of the Group.

The potential spin-off of Midea Lighting will enhance its core competitiveness and increase its brand awareness and market penetration in the relevant industry. Through the spin-off, Midea Lighting can also have access to the capital market platform to tap into new sources of funding and optimize financing arrangements to reduce the cost of capital, increasing both the flexibility and efficiency of capital financing. The spin-off is also expected to unlock the intrinsic value of Midea Lighting and maximize the interest of the shareholders of Midea Lighting and our Company.

Based on the financial information of both Midea Lighting and our Company as at and for the year ended 31 December 2023 prepared under PRC GAAP, the total assets, revenue and net profits of Midea Lighting amounted to approximately RMB1,100 million, RMB1,036 million and RMB96 million respectively, which represented less than 0.3% of our Company's total assets, revenue and net profits, respectively. As Midea Lighting has an immaterial financial contribution to our Group, the spin-off of Midea Lighting will not have a material impact to the financial performance or operations of our Group. Based on the financial information of both Midea Lighting and our Company prepared under PRC GAAP, the net profit attributable to the shareholders of our Company after deducting the net profit of Midea Lighting attributable to the shareholders of our Company was approximately RMB28.5 billion, RMB29.5 billion and RMB33.6 billion for the financial year ended 31 December 2021, 2022 and 2023 respectively. Midea Lighting is expected to remain as a subsidiary of our Company and the financial performance of Midea Lighting is expected to continue to be consolidated to the financial statements of our Company after the potential spin-off. Our Company does not currently have any detailed plan in relation to such potential spin-off, including the timetable for the spin-off.

The Directors and the Joint Sponsors confirm that, save as disclosed in this document, they are not aware of anything material that needs to be brought to the attention of the Stock Exchange in relation to the potential spin-off of Midea Lighting.

(B) 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.

We have commenced the preliminary preparatory work of the spin-off Annto Smart Logistics. The potential spin-off of Annto Smart Logistics can bring clear commercial benefits for Annto Smart Logistics, our Company and our respective shareholders. After the spin-off and separate listing, Annto Smart Logistics can formulate its strategies and decisions and allocate its resources in a more flexible manner which can further improve its overall operating results; utilize the capital market platform to optimize financing arrangements to fund future expansion plans and better grasp growth opportunities and expand business scale. Further, the potential spin-off of Annto Smart Logistics can also provide additional means to attract talents and incentivize its senior management and employees and enable its senior management and employees to share the results from the development of its business through participating in its share incentive schemes.

According to the management accounts of Annto Smart Logistics for the year ended 31 December 2023, the total assets, revenue and net profits of Annto Smart Logistics represented less than 5% of the total assets, revenue and net profits of our Company for the year ended and as of 31 December 2023. It is expected that Annto Smart Logistics will remain as a subsidiary of our Company and will be consolidated to the accounts of our Group after the spin-off. The spin-off of Annto Smart Logistics will not have a material impact on the overall financial performance of our Company.

(C) The Robotics & Automation System Related Business

The robotics and automation system business segment focuses on factory-related fields through providing industrial robotic products, including six-axis robots, four-axis robots, collaborative robots and mobile robots, providing solutions of automatic logistics systems and transmission systems, as well as solutions for healthcare and entertainment. Furthermore, in the fields of industrial automation, our Company provides automation solutions such as motion controllers, servo drives, servo motors, integrated motors, encoders, high-voltage inverters, low-voltage inverters and dynamic reactive power compensation devices.

The potential spin-off of the Robotics & Automation System Related Business will help support its product and technology research and development, attracting and incentivizing talents, expanding production capacity, conducting mergers and acquisitions, and ultimately enhancing its core competitiveness. Through spin-off and separate listing, the entity to be spun off can attract and retain talents through its own share incentive schemes to allow its senior management, technical team and employees to benefit from the growth and performance of its business.

For each of the years ended 31 December 2021, 2022 and 2023, as publicly disclosed in the financial accounts of the Company, the total assets, revenue and profit of robotics and automation system business segment accounted for less than 10% of the total assets, revenue and net profit of our Company, respectively. It is expected that the entity to be spun off will remain to be a subsidiary of our Company and consolidated to the accounts of our Company after the spin-off. The spin-off of the Robotics & Automation System Related Business will not have a material impact on our Company's overall financial performance.

Our Company wishes to retain the possibility to spin-off the Robotics & Automation System Related Business within three years after the Listing, and does not currently have any detailed plan in relation to such potential spin-off, including the timetable for spin-off and the entity to be spun off.

For the avoidance of doubt, there is no assurance as to the timing or the sequence of each of the potential spin-offs, and the abovementioned potential spin-off listings are not intended to take place concurrently.

Save as disclosed in this document, as of the Latest Practicable Date, our Company confirms that there is no material omission of any information relating to any potential spin-offs in this document.

Safeguards to protect the interests of the Shareholders

Despite the potential spin-offs within three years of Listing, our Company believes that there are sufficient safeguards to protect the interests of the Shareholders for the following reasons:

(i) The aggregate financial contribution of the above potential spin-off subjects is immaterial. Each of the potential spin-off subjects has an immaterial financial contribution to our Group, with the highest applicable percentage ratio falling below 0.5% for Midea Lighting, 5.0% for Annto Smart Logistics and 10.0% for the robotics and automation system business segment for the financial year ended 31 December 2023. As the potential spin-off subjects will continue to be subsidiaries of our Company and consolidated to the financial statements of our Group after the potential spin-offs, there will not be any material impact on the consolidated financial statements of our Group after the potential spin-offs.

(ii) Pursuant to Provisions on the Spin-offs of Listed Companies (Trial) (《上市公司分拆規則(試行)》) (the "**Spin-off Rules**"), any proposed spin-offs, regardless of size, must be approved by two-thirds of the votes casted by all shareholders (including both A Shares and, if applicable, H Shares shareholders) entitled to vote at the general meeting, as well as two-thirds of votes casted by the minority shareholders, who are not directors, supervisors or senior management of our Company and who individually or collectively hold less than 5% of the total number of shares in our Company (the "**Minority Shareholders")**, entitled to vote at the general meeting. Before any proposed spin-off is submitted to the shareholders for voting, our Company will disclose the detailed spin-off plan to its shareholders. Hence, the shareholders of our Company (including the Minority Shareholders) can make an informed decision as to whether to vote for or against such spin-off plan. As such, our Company believes the interest of the shareholders and its rights will not be prejudiced.

(iii) Pursuant to the Spin-off Rules, (i) the net profit of the subsidiary to be spun off, to which the listed company is entitled under the equity in the consolidated financial statements of the listed company for the latest financial year, shall not exceed 50% of the net profit attributable to shareholders of the listed company, and (ii) the net assets of the subsidiary to be spun off, to which the listed company is entitled under the equity in the consolidated financial statements of the listed company for the latest financial year, shall not exceed 30% of the net assets attributable to shareholders of the listed company. The above regulatory restrictions on the size of spin-off provides additional safeguard to protect the interests of the shareholders of our Company.

(iv) Our Directors owe fiduciary duties to our Company, including the duty to act in good faith and in the best interest of our Company. As such, our Directors will only pursue a potential spin-off if there are clear commercial benefits for both our Company and the potential spin-off entities. In addition, our Directors will not direct our Company to conduct any spin-off if they believe that it will have an adverse impact on the interests of our Company and the shareholders of our Company.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements in paragraph 3(b) of PN15 in relation to the potential spin-offs of Midea Lighting, Annto Smart Logistics and the Robotics & Automation System Related Business within three years after the Listing on the following conditions:

(i) each of the business of the potential spin-off subjects is distinct from the remaining business of our Group and the spin-offs will not have any material impact to the operations of the remaining Group;

(ii) the size of the potential spin-off entities (individually and in aggregate) will be immaterial to our Company as detailed above, and the total assets, revenue and net profits of the Robotics & Automation System Related Business to be spun off will not exceed 20% of our Company's total assets, revenue and net profits;

(iii) each of the potential spin-off entities will remain as a subsidiary of the Company and that their financial performance will be consolidated into the accounts of the Company after the spin-offs;

(iv) the potential spin-offs will not take place concurrently;

(v) the potential spin-offs will not lead to a material change in our Company's principal business, and will not result in our Company failing to meet applicable listing eligibility requirements under the Listing Rules;

(vi) our Company will disclose in this document details of its intention to spin-off Annto Smart Logistics and the possibility of spinning off Midea Lighting and the Robotics & Automation System Related Business, including their principal business, the relevant financial contribution to our Company during the Track Record Period, the relevant reasons and benefits to our Company and its shareholders, the basis that the potential spin-offs will not affect our Company's core business and the progress or possibility of the spin-offs; and

(vii) such potential spin-offs by our Company will be subject to the requirements of PN15 unless otherwise waived by the Stock Exchange, and the applicable requirements under Chapter 14 and/or Chapter 14A of the Listing Rules.

Notwithstanding the above waiver, whether or when to proceed with the potential spin-offs, as well as the sequence of the potential spin-offs, depends on various factors such as market conditions, the regulatory approval procedure, financial performance and valuation of business segments. The potential spin-offs remain highly uncertain and could be subject to material changes in the future.

WAIVER IN RESPECT OF INVESTMENTS AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the Accountant's Report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to Rule 4.02A of the Hong Kong Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note 4 to Rule 4.04 of the Hong Kong Listing Rules, the Hong Kong Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

Acquisitions since 30 April 2024

Since 30 April 2024 and up to the Latest Practicable Date, the Group has proposed to make the following acquisitions (the "**Acquisitions**"), details of which are set out as below:

No.	Name of the targets[(1)]	Acquisition consideration (approximately in EUR million)	Percentage of shareholding/ equity interest[(2)]	Principal business activities
1. . .	Climate Division of Arbonia AG[(3)]	648.8	100%	Production and distribution of heating and ventilation products
2. . . .	Teka Industrial, S.A.[(4)]	175.0	97.38%	A group of companies that design and manufacture household appliances and sinks and with global presence in over 120 countries, including 10 factories in Europe, Asia and America

Notes:

(1) None of the core connected persons of the Company is a controlling shareholder of the targets. To the best knowledge, information and belief of our Directors and having made all reasonable enquiry, the targets and their respective ultimate beneficial owners are third parties independent of our Company and its connected persons.

(2) The percentage of shareholding/equity interest represents the Company's total shareholding in the targets after the completion of the Acquisitions.

(3) Arbonia AG is listed on the SIX Swiss Exchange. In April 2024, the Company entered into an agreement with Arbonia AG to acquire its climate division. As of the Latest Practicable Date, the transaction has not been completed and is subject to the fulfillment of certain closing conditions including regulatory approvals.

(4) In June 2024, the Company has reached an agreement with HERITAGE B to acquire Teka Group. As of the Latest Practicable Date, the transaction has not been completed and is subject to the fulfillment of certain closing conditions including regulatory approvals.

We confirm that the investment amounts for the Acquisitions have been entered into through commercial arm's length negotiations, based on factors including market dynamics, a mutually agreed valuation, and/or capital need of the relevant company's operations.

Our Directors believe that, as the principal business activities of the targets are closely related to the Group's core business, the Acquisitions will complement the Group's business. Accordingly, our Directors believe that the Acquisitions, if consummated, will be fair and reasonable and in the interests of the Shareholders as a whole. The consideration for the Acquisitions, if consummated, will be satisfied by the Group's own source of funds or through the credit facilities provided by overseas commercial banks.

Conditions for granting the waiver and its scope in respect of the Acquisitions

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules in respect of the Acquisitions on the following grounds:

Ordinary and usual course of business

The Company confirms that it makes strategic equity investments in sectors relating to its business as part of its ordinary and usual course of business. The Company has a history of making acquisitions and minority investments and have conducted a number of acquisitions and minority investments during the Track Record Period.

The percentage ratios of the Acquisitions are less than 5% by reference to the most recent fiscal year of our Company's Track Record Period

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for the Acquisitions are all less than 5% by reference to the most recent fiscal year of the Track Record Period.

Accordingly, we do not expect the Acquisitions to result in any significant changes to our financial position since 30 April 2024, and all information that is reasonably necessary for potential investors to make an informed assessment of our activities or financial position has been included in this document. As such, we consider that a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

The historical financial information of the targets is not available and would be unduly burdensome to obtain or prepare

Our Company confirms that the targets in respect of the Acquisitions do not have available historical financial information which is readily available for disclosure in this document in accordance with the Listing Rules. In addition, it would require considerable time and resources for our Company and its reporting accountants to fully familiarize ourselves with the management accounting policies of the targets and compile the necessary financial information and supporting documents for disclosure in this document. As such, our Company believes that it would be impractical and unduly burdensome for our Company within the tight timeframe to disclose the audited financial information of the targets as required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

In addition, having considered the Acquisitions to be immaterial and that our Company does not expect the Acquisitions to have any material effect on its business, financial condition or operations, our Company believes that (i) it would not be meaningful and would be unduly burdensome for it to prepare and include the financial information of the targets during the Track Record Period in this document, and (ii) the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investors.

Alternative disclosure of the Acquisitions in this document

We have disclosed alternative information about the Acquisitions in this document. Such information includes those which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that our Directors consider to be material, including, for example, descriptions of the targets' principal business activities, the investment amounts, and a statement as to whether any core connected person of our Company is a controlling shareholder of the targets. Since the relevant percentage ratios of the Acquisitions are less than 5% by reference to the most recent fiscal year of the Company's Track Record Period, we believe the current disclosure is adequate for potential investors to form an informed assessment of us.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirements under the Listing Rules. For further details in this respect, see the section headed "Connected Transactions."

WAIVER IN RESPECT OF MINIMUM PUBLIC FLOAT OF THE H SHARES

Rule 8.08(1)(a) and (b) (as amended by Rule 19A.13A) of the Listing Rules states that there must be an open market in the securities for which listing is sought. This will normally mean that: (a) at least 25% of the issuer's total number of issued shares must at all times be held by the public; (b) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares, having an expected market capitalisation at the time of listing of not less than HK$125,000,000.

We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(b) of the Listing Rules, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.08(1)(b) of the Listing Rules that the minimum percentage of the H Shares of the Company to be held by the public from time to time shall be no less than 5.00% of the Company's total issued share capital, subject to the following:

(i) our Company will comply with the public float requirement under Rule 8.08 of the Listing Rules where at least 25% of the Company's total number of issued shares (A Shares and H Shares in aggregate) must be held by the public from time to time;

(ii) our Company will announce the percentage of H Shares held by the public immediately after the completion of the Global Offering (before any exercise of the Offer Size Adjustment Option and/or the Over-allotment Option and upon any exercise of the Offer Size Adjustment Option and/or the Over-allotment Option);

(iii) our Company will confirm the compliance with the public float requirements prescribed by the Stock Exchange in successive annual reports after the Listing (with respect to the Rule 8.08(1)(a) only); and

(iv) our Company will maintain a public float of the H Shares no less than 5.00% of the issued share capital of the Company from time to time even if the percentage of the number of H Shares held by the public in the total issued share capital of the Company is reduced as a result of the issuance of A Shares after the Listing.

Furthermore, it is expected that after the Listing, the Company may consider implementing H Shares share option scheme or other share incentive initiatives involving issuance of new H Shares, which may increase the total number of and size of the H Shares and enhance the public float and liquidity of the H Shares after the Listing.

It is also noted that the Company has been from time to time repurchasing its A Shares on the Shenzhen Stock Exchange. The Company expects to continue repurchase of its A Shares if and when appropriate, and such repurchases of A Shares will also reduce the potential fluctuation in the percentage of the number of H Shares in the total issued share capital of the Company caused by the possible issuance of new A Shares under the A Shares share option schemes after the Listing.

ALLOCATION OF H SHARES TO EXISTING MINORITY SHAREHOLDERS AND THEIR CLOSE ASSOCIATES

Rule 10.04 of the Listing Rules requires that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of the issuer either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled. It is provided in Rule 10.03(1) of the Listing Rules that no securities may be offered to existing shareholders on a preferential basis and no preferential treatment may be given to them in the allocation of the securities; and in Rule 10.03(2) that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) must be achieved.

Paragraph 5(2) of Appendix F1 to the Listing Rules provides that no allocations will be permitted to the existing shareholders of the applicant or their close associates, whether in their own names or through nominees, in the Global Offering unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Chapter 4.15 of the Guide for New Listing Applicants provides that the Stock Exchange will consider giving consent and granting waiver from Rule 10.04 of the Listing Rules to an applicant's existing shareholders or their close associates to participate in an initial public offering if any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

Prior to the Listing, our Company's share capital comprises entirely A Shares listed on the Shenzhen Stock Exchange. We have a large and widely dispersed public A Share shareholder base.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix F1 to the Listing Rules to permit H Shares in the International Offering to be placed to certain existing minority Shareholders who (i) hold less than 5% of the total number of A Shares in issue of our Company prior to the completion of the Global Offering and (ii) are not and will not become (upon the completion of the Global Offering) core connected persons of our Company or the close associates of any such core connected person (together, the "**Existing Minority Shareholders**"), subject to the conditions as follows:

(i) the Joint Sponsors confirm that each Existing Minority Shareholder to whom our Company may allocate the H Shares in the International Offering holds less than 5% of the total number of A Shares in issue of our Company before Listing;

(ii) the Joint Sponsors confirm that each Existing Minority Shareholder is not, and will not be, a core connected person of our Company or any close associate of any such core connected person immediately prior to or following the Global Offering;

(iii) the Joint Sponsors confirm that none of the Existing Minority Shareholders have the right to appoint a Director and/or have any other special rights;

(iv) the Joint Sponsors confirm that allocation to the Existing Minority Shareholders or their close associates will not affect our ability to satisfy the public float requirement as prescribed by the Stock Exchange under Rule 8.08 of the Listing Rules or otherwise approved by the Stock Exchange;

(v) the Joint Sponsors confirm to the Stock Exchange in writing that based on (i) their discussions with our Company and the Overall Coordinators; and (ii) the confirmations provided to the Stock Exchange by our Company and the Overall Coordinators (confirmations (vi) and (vii) mentioned below), and to the best of their knowledge and belief, they have no reason to believe that any of the Existing Minority Shareholders or their close associates received any preferential treatment, or is in a position to exert influence on the Company to obtain actual or perceived preferential treatment in the allocation either as a cornerstone investor or as a placee by virtue of their relationship with our Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Chapter 4.15 of the Guide for New Listing Applicants, and details of the allocation to the Existing Minority Shareholders holding more than 1% of the issued share capital of the Company immediately prior to the completion of the Global Offering will be disclosed in this prospectus and/or the allotment results announcement, as the case may be;

(vi) our Company will confirm to the Stock Exchange in writing that:

a. in the case of participation as cornerstone investors, no preferential treatment has been, nor will be, given to the Existing Minority Shareholders or their close associates by virtue of their relationship with our Company, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Chapter 4.15 of the Guide for New Listing Applicants, nor is the Existing Minority Shareholder in a position to exert influence on the Company to obtain actual or perceived preferential treatment, and the Existing Minority Shareholders or their close associates' cornerstone investment agreements do not contain any material terms which are more favorable to the Existing Minority Shareholders or their close associates than those in other cornerstone investment agreements; or

b. in the case of participation as placees, no preferential treatment has been, nor will be, given to the Existing Minority Shareholders or their close associates, nor is the Existing Minority Shareholder in a position to exert influence on the Company to obtain actual or perceived preferential treatment, by virtue of their relationship with our Company in any allocation in the placing tranche;

(vii) in the case of participation as placees, the Overall Coordinators will confirm to the Stock Exchange that, to the best of their knowledge and belief, no preferential treatment has been, nor will be, given to the Existing Minority Shareholders or their close associates by virtue of their relationship with our Company in any allocation in the placing tranche.

WAIVER IN RESPECT OF ALLOCATIONS TO EXISTING SHAREHOLDER EMPLOYEE PARTICIPANTS AND RESTRICTIONS ON DEALINGS IN SECURITIES BY CORE CONNECTED PERSONS DURING THE LISTING APPLICATION PROCESS

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions set out in Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

Rule 9.09(b) of the Listing Rules provides that in the case of a new applicant, there must be no dealing in the securities for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted.

Paragraph 5(2) of Appendix F1 to the Listing Rules provides that, without the prior consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

We have applied for, and the Stock Exchange has granted, (i) a waiver from strict compliance with the requirements of Rule 10.04 of the Listing Rules and a consent under Paragraph 5(2) of Appendix F1 to the Listing Rules in relation to the subscription of the Employee Reserved Shares by Existing Shareholder Employee Participants, and (ii) a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in relation to the subscription of the Employee Reserved Shares by Eligible Core Connected Person Participants on the basis that, among other things, (i) the maximum subscription amount of H Shares that any individual Eligible Employee may indirectly apply for under the Employee Preferential Offering will be limited to RMB4.00 million (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), representing approximately 0.17% of the Offer Shares available for subscription under the Employee Preferential Offering and approximately 0.02% of the Offer Shares initially available for subscription under the Global Offering (based on the mid-point of the Offer Price range of HK$53.40 per Offer Share and assuming neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised); (ii) Eligible Core Connected Person Participants are eligible for the Employee Preferential Offering by virtue of their capacity as employees and not core connected persons of the Company; (iii) there is no preferential treatment to Eligible Core Connected Person Participants compared to Eligible Employees; (iv) there is no preferential treatment to Existing Shareholder Employee Participants compared to other Eligible Employees; and (v) the Company is able to satisfy the public float requirement as approved by the Stock Exchange notwithstanding participation by the Eligible Core Connected Person Participants in the Employee Preferential Offering.

For further information, see "Structure of the Global Offering — Employee Preferential Offering" in this prospectus.

WAIVER IN RESPECT OF CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached.

Subject to the Stock Exchange granting the waiver described below, the Hong Kong Public Offering and the International Offering will initially account for 5% and 95% of the Global Offering, respectively, subject to the clawback mechanism described below. We have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Paragraph 4.2 of Practice Note 18 to the Listing Rules such that the allocation of the Offer Shares in the Hong Kong Public Offering will be adjusted as follows:

(a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 9 times or more but less than 18 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 29,528,200 Offer Shares, representing approximately 6.0% of the Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option and Over-allotment Option are not exercised);

(b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 18 times or more but less than 36 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 34,449,500 Offer Shares, representing approximately 7.0% of the Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option and Over-allotment Option are not exercised); and

(c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 36 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 39,370,900 Offer Shares, representing approximately 8.0% of the Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option and Over-allotment Option are not exercised).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate. In addition, the Overall Coordinators would have discretion to allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. On the other hand, if the Hong Kong Public Offering is not fully subscribed, the unsubscribed Offer Shares under the Hong Kong Public Offering may be reallocated to the International Offering. See "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" for further details.

CONSENT IN RESPECT OF THE PROPOSED SUBSCRIPTION OF H SHARES BY UBS AM SINGAPORE AND CHINA STRUCTURAL REFORM FUND THROUGH GF SECURITIES AM

Paragraph 5(1) of Appendix F1 to the Listing Rules provides that no allocations will be permitted to "connected clients" of the overall coordinator(s), any syndicate member(s) (other than the overall coordinator(s)) or any distributor(s) (other than syndicate member(s)) (collectively, the "**Distributors**", and each a "**Distributor**"), without the prior written consent of the Stock Exchange.

Paragraph 13(7) of the Appendix F1 to the Listing Rules states that "connected client" in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

As further described in the section headed "Cornerstone Investors" in this prospectus, UBS Asset Management (Singapore) Limited ("**UBS AM Singapore**") has entered into a cornerstone investment agreement with the Company, the Joint Sponsors, the Overall Coordinators and UBS AG Hong Kong Branch to subscribe for the Offer Shares and will hold the Offer Shares on a discretionary basis for and on behalf of its underlying clients under the International Offering. UBS AM Singapore is an investment advisor and a delegate of the investment manager of its underlying clients. UBS AG Hong Kong Branch ("**UBS HK**") has been appointed, amongst others, as one of the Capital Market Intermediaries of the Global Offering. UBS AM Singapore and UBS HK are members of the same group of companies. As a result, UBS AM Singapore is a connected client of UBS HK.

For the purpose of the cornerstone investment, China Structural Reform Fund II Corporation Limited ("**China Structural Reform Fund**") has engaged GF Securities Asset Management (Guangdong) Co., Ltd.* (廣發証券資產管理(廣東)有限公司) ("**GF Securities AM**"), an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, in the name of GF Capital Management China Structural Reform Fund II No. 1 Single Asset Management Plan* (廣發資管國調二期1號單一資產管理計劃) to subscribe for and hold such Offer Shares on a non-discretionary basis on behalf of China Structural Reform Fund. GF Securities (Hong Kong) Brokerage Limited ("**GF Securities (Hong Kong) Brokerage**") has been appointed as one of the Capital Market Intermediaries of the Global Offering. GF Securities AM is a direct wholly-owned subsidiary of GF Securities Co., Ltd. (Stock Code: 1776) ("**GF Securities**") and GF Securities (Hong Kong) Brokerage is an indirect wholly-owned subsidiary of GF Securities. Each of GF Securities AM and GF Securities (Hong Kong) Brokerage is a member of the same group of companies. As a result, GF Securities AM is a connected client of GF Securities (Hong Kong) Brokerage for the purpose of paragraph 13(7) of Appendix F1 to the Listing Rules.

We have applied for, and the Stock Exchange has granted, a consent under paragraph 5(1) of Appendix F1 to the Listing Rules to permit each of UBS AM Singapore and China Structural Reform Fund (through GF Securities AM as the asset manager) to participate in the Global Offering as a cornerstone investor on the following basis and conditions as set out in Paragraph 5 of Chapter 4.15 of the Guide for New Listing Applicants:

(a) any Offer Shares to be allocated to each of UBS AM Singapore and China Structural Reform Fund (through GF Securities AM as the asset manager) will be held on behalf of independent third parties;

(b) the cornerstone investment agreements of each of UBS AM Singapore and China Structural Reform Fund (through GF Securities AM as the asset manager) do not contain any material terms which are more favourable to UBS AM Singapore and China Structural Reform Fund (through GF Securities AM as the asset manager) (as the case may be) than those in other cornerstone investment agreements;

(c) UBS HK has not participated, and will not participate, in the decision-making process or relevant discussions among the Company, the Underwriters and the Overall Coordinators as to whether Offer Shares will be allocated to UBS AM Singapore;

(d) no preferential treatment has been, nor will be, given to UBS AM Singapore or China Structural Reform Fund (through GF Securities AM as the asset manager) by virtue of their relationship with UBS HK or GF Securities (Hong Kong) Brokerage (as the case may be) in any allocation of Offer Shares in the International Offering other than the assured entitlement under the relevant cornerstone investment agreements;

(e) each of UBS AM Singapore and GF Securities AM confirms that to the best of its knowledge and belief, it has not received and will not receive preferential treatment in the allocation of Offer Shares in the Global Offering as a placee by virtue of its relationship with UBS HK or GF Securities (Hong Kong) Brokerage (as the case may be) other than the assured entitlement under the relevant cornerstone investment agreements;

(f) each of the Company, the Overall Coordinators, UBS AM Singapore, UBS HK, GF Securities AM and GF Securities (Hong Kong) Brokerage has provided the Stock Exchange with written confirmations in accordance with Chapter 4.15 of the Guide for New Listing Applicants; and

(g) details of the cornerstone investments and details of the allocations will be disclosed in this prospectus and the allotment results announcement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document, for which our Directors (including any proposed director who is named as such in this document) collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

RESTRICTIONS ON OFFER AND SALE OF H SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this document.

No action has been taken to permit a public offering of the H Shares or the distribution of this document in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this document may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this document and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered and sold, directly or indirectly, in mainland China or the U.S.

CSRC FILING

We have filed the required documents with the CSRC, and we have received a filing notice from the CSRC dated 23 July 2024, confirming our completion of the filing procedures pursuant to the new filing regime introduced by the new regulations on filing for the Global Offering and the application for listing of the H Shares on the Stock Exchange.

INFORMATION ON THE GLOBAL OFFERING

This document is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this document contains the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 24,606,800 Offer Shares and the International Offering of initially 467,528,300 Offer Shares (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised and subject, in each, to reallocation on the basis as set out in "Structure of the Global Offering")

The Offer Shares are offered solely on the basis of the information contained and representations made in this document and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this document, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, the Capital Market Intermediaries, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this document nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this document or that the information in this document is correct as of any subsequent time.

UNDERWRITING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Overall Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the terms and conditions of the International Underwriting Agreement. See "Underwriting" for further details on the Underwriters and the underwriting arrangements.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option). Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Tuesday, 17 September 2024. Except for the A Shares that have been listed on the Shenzhen Stock Exchange and our pending application to the Hong Kong

Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of our share or debt securities is listed on or dealt in on the Hong Kong Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Hong Kong Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in mainland China.

Dealings in the H Shares registered in our H Share Register will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the shareholders as recorded on the H Share Register of our Company in Hong Kong and sent by ordinary post, at the shareholders' risk, to the registered address of each shareholder of our Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, the Capital Market Intermediaries, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this document and its Chinese translation, this document shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiary) have been included in this document in both the Chinese and English languages. In the event of any inconsistency, the Chinese version shall prevail.

ROUNDING

Certain amounts and percentage figures, such as share ownership and operating data, included in this document may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

CURRENCY TRANSLATIONS

Solely for your convenience, this document contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this document contains certain translations for convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of RMB1.00 to HK$1.0962, Renminbi into U.S. dollars at the rate of US$1.00 to RMB7.1124 and Hong Kong dollars into U.S. dollars at the rate of US$1.00 to HK$7.7968.

No representation is made that any amounts in RMB or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

DIRECTORS & SUPERVISORS

Name	Position	Address	Nationality
Mr. Fang Hongbo (方洪波先生)	Executive Director	1601, Building A Xinjing Flower Garden, Yunliang Road Shunde District, Foshan Guangdong Province, China	Chinese
Mr. Zhao Jun (趙軍先生)	Non-executive Director	No. 1801, Block 12 Midea Royal Orchid Mont Beijiao Town Shunde District, Foshan Guangdong Province, China	Chinese
Mr. Wang Jianguo (王建國先生)	Executive Director	801, Building 2 364 Nanyuan Road Beijiao Town Shunde District, Foshan Guangdong Province, China	Chinese
Mr. Fu Yongjun (伏擁軍先生)	Executive Director	401, Building 8 Gui Pan Wan Taigen Road Shunde District, Foshan Guangdong Province, China	Chinese
Dr. Gu Yanmin (顧炎民博士)	Executive Director	206, Building 16 Xianghe Residential Complex Wukang Town, Deqing County Zhejiang Province, China	Chinese
Mr. Guan Jinwei (管金偉先生)	Executive Director	2402, Building 2 Foshan Midea Square Nanguo East Road Shunde District, Foshan Guangdong Province, China	Chinese
Dr. Xiao Geng (肖耿博士)	Independent non-executive Director	21H, Building 16 Double Cove 8 Wu Kai Sha Road Ma On Shan, New Territories Hong Kong	Chinese (Hong Kong)

Name	**Position**	**Address**	**Nationality**
Dr. Xu Dingbo (許定波博士)	Independent non-executive Director	401, Unit 3, Building 13 Xishan Tingyuan Tianxiu South 1 Road Haidian District Beijing, China	Chinese
Dr. Liu Qiao (劉俏博士)	Independent non-executive Director	96501 Zhongguan Xinyuan Global Village PKU 126 North Zhongguancun Avenue Haidian District Beijing, China	Chinese (Hong Kong)
Dr. Qiu Lili (邱鋰力博士)	Independent non-executive Director	1131 Alley Changle Road Xuhui District Shanghai, China	Chinese
Mr. Dong Wentao (董文濤先生)	Supervisor	2 Gangwan Boulevard Nanshan District Shenzhen Guangdong Province, China	Chinese
Ms. Ren Lingyan (任淩艷女士)	Supervisor	2003, Building 9 8 Huming Street Chancheng District Foshan Guangdong Province, China	Chinese
Ms. Liang Huiming (梁惠銘女士)	Supervisor	No. 4, Heng Er Lane Shui Kou North Street Beijiao Town Shunde District, Foshan Guangdong Province, China	Chinese

See “Directors, Supervisors and Senior Management” for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors and Joint Sponsor-Overall Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	Merrill Lynch (Asia Pacific) Limited 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
Overall Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	Merrill Lynch (Asia Pacific) Limited 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	Merrill Lynch (Asia Pacific) Limited 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Joint Bookrunners	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road
Wan Chai
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Joint Lead Managers

China International Capital Corporation Hong Kong Securities Limited
29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road
Wan Chai
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

BNP Paribas Securities (Asia) Limited
60/F. and 63/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway, Admiralty
Hong Kong

Capital Market Intermediaries

China International Capital Corporation Hong Kong Securities Limited
29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road
Wan Chai
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

BNP Paribas Securities (Asia) Limited
60/F. and 63/F., Two International
Finance Centre
8 Finance Street, Central
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway, Admiralty
Hong Kong

Legal advisers to our Company

As to Hong Kong and U.S. laws
Skadden, Arps, Slate, Meagher & Flom and affiliates
42nd Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws
Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District
Beijing
PRC

Legal advisers to the Joint Sponsors and the Underwriters

As to Hong Kong and U.S. laws
Freshfields Bruckhaus Deringer
55th Floor, One Island East
Taikoo Place
Quarry Bay
Hong Kong

As to PRC laws
King & Wood Mallesons
18th Floor, East Tower, World Financial Center
1 Dongsanhuan Zhonglu, Chaoyang District
Beijing, China

Independent Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants and* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square 1717 West Nanjing Road Jing'an District Shanghai China
Receiving Bank	**CMB Wing Lung Bank Limited** 45 Des Voeux Road Central Hong Kong

Registered Office and Headquarters in Mainland China	Midea Headquarters Building No. 6 Midea Avenue, Beijiao Town Shunde District Foshan, Guangdong Province China
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company Website	www.midea.com.cn *(the information contained on this website does not form part of this document)*
Joint Company Secretaries	Mr. Jiang Peng (江鵬先生) Midea Headquarters Building No. 6 Midea Avenue, Beijiao Town Shunde District Foshan, Guangdong Province China Ms. Lai Siu Kuen (黎少娟女士) *(Fellow Member of the Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Authorized Representatives	Mr. Fang Hongbo (方洪波先生) Midea Headquarters Building No. 6 Midea Avenue, Beijiao Town Shunde District Foshan, Guangdong Province China Ms. Lai Siu Kuen (黎少娟女士) 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong

Audit Committee	Dr. Xu Dingbo (許定波博士) *(Chairman)* Dr. Xiao Geng (肖耿博士) Dr. Liu Qiao (劉俏博士) Dr. Qiu Lili (邱鋰力博士)
Remuneration and Evaluation Committee	Dr. Xiao Geng (肖耿博士) *(Chairman)* Dr. Xu Dingbo (許定波博士) Dr. Liu Qiao (劉俏博士) Dr. Qiu Lili (邱鋰力博士)
Nomination Committee	Dr. Liu Qiao (劉俏博士) *(Chairman)* Dr. Xiao Geng (肖耿博士) Dr. Xu Dingbo (許定波博士) Dr. Qiu Lili (邱鋰力博士)
Strategy Committee	Mr. Fang Hongbo (方洪波先生) *(Chairman)* Dr. Xiao Geng (肖耿博士) Dr. Xu Dingbo (許定波博士) Dr. Liu Qiao (劉俏博士) Dr. Qiu Lili (邱鋰力博士)
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
Compliance Adviser	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
Principal Banks	**Industrial and Commercial Bank of China Foshan Beijiao Sub-Branch** 4 Yuejin South Road Beijiao Town, Shunde District Foshan, Guangdong Province China

China Construction Bank
Shunde Beijiao Sub-Branch
A3-A4
1/F, Infore Center
8 Yixing Road
Beijiao Town, Shunde District
Foshan, Guangdong Province
China

Agricultural Bank of China
Shunde Yuejin Sub-Branch
Shop 1-3, Hai Qin Shui An
19 Tianning Road
Beijiao Town, Shunde District
Foshan, Guangdong Province
China

Bank of China
Shunde Beijiao Sub-Branch
Zone B2
1/F, Infore Center
8 Yixing Road
Beijiao Town, Shunde District
Foshan, Guangdong Province
China

Certain information and statistics presented in this section and elsewhere in this prospectus were derived from official government publications and other publicly available sources as well as from the Frost & Sullivan Report, a market research report prepared by Frost & Sullivan, an independent global consulting firm that was commissioned by us. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us or any other parties involved in the Global Offering, or any of our or their respective directors, officers, or representatives. For discussions of risks relating to our industries, see "Risk Factors — Risks Relating to Our Business and Industries."

We operate in (i) the home appliance industry through our Smart Home Solutions, and (ii) a number of industries that include (a) Energy Solutions & Industrial Technology, (b) Intelligent Building Technology and (c) Robotics & Automation, under our Commercial & Industrial Solutions.

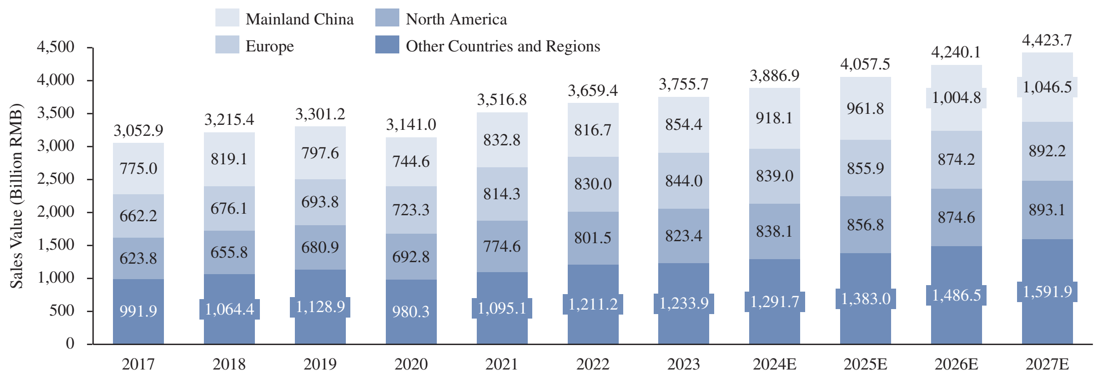
OVERVIEW OF THE HOME APPLIANCE MARKET

The Overall Global Home Appliance Market

Home appliances consist of (i) "white goods," such as air conditioners, laundry appliances and refrigerators, and (ii) kitchen and other appliances, including dishwashers, water heaters, range hoods, stoves, and other home appliances such as electric fans and electric kettles. The global home appliance market is of a massive scale, generating RMB3,755.7 billion in sales value and 3,066.5 million units in sales volume in 2023. It is projected to reach RMB4,423.7 billion in sales value in 2027, representing a CAGR of 4.2% from 2023 to 2027, and 3,279.8 million units in sales volume in 2027.

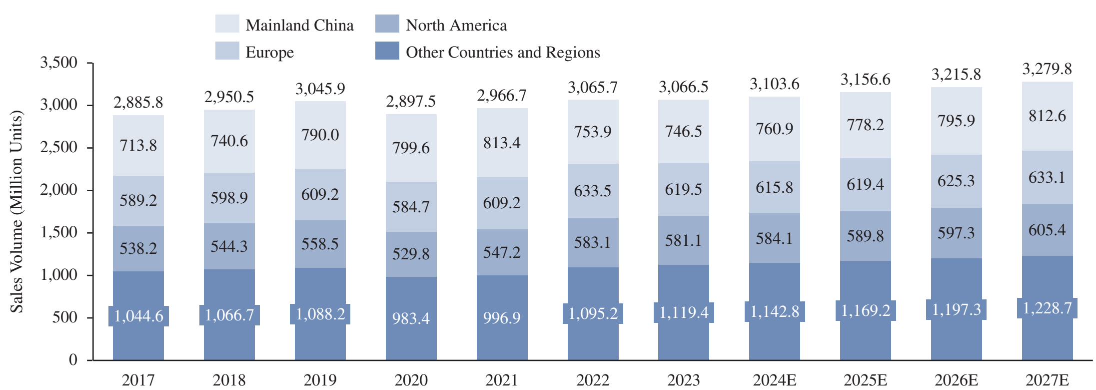
Mainland China, North America and Europe are the three largest markets for home appliances in terms of sales value, together accounting for over 67% of the total global sales value in 2023, and are expected to grow at a CAGR of 5.2%, 2.1% and 1.4%, respectively, from 2023 to 2027. In particular, China is the largest home appliance market among all countries. In 2023, the mainland China market generated sales value of RMB854.4 billion and sales volume of 746.5 million units, accounting for 22.7% and 24.3% of the global market, respectively. Furthermore, the increasing disposable income level and urbanization rate, particularly in emerging markets, are expected to further drive the growth of the global home appliance market.

Sales Value of Global Home Appliance Market by Region, 2017-2027E



Source: US Census Bureau, China Household Electrical Appliances Association, Frost & Sullivan Report

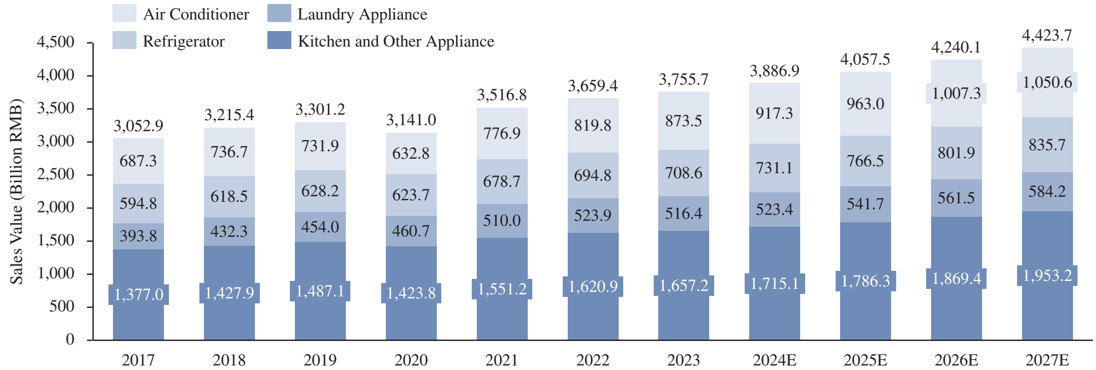
Sales Volume of Global Home Appliance Market by Region, 2017-2027E



Source: US Census Bureau, China Household Electrical Appliances Association, Frost & Sullivan Report

In terms of product category, the sales value of each of air conditioners, laundry appliances, refrigerators, and kitchen and other appliances saw an overall increase from 2017 to 2023 and is expected to grow at a CAGR of 4.7%, 3.1%, 4.2% and 4.2%, respectively, from 2023 to 2027.

Sales Value of Global Home Appliance Market by Category, 2017-2027E



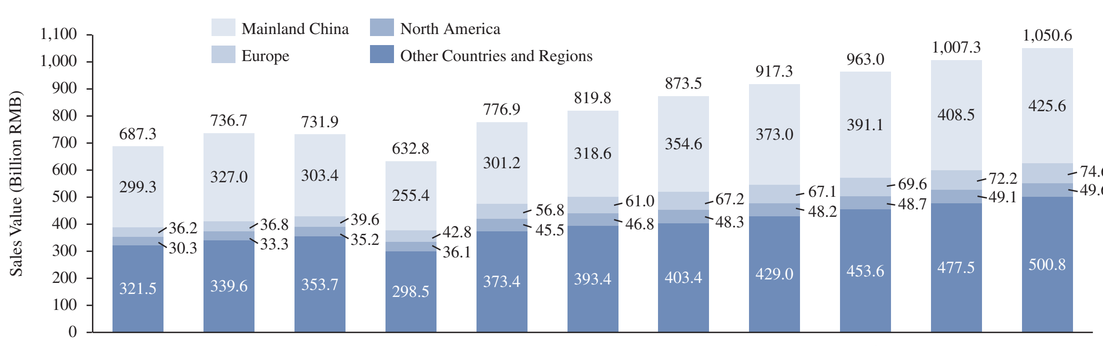
Source: US Census Bureau, China Household Electrical Appliances Association, Frost & Sullivan Report

The Global Market by Product Category

Residential Air Conditioners

The global residential air conditioner market saw an overall growth trend from 2017 to 2023 at a CAGR of 4.1% in terms of sales value, and is expected to grow at a faster pace from 2023 to 2027 at a CAGR of 4.7%, driven partly by the increasing premiumization and penetration of residential air conditioners. In particular, emerging markets generally witnessed faster growth from 2017 to 2023, which trend is expected to continue in the near future. Mainland China is the largest market for residential air conditioners in terms of sales value, accounting for 40.6% of the global market in 2023, and is expected to grow at a CAGR of 4.7% from 2023 to 2027, reaching RMB425.6 billion in 2027, which accounts for 40.5% of the global market.

Sales Value of Global Residential Air Conditioner Market by Region, 2017-2027E



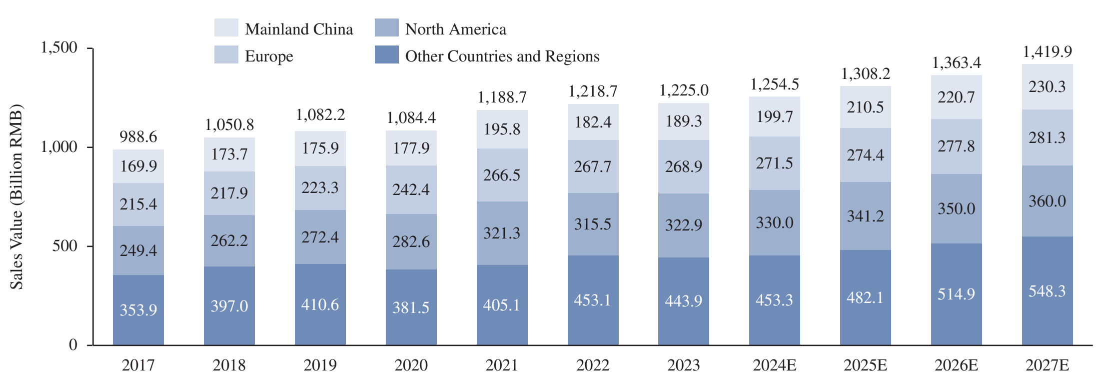
Source: Japan Refrigeration and Air Conditioning Industry Association, Frost & Sullivan Report

The growth in the global residential air conditioner market is increasingly driven by the rapid growth in the sales of central residential air conditioners and premium air conditioners, which provide consumers with better cooling experiences and generally command higher per-unit prices.

Laundry Appliances and Refrigerators

The global market for laundry appliances (including washing machines, dryers and washer-dryers) and refrigerators grew steadily from 2017 to 2023, mainly driven by increases in disposable income and urbanization, particularly in the emerging markets. The growth was also driven by consumers' growing health awareness and demand for high-quality laundry appliances and refrigerators that facilitate a healthy lifestyle. Going forward, the total sales value of the global laundry appliances and refrigerator market is expected to grow at a CAGR of 3.8% from 2023 to 2027. In particular, emerging markets such as South America, Southeast Asia, and Middle East & North Africa are expected to experience faster growth than the global average.

Sales Value of Global Market of Laundry Appliances and Refrigerators by Region, 2017-2027E



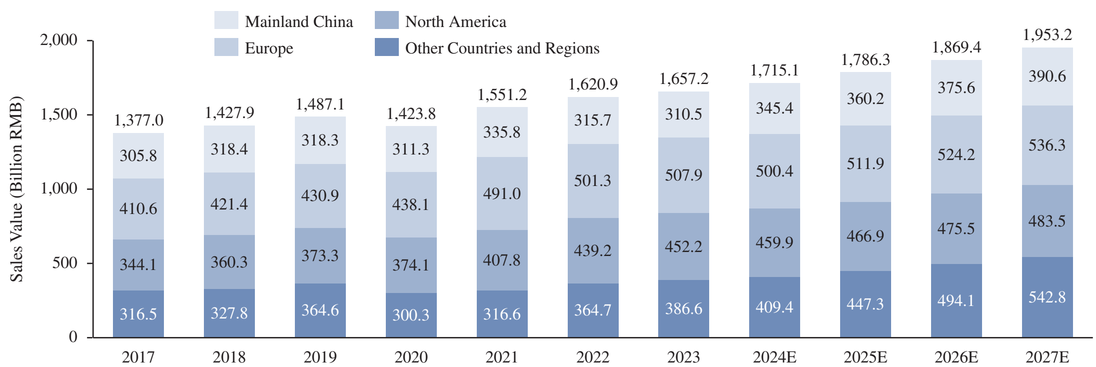
Source: Association of Home Appliance Manufacturers, Home Appliance Europe, China Household Electrical Appliances Association, Frost & Sullivan Report

Laundry appliances saw fast growth from 2017 to 2023, growing at a CAGR of 4.6% in terms of sales value. Among laundry appliances, the penetration rate of dryers and washer-dryers remains relatively low in many regions compared with washing machines, presenting significant market potential. For example, in mainland China, the ownership of washing machines per household was about 1.0 unit in 2023, while the ownership of dryers and washer-dryers was less than 0.1 unit per household in the same year. Furthermore, a trend of premiumization is also witnessed in the markets of refrigerators and washing machine, reflecting a consumer preference for better user experience.

Kitchen and Other Appliances

The global markets for kitchen and other appliances saw a steady growth from 2017 to 2023, mainly driven by increases in disposable income and urbanization rate, particularly in the emerging markets, as the result of which consumers increasingly demanded diversified products, leading to higher penetration rate of kitchen and other appliances. The growth rate is expected to continue rising going forward.

Sales Value of Global Market of Kitchen and Other Appliances by Region, 2017-2027E



Source: Association of Home Appliance Manufacturers, Home Appliance Europe, China Household Electrical Appliances Association, Frost & Sullivan Report

Growth Drivers and Trends of the Home Appliance Market

The following factors are the principal factors that have driven and, we expect, will continue to drive the growth of the global market for home appliances:

- **Increasing Populations and Rising Living Standards**. With increasing populations, urbanization, consumer purchasing power and living standards, the home appliance penetration rate, particularly in emerging markets, continues to rise, further fueling the growth of the global home appliance market. According to the United Nations, the global urban population is expected to grow at a CAGR of 1.6% from 2023 to 2027. The increasing urban population, particularly in emerging economies, creates a greater demand for home appliances.

- **Rising Replacement Demand in Mainland China**. Chinese consumers are increasingly upgrading their household appliances, especially air conditioners, refrigerators and laundry appliances, to embrace advanced technologies, improved efficiencies and better designs. This surge in demand for these home appliance categories is predominantly driven by the need for replacement rather than new home purchases. According to the National Bureau of Statistics of China, over 75.0% of the total sales of residential air conditioners, refrigerators and washing machines in 2023 in mainland China were attributed to replacement demand, reflecting a significant impact of renovation-driven demand on mainland China's home appliance market.

- **Demand for Products of Better Quality and Functionality**. Driven by increasing disposable income and living standards, consumers are increasingly seeking superior products that offer a higher level of functionality, convenience and comfort for their households. As a result, the penetration rates of kitchen and other appliances are still increasing. According to the International Monetary Fund and the World Bank, from 2022 to 2027, the per capita annual disposable income of mainland China, North America and Europe is expected to grow at CAGRs of 6.3%, 4.0% and 4.5%, respectively. As disposable incomes rise, consumers gain more purchasing power, which enables them to afford a wider range of home appliances, thereby driving increased demand for higher-end products and enhanced penetration of kitchen and other appliances. As a result, in mainland China, consumers are placing greater value on home appliances of better quality and functionality that contribute to a healthy, comfortable, and eco-friendly home environment. At the same time, higher-end home appliances, which generally command higher prices, present additional market potential. For example, in terms of sales value, central residential air conditioners, which are more sophisticated, provide more comfort and feature higher prices, are quickly penetrating the global and mainland China's residential air conditioner markets, growing from 13.3% in 2017 to 17.8% in 2023 and expected to further grow to 18.2% in 2027 globally, and from 10.2% in 2017 to 14.7% in 2023 and expected to further grow to 16.3% in 2027 in mainland China. As a result, with the stronger demand for higher-end home appliance products, from 2021 to 2023, the average selling price of residential air conditioners, refrigerators and laundry appliances in mainland China increased at a CAGR of 4.3%, 3.2% and 1.6%, respectively.

- **Demand for Energy-Efficient and Smart Products**. As energy costs continue to rise, consumers are more willing to purchase appliances that can help them save utility costs and reduce adverse impact on the environment. At the same time, with advancement in technologies, more smart home appliance products that are intelligent and interconnected are emerging, particularly in mainland China. Such growing demand for energy-efficient and smart products drives the sales of home appliances that are equipped with energy-saving technologies and smart functions, which in turn contributes to the overall growth of the home appliance market.

Looking forward, we expect that the global market for home appliances will experience increasing market concentration as global market leaders continue to consolidate the industry. In addition, the shift from offline sales channels to online sales channels is likely to continue. The percentage of online sales in the global sales value grew from 22.5% in 2017 to 39.8% in 2023 and is expected to further grow to 42.7% in 2027. Meanwhile, any continued downturn in the real estate market in mainland China and elsewhere can have a negative impact on market demand for home appliances in mainland China and then affect the growth of the global home appliance market.

Competitive Landscape of the Home Appliance Market

Global Market for Home Appliance Companies

The home appliance market we operate in is highly competitive. Our main competitors include large Chinese and multinational home appliance companies and local and specialized brands. The global home appliance market is relatively fragmented, with the top 5 players in aggregate representing approximately 20.8% of the total market share by sales volume. In 2023, the number of market players in the global home appliance market exceeded 60,000. Among global home appliance companies, we ranked first in terms of both revenue and sales volume in 2023, capturing a market share of 7.9% in terms of sales volume.

Top 5 Home Appliance Companies by Revenue, Global, 2023

Ranking	Company	Headquarters	Revenue (billion RMB)
1	Our Company	Asia	246.4
2	Company A(1)	Asia	239.0
3	Company B(2)	Asia	163.4
4	Company C(3)	Asia	136.7
5	Company D(4)	North America	124.5

Notes:

(1) Company A is a listed home appliance company that was included in the 2023 Fortune Global 500 list and that primarily engages in the manufacturing and sales of refrigerators, washing machines, air conditioners, kitchen appliances and small appliances.

(2) Company B is a listed company that was included in the 2023 Fortune Global 500 list and that mainly offers home entertainment, mobile communications, home appliances and air solutions, and vehicle components.

(3) Company C is a listed home appliance company that mainly produces air conditioners and also produces electric fans, water dispensers, heaters, rice cookers, air purifiers, water kettles, humidifiers and induction cookers, and other products.

(4) Company D is a listed home appliance company which is a manufacturer and market player of laundry appliances, kitchen appliances and other home appliance products.

Top 5 Home Appliance Companies by Revenue, China, 2023

Ranking	Company	Headquarters	Revenue (billion RMB)
1	Our Company	Asia	141.1
2	Company A(1)	Asia	119.0
3	Company C(2)	Asia	116.0
4	Company N(3)	Asia	39.4
5	Company O(4)	Asia	15.1

Notes:

(1) Company A is a listed home appliance company that was included in the 2023 Fortune Global 500 list and that primarily engages in the manufacturing and sales of refrigerators, washing machines, air conditioners, kitchen appliances and small appliances.

(2) Company C is a listed home appliance company that mainly produces air conditioners and also produces electric fans, water dispensers, heaters, rice cookers, air purifiers, water kettles, humidifiers and induction cookers, and other products.

(3) Company N is a listed home appliance company that mainly offers air conditioners, refrigerators, freezers beverage coolers and other home appliances.

(4) Company O is a listed home appliance company that mainly offers electric rice cookers, induction hobs, electric pressure cookers, soymilk makers, blenders, juicers, electric kettles, baked machines and other home appliances.

Top 5 Home Appliance Companies by Sales Volume, Global, 2023

Ranking	Company	Headquarters	Sales Volume (million units)(1)	Market Share
1	Our Company	Asia	240.8	7.9%
2	Company A(2)	Europe	122.6	4.0%
3	Company E(3)	Asia	105.9	3.5%
4	Company F(4)	Europe	84.0	2.7%
5	Company G(5)	North America	81.9	2.7%

Notes:

(1) Including only sales under each company's own brands.

(2) Company A is a listed home appliance company that was included in the 2023 Fortune Global 500 list and that primarily engages in the manufacturing and sales of refrigerators, washing machines, air conditioners, kitchen appliances and small appliances.

(3) Company E is a listed home appliance company that mainly produces consumers electronics products, including kitchen appliances, ironing and garment care products, and home cleaning appliances, and provides professional healthcare products, including ultrasound, radiography and others.

(4) Company F is a listed home appliance company that mainly engages in production and sales of small home appliances, including electric fans, ironing machines, hair removal devices, cookers, food preparation appliances and others.

(5) Company G is a listed home appliance company that specializes in manufacturing, marketing and distribution of home appliance products, including kettles, toasters, microwaves and others.

In the home appliance market in mainland China, the top 5 players in aggregate captured approximately 49.1% of the total market share by sales volume in 2023. The number of market players of the home appliance market in mainland China was around 40,000 in 2023. In the mainland China market, we ranked first in terms of sales volume in 2023, representing a market share of 25.5%.

Top 5 Home Appliance Companies by Sales Volume, Mainland China, 2023

Ranking	Company	Headquarters	Sales Volume (million units)(1)	Market Share
1	Our Company	Asia	190.4	25.5%
2	Company A(2)	Asia	57.0	7.6%
3	Company H(3)	Asia	48.2	6.5%
4	Company C(4)	Asia	39.1	5.2%
5	Company I(5)	Asia	32.0	4.3%

Notes:

(1) Including only sales under each company's own brands.

(2) Company A is a listed home appliance company that was included in the 2023 Fortune Global 500 list and that primarily engages in the manufacturing and sales of refrigerators, washing machines, air conditioners, kitchen appliances and small appliances.

(3) Company H is a listed home appliance company that integrating the R&D, manufacturing, and sales of shavers and personal care electric appliances.

(4) Company C is a listed home appliance company that mainly produces air conditioners and also produces electric fans, water dispensers, heaters, rice cookers, air purifiers, water kettles, humidifiers and induction cookers, and other products.

(5) Company I is a listed home appliance company that focuses on small appliances, including vacuum cleaners, soymilk makers, noodle markers, juice extractors and others.

Global Market for Home Appliance Companies, by Product Type

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.

Major Entry Barriers for the Home Appliance Market

New companies looking to enter the home appliance market generally need to overcome the following barriers:

- **R&D**: The increasingly smart and technologically sophisticated home appliance products, and consumers' growing preference for such products, create a significant barrier for new entrants to compete with existing market leaders who have over the years accumulated strong expertise and R&D prowess in the field of home appliances.

- **Manufacturing Capabilities**: Established large players enjoy greater abilities to stay profitable by reducing their average cost through mass production and centralized procurement and distribution, maintaining a competitive edge against new entrants and small players.

- **Distribution and Service Network**: The distribution channels in the global home appliance market require substantial time and investment to build. In addition, home appliances makers need to build national or even global service networks to provide repair and maintenance services. Setting up extensive distribution and service networks requires significant investments and years of efforts, creating a significant entry barrier for new players.

- **Brand Power**: In many markets, global and local market leaders have accumulated strong brand power and long-term customer loyalty. Even with superior and more cost-effective products, it is uncertain how much market share a new brand can capture.

MAIN ADDRESSABLE MARKETS OF OUR COMMERCIAL & INDUSTRIAL SOLUTIONS

Our Commercial & Industrial Solutions address various sizable markets with substantial growth potential, including mainly energy solutions and industrial technology, intelligent building technology, and robotics and automation. In 2023, the global market size in terms of total sales value of these three markets reached RMB783.4 billion, RMB1,854.4 billion and RMB1,440.3 billion, respectively.

The aging population, increasing urbanization rate and the growing demand from multiple end markets in mainland China and elsewhere, alongside global decarbonization trends, are fueling the demand for solutions in the aforementioned markets. There is an increasing need for intelligent buildings equipped with energy-efficient systems to support environmental sustainability. Amid the global trend of decarbonization, the rise in NEV penetration necessitates energy storage systems and thermal management systems in NEVs to meet the elevated demand while minimizing adverse environmental impact. Simultaneously, challenges of an aging population and rising labor costs in many countries and regions are spurring the adoption of robotics and automation across various sectors to mitigate labor shortages, control labor costs and enhance overall efficiency. Furthermore, the growth of multiple end markets, such as NEV and electronics, is driving the demand for solutions that serve these markets.

Overview of Energy Solutions & Industrial Technology Market

Energy solutions and industrial technology refers to various products and solutions for industrial use and energy management, including home appliance compressors, home appliance motors, industrial control systems and energy solutions. Energy solutions include, among other things, energy storage and thermal management systems for new energy vehicles (NEVs).

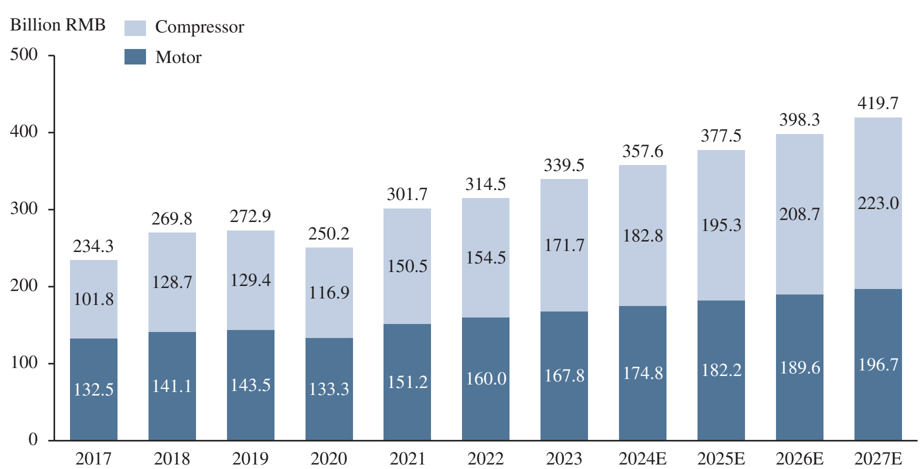
Overview of Global Market for Home Appliance Compressors and Home Appliance Motors

Market size

A home appliance compressor is a mechanical device designed to increase the pressure of gas or air by reducing its volume, used in a variety of products such as air conditioners and refrigeration systems. A home appliance motor is an electrical component that converts electrical energy into mechanical energy, used in major home appliances including air conditioners, laundry appliances, and refrigerators. In line with the stable growth of the home appliance market, the global sales value of home appliance compressors grew from RMB101.8 billion in 2017 to RMB171.7 billion in 2023, and the global sales value of home appliance motors grew from RMB132.5 billion in 2017 to RMB167.8 billion in 2023. It is expected that both markets will maintain stable growth, reaching RMB223.0 billion and RMB196.7 billion, respectively, in 2027.

Global Sales Value of Home Appliance Compressors and Home Appliance Motors, 2017-2027E

CAGR	*Total*	*Compressor*	*Motor*
2017-2023	6.4%	9.1%	4.0%
2023-2027E	5.4%	6.8%	4.1%



Source: Japan Air Conditioning Heating & Refrigeration News, Chinese Society for Electrical Engineering, Frost & Sullivan Report

Competitive landscape of the market of home appliance compressors and home appliance motors

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%. Among our home appliance compressor business, our residential air conditioner compressors business also ranked No. 1 in 2023 in terms of manufacturing volume, commanding a market share of 45.1% by manufacturing volume. For home appliance motors, we ranked first globally in both residential air conditioner motors and laundry appliance motors in terms of manufacturing volume in 2023, with respective market shares of 40.0% and 22.0%.

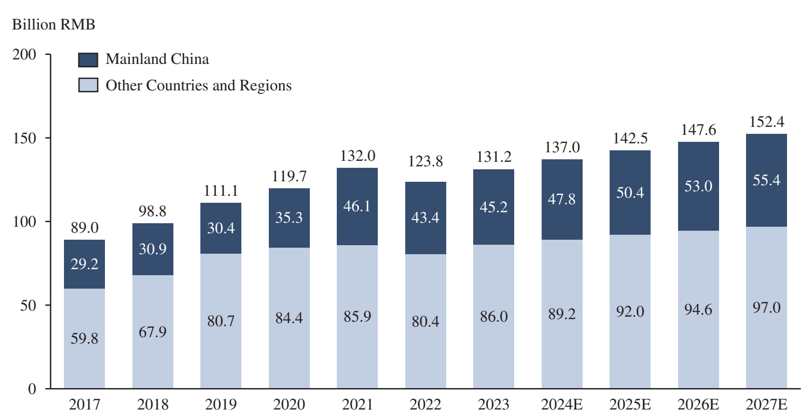
Overview of Industrial Control System Market

Market size

Industrial control systems include controlling products such as servo systems and motion controllers. Servo systems mainly include servo motors, servo drives, feedback devices, encoders and other components. Motion controllers are devices used to control and coordinate the motion of machinery and automation systems. Sales value generated by the global industrial control system market increased from RMB89.0 billion in 2017 to RMB131.2 billion in 2023 and is expected to grow further and reach RMB152.4 billion in 2027. Sales value generated from the industrial control market in mainland China increased from RMB29.2 billion in 2017 to RMB45.2 billion in 2023 and is expected to reach RMB55.4 billion in 2027, accounting for an increasing percentage of the global market.

Sales Value of the Global Industrial Control System Market, 2017-2027E

CAGR	*Total*	*Mainland China*	*Other Countries and Regions*
2017-2023	6.7%	7.5%	6.2%
2023-2027E	3.8%	5.0%	3.8%



Source: International Society of Automation, Frost & Sullivan Report

Growth drivers and competitive landscape of the industrial control system market

The growth of the industrial control system market is expected to be driven by: (i) growing demand for industrial automation across various sectors, where industrial control systems play a pivotal role in providing precise and reliable motion control, particularly for end markets such as integrated circuit products, consumer electronics and NEVs, with integrated circuit products and automotive being two major downstream applications of industrial control systems, each representing approximately 15% and 10% of the end markets of industrial control systems in terms of revenue in 2023, as evidenced by the significant growth of the integrated circuit product market and the NEV market in mainland China in terms of sales value with a CAGR of 10.1% and 18.5% between 2023 and 2027, respectively, according to the China Semiconductor Industry Association and the International Organization of Motor Vehicle Manufacturers; (ii) growing demand for energy efficiency, which can be achieved through industrial control systems that can provide efficient motor control; (iii) technological advancement in industrial control systems that continue to optimize their performance; and (iv) growing demand from the emerging markets that are undergoing industrialization.

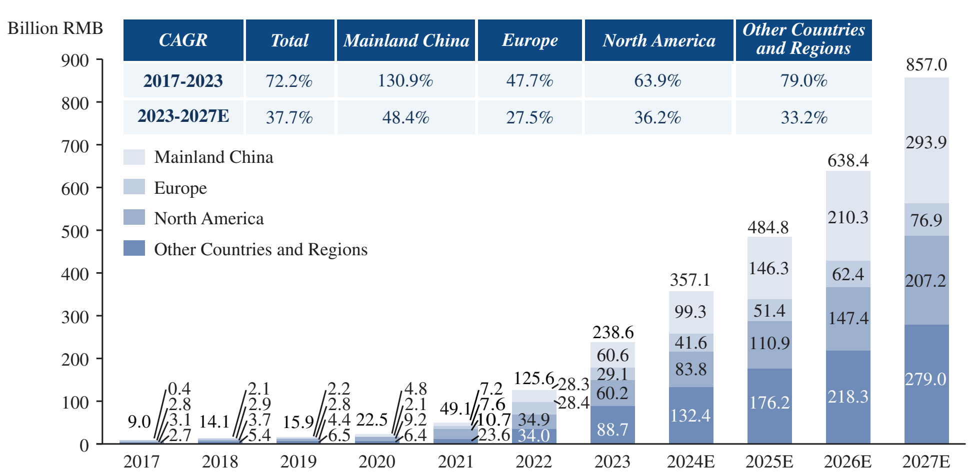
The global industrial control system market is competitive with more than 2,000 players. In 2023, the leading companies of the global industrial control system market were multinational companies based in Japan, Europe and United States. In 2023, we captured the market share of around 0.9% in the global industrial control system market by revenue.

Overview of the Energy Storage Market

Market size

In terms of value of added installed capacity, the global market of energy storage increased significantly at a CAGR of 72.2% from 2017 to 2023 and is expected to grow further at a CAGR of 37.7% from 2023 to 2027, reaching RMB857.0 billion in 2027. Also in terms of value of added installed capacity, the market size of mainland China's energy storage market grew even more significantly at a CAGR of 130.9% from 2017 to 2023, and is expected to increase at a CAGR of 48.4% from 2023 to 2027, reaching RMB293.9 billion in 2027.

Market Size of the Global Energy Storage Market by Value of Added Installed Capacity, 2017-2027E



Source: China Energy Storage Alliance, Frost & Sullivan Report

Growth drivers and competitive landscape of the energy storage market

The growth of the energy storage market is expected to be driven by: (i) the increasing share of sustainable energy sources in the global electricity generation market, which is projected to rise from 29% in 2020 to 55% in 2050, according to the International Energy Agency and is expected to stimulate the demand for energy storage systems that can help ensure a stable supply of sustainable energy; and (ii) favorable government policies from major economies including the United States, Europe and mainland China that encourage production and installation of energy storage equipment.

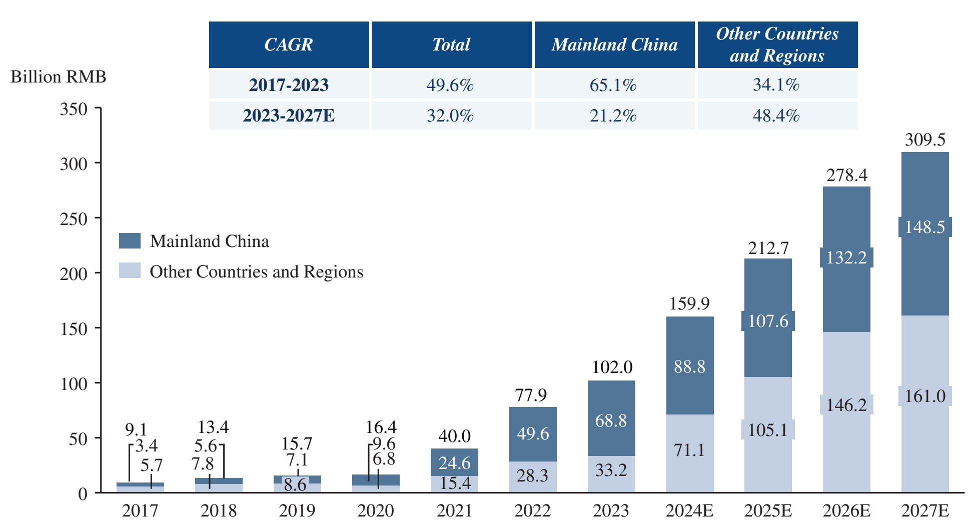
The global energy storage market is relatively competitive with more than 1,000 players. In 2023, in the global energy storage market, we captured the market share of around 1.6% by revenue.

Overview of Global Market for Thermal Management Systems for NEVs

Market size

The global NEV market has been growing rapidly and mainland China has become the world's largest NEV market. Thermal management systems for NEVs, including e-compressors, e-water pumps, automotive valves, and more, are important for controlling and optimizing heat transmissions in NEVs and enhancing NEV performance. The thermal management market, though currently small in scale, is expected to grow rapidly in the near future, driven by the growing demand from a fast-growing NEV market. The market of thermal management systems in mainland China grew at a CAGR of 49.6% from 2017 to 2023 and is expected to further increase at a CAGR of 32.0% from 2023 to 2027, reaching RMB309.5 billion in 2027.

Market Size of Global NEV Thermal Management System Market, 2017-2027E



Source: China Associate of Automobile Manufacturers, Frost & Sullivan Report

Growth drivers and competitive landscape of the NEV thermal management system market

The growth of the NEV thermal market is expected to be driven by the increasing share of NEVs, such as electric vehicles and hybrid vehicles, which require efficient thermal management solutions to ensure optimal performance and longevity. According to Frost & Sullivan, the sales volume of global and mainland China's NEV markets grew significantly from 2023 to 2027, increasing at a CAGR of 31.5% from 13.7 million to 41.0 million globally and increasing at a CAGR of 20.9% from 9.0 million to 19.3 million in mainland China. Thermal management systems are more important for NEVs than for traditional internal combustion engine (ICE) vehicles, given that battery safety and performance is highly sensitive to temperature and that unlike ICE vehicles, NEVs cannot utilize the waste heat from the engine for cabin heating. As a result, value of thermal management systems per vehicle of NEVs is two to three times that of ICE vehicles.

The global NEV thermal management system market is relatively competitive with more than 1,000 players. In 2023, global brands dominated the global NEV thermal management market, capturing the majority of the market share, among which the top four industrial companies accounted the market share of around 50% by revenue. In 2023, we captured the market share of less than 1.0% in the global NEV thermal management market by revenue.

Overview of Intelligent Building Technology Market

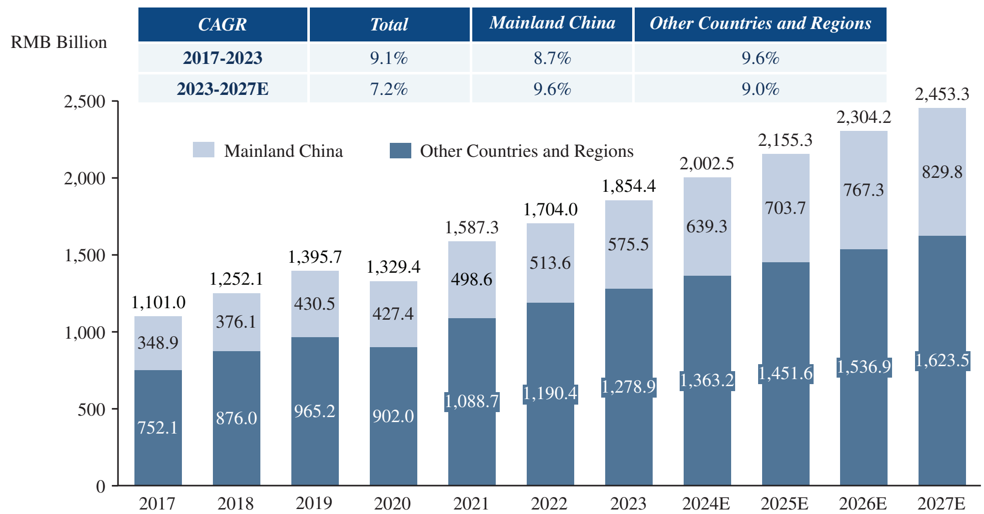
Intelligent building technology refers to technological solutions that help buildings optimize energy efficiency, enhance occupant comfort and improve security, integrating hardware and software including commercial air conditioners, elevators, building control software, and smart fire safety and security systems.

The Global Intelligent Building Technology Market

The global intelligent building technology industry saw a significant increase in revenue from 2017 to 2023, growing at a CAGR of 9.1% from RMB1,101.0 billion in 2017 to RMB1,854.4 billion in 2023.

As the wave of urban growth persists and building technologies further advance with the support of digitalization and enhanced intelligence, the intelligent building technology market is expected to experience strong growth at a CAGR of 7.2% from 2023 to 2027, reaching RMB2,453.3 billion in 2027. In 2023, commercial air conditioners accounted for 19.5% of the global intelligent building technology market in terms of revenue. Commercial air conditioners play a vital role in the intelligent building technology market as they help maintain a comfortable indoor environment by regulating temperature, humidity and air quality and provide several key benefits, including improved indoor air quality, a comfortable indoor environment and improved energy efficiency for buildings.

Revenue of Global Intelligent Building Technology Market by Region, 2017-2027E



Source: National Bureau of Statistics of China, China Elevator Industry Business Yearbook, Frost & Sullivan Report

The intelligent building technology market in mainland China is expected to grow fast at a CAGR of 9.6% from 2023 to 2027, reaching RMB829.8 billion in 2027.

Growth Drivers and Trends of the Intelligent Building Technology Market

The following factors are the principal factors that have driven and, we expect, will continue to drive the growth of the intelligent building technology market:

- **Global Trends of Decarbonization**: The global trends of decarbonization drive the growth of intelligent building technology, as industrial, office and other buildings are major sources of carbon emissions. Intelligent building technology, which integrates hardware and software, plays an instrumental role in enhancing energy efficiency and reducing carbon emissions as well as energy costs for buildings, helping achieve decarbonization goals. Against this backdrop, mainland China witnessed a remarkable surge in Leadership in Energy and Environmental Design (LEED) certifications, one of the most widely used green building rating systems globally, with 7,119 projects obtaining this certification as at 31 December 2023, as reported by the U.S. Green Building Council. This figure reflects an increase of 55.6% from 2022, underlining a robust demand for intelligent building solutions in mainland China.

- **Digital Urban Development**: The growth of the intelligent building technology market is also driven by the digital urban development in mainland China and around the world. For instance, the digital urban development in mainland China has spurred the transformation of buildings into digitally managed ecosystems, supported by intelligent building technology such as building control systems.

- **Continued Urbanization**: Urbanization is also an important driver for the intelligent building technology market. For example, according to Frost & Sullivan, the urbanization rate in mainland China is expected to increase from 66.2% in 2023 to 69.8% in 2027. The increasing urbanization rate is driving the demand for intelligent building technology, as more city dwellers demand better air quality, energy efficiency, safety and convenience in their living environments.

- **Replacement and Upgrade**: As buildings age, elevators, air conditioning and other equipment in the buildings age with them, and there arises a need to replace or upgrade existing equipment to meet modern standards of efficiency, sustainability and safety. Building control software is also in need to achieve more efficient and effective management of the building and its equipment. This further drives the growth of intelligent technology building.

Going forward, we expect that the global intelligent building technology market will experience higher demand and wider adoption of building control software, increasing application of technologies such as 5G, IoT, cloud computing, big data and AI, and a growing trend towards integrated building solutions that combine hardware and software in an organic and intelligent manner.

Competitive Landscape of Intelligent Building Technology Market

In the intelligent building technology market, our main competitors include Chinese and multinational companies offering intelligent building technology solutions. The intelligent building technology market in mainland China is relatively fragmented, with the top 5 players in aggregate representing approximately 17.8% of the total market share. In 2023, the number of market players of intelligent building technology market in mainland China was more than 50,000. In mainland China, we ranked fifth in terms of revenue derived from intelligent building technology in 2023, capturing a market share of 2.7%.

When it comes to commercial air conditioners, we ranked first in mainland China with a market share of 14.3% and fifth globally with a market share of 6.6%, both in terms of revenue in 2023.

Major Entry Barriers for the Intelligent Building Technology Market

New companies looking to enter the intelligent building technology market generally need to overcome the following barriers:

- **Brand Recognition**: In the market of complex intelligent building technology, once customers have established trust in a particular brand, they are unlikely to switch to alternatives easily. This is particularly true for specialized equipment such as air conditioners or elevators, where reliability is crucial for comfort and safety. It is therefore difficult to gain brand recognition by competing against existing players with an established customer base.

- **Qualifications and Certifications**: Companies engaged in intelligent building technology are required to obtain and maintain all necessary permits and qualifications and undergo rigorous testing, certification and quality audits, in accordance with local laws, regulations and industry requirements. These requirements pose another significant challenge.

- **Ability to Innovate**: Innovation is crucial to the ever-evolving intelligent building technology market, which is highly dependent on expertise and technical know-how. Companies need to continuously invest in R&D and technological innovation in order to maintain a competitive edge, which poses substantial challenges to new market players without sufficient R&D capabilities or financial resources. There is also growing demand for talents in this field, and new entrants will need to compete with existing market players to attract the right talents.

- **Ability to Provide Integrated Solutions**: Being able to offer integrated and customized solutions is increasingly key to the success of an intelligent building technology provider. It will be challenging for a new entrant to compete in the market if it lacks the requisite diversity in its building technology solutions or the R&D and sales abilities to offer integrated solutions.

Overview of Robotics and Automation Market

The robotics and automation market includes the robotics market and the market of other industrial automation solutions, improving production efficiency of the manufacturing process. With the rising demand for robotics and advancements in technologies, the market size of the global robotics and automation market increased from RMB784.2 billion in 2017 to RMB1,440.3 billion in 2023 and is expected to reach RMB2,037.8 billion in 2027.

Robotics generally refers to actuated mechanisms programmable in two or more axes with a degree of autonomy, moving and performing intended tasks. By application, robotics can be divided into industrial robots and service robots. The global robotics industry has witnessed significant growth and advancements in recent years, leading to the widespread deployment of robots in various industries and applications worldwide. The total revenue generated by the global robotics market has been on the rise, increasing from RMB180.5 billion in 2017 to RMB395.8 billion in 2023 and expected to reach RMB584.1 billion in 2027.

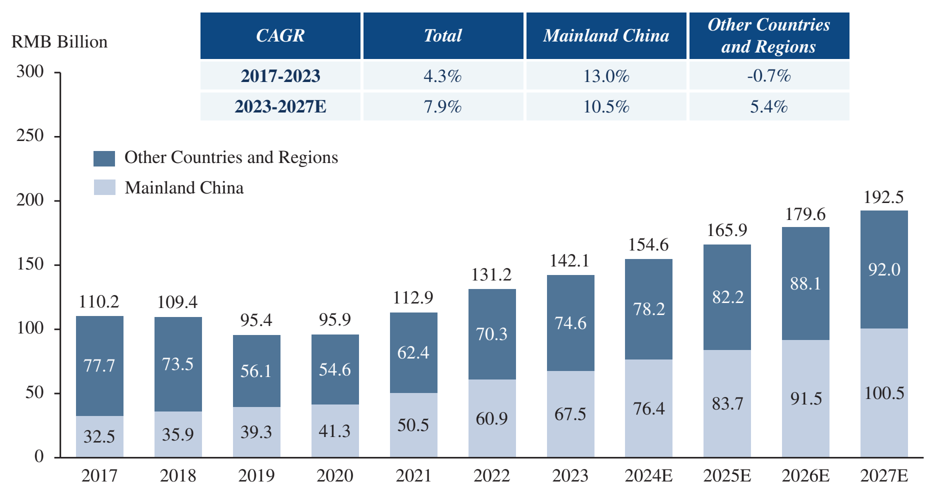
Overview of the Global Industrial Robotics Market

Industrial robots are generally used for automating manufacturing and other processes. The industrial robotics industry has experienced remarkable technological advancements in recent years. The integration of AI, machine learning and advanced sensor technologies has empowered industrial robots to execute intricate tasks with enhanced precision and adaptability. Revenue from the global industrial robotics market grew at a CAGR of 4.3% from RMB110.2 billion in 2017 to RMB142.1 billion in 2023 and is projected to further grow at a CAGR of 7.9% from 2023 to 2027, reaching RMB192.5 billion in 2027.

Industrial robotics are generally used in sectors that include electrical/electronics, automotive, metal and machinery, plastic and chemical products, food and others. The top three largest applications of industrial robotics are electrical/electronics, automotive and metal and machinery, together accounting for 62.6% of the total market in 2023, among which automotive applications are expected to grow fast and become the largest sector of industrial robotics application by 2024.

The industrial robotics market in mainland China has also experienced remarkable growth, fueled by various factors such as rising labor costs, advancing technologies in robotics, and expanding manufacturing activities. The automotive, electrical/electronics, and metal and machinery manufacturing sectors in mainland China have generated particularly high demand for industrial robotics. Revenue from the industrial robotics market in mainland China was RMB67.5 billion in 2023 and is expected to grow at a CAGR of 10.5% from 2023 to 2027, reaching approximately RMB100.5 billion in 2027.

Market Size of the Global Industrial Robotics Market, 2017-2027E

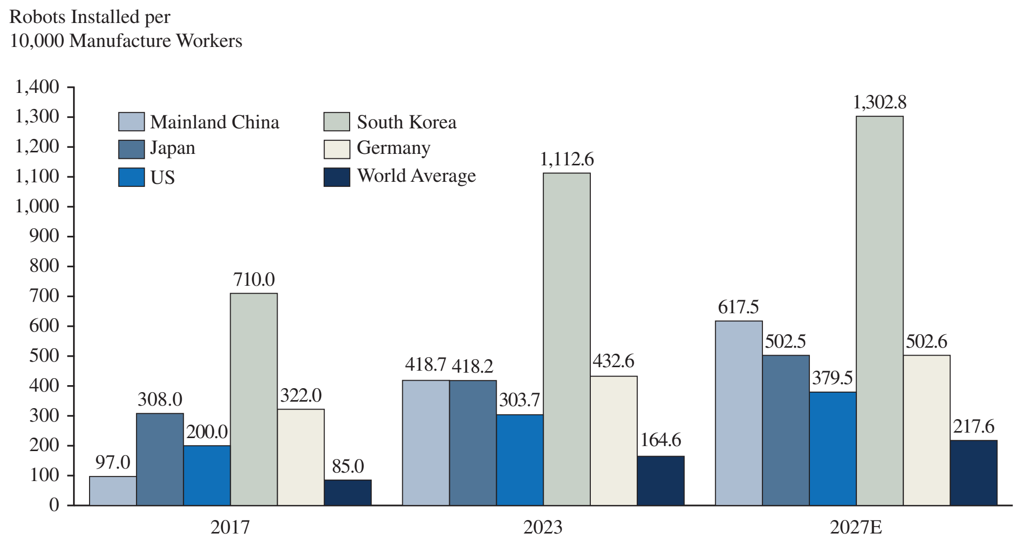


Source: International Federation of Robotics, Frost & Sullivan Report

Density of Industrial Robotics in Major Regions

In terms of robot density, which is measured by the number of industrial robots per certain number of manufacturing workers, mainland China had achieved a robot density of 418.7 robots per 10,000 manufacturing workers in 2023, below South Korea (1,112.6), Germany (432.6), Japan (418.2). Robot density in mainland China is expected to increase further to 617.5 robots per 10,000 employees in 2027, which will be the second highest among all regions, surpassing Germany and Japan and behind only South Korea.

Robot Density of the Global Industrial Robotics Market in Top 5 Largest Regions, 2017-2027E



Source: International Federation of Robotics, Frost & Sullivan Report

Growth Drivers and Trends of the Industrial Robotics Market

The following are the principal factors that have driven and, we expect, will continue to drive the growth of the global industrial robotics market:

- **Increasing Demand for Automation Driven by Aging Population and Rising Labor Costs**: Many countries and regions are facing challenges of an aging population and rising labor costs. For example, in mainland China, the population aged 65 and older grew from 15.4% of the total population in 2023 to 17.7% in 2027. The annual average wage of urban employees in private sectors in mainland China is expected to rise at a CAGR of approximately 4% from 2023 to 2027, according to Frost & Sullivan. This shift poses challenges for labor-intensive industries, such as manufacturing industry, where a decline in skilled workers can lead to labor shortages and the decreased productivity. As a result, many industrial sectors are moving toward automation in their manufacturing and other operations, causing a surge in the demand for industrial robotics, particularly in places such as mainland China. These sectors can greatly benefit from the scalability and speed offered by industrial robots.

- **Technological Advancements**: Technological advancements made in or applicable to the robotics field contribute to the growth of the industrial robotics market. For example, traditional robots can only perform a single task, while the latest flexible robots can adapt to different production needs and perform multiple tasks, thus greatly expanding the applications of industrial robotics. The continued development in digitalization has also enhanced the performance of industrial robotics and driven market growth. Digital robots use sensors and data collection technology to detect various parameters and indicators in the production process in real time, significantly enhancing production efficiency.

- **Rising Demand from Key End Markets**: Propelled by technological advancements and rising consumer demand, the key end markets of industrial robotics, such as automotive, photovoltaic and electronics industries, have experienced substantial growth. For instance, the sales volume of NEVs in mainland China surged from 9.0 million in 2023 to 19.3 million in 2027 at a CAGR of 20.9%, according to the Frost & Sullivan. Similarly, the revenue of the electronics industry in mainland China increased at a CAGR of approximately 4% from 2023 to 2027, according to Frost & Sullivan. The electronics and automotive industries are two major downstream applications of industrial robotics, each representing approximately 33.1% and 23.4% of the end markets of industrial robotics in terms of annual installations in 2023. The growth in automotive, photovoltaic and electronics industries is indicative of the rising demand for industrial robots, as industrial robots and automation technology present a compelling solution for these sectors by providing continuous production and reducing production cycles.

We expect that the global industrial robotics market will witness a continuous shift to energy-efficient, easy-to-use and customized robots. In addition, we expect that market leaders will continue to leverage their strengths, collaborate on research and development and offer comprehensive solutions, which will further strengthen their competitive position.

Competitive Landscape of Industrial Robotics Market

The global industrial robotics market is relatively concentrated and has high entry barriers. In 2023, the top five industrial robotics companies in aggregate accounted for 42.8% of the global market in terms of revenue. Other top global industrial automation companies are our main competitors. Globally, our industrial robotics business ranked third in terms of revenue in 2023 with a market share of 8.9%. In particular, in terms of sales volume and revenue in 2023, we ranked second in the global market for heavy payload industrial robotics, which refers to industrial robots with a payload of more than 100 kg, capturing a market share of 18.6% and 17.9%, respectively.

Top 5 Industrial Robotics Companies by Revenue, Global, 2023

Ranking	Company	Headquarters	Market Share
1	Company J(1)	Asia	11.5%
2	Company K(2)	Europe	10.9%
3	Our Company	Asia	8.9%
4	Company L(3)	Asia	8.1%
5	Company M(4)	Asia	3.4%

Notes:

(1) Company J is a listed company that mainly offers automation products and services, such as robotics and computer numerical control wireless systems.

(2) Company K is a listed company that mainly offers robotics and automation technology.

(3) Company L is a listed company that mainly offers servos, motion controllers, switches and industrial robots.

(4) Company M is a listed company that mainly offers printers, robots and industrial automation equipment, sensing systems and other electronic components.

Major Entry Barriers of Industrial Robotics Market

New companies looking to enter the industrial robotics market generally need to overcome the following barriers:

- ***Technology and Know-how***: Compared with many other industrial products, robotics requires a higher level of performance, reliability, durability and safety. As a result, deep technical expertise in various aspects, including robotics engineering, control systems, AI, machine learning and sensor technology, is crucial for developing and manufacturing industrial robotics. Accumulating this level of expertise takes time and resources. In addition, for new market entrants, developing robotics technologies while avoiding infringement on existing patents and dealing with legal disputes can be a difficult task as well.

- ***Brand Power and Customer Relationship***: The industrial robotics market is dominated by a small number of major companies that enjoy economies of scale, brand recognition, and strong relationships with top customers in key sectors from years of cooperation, all of which are competitive advantages that are hard to replicate. As switching suppliers of robotics and automation solutions tends to be disruptive and costly, customers generally prefer to stay with existing suppliers.

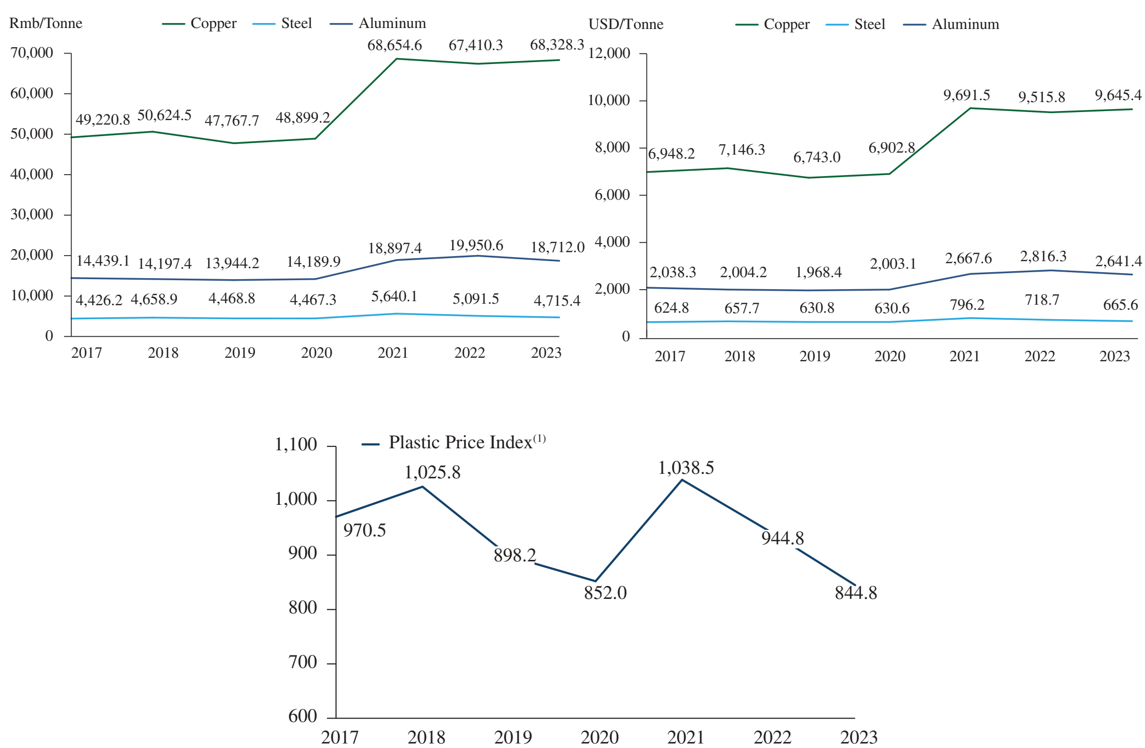
- ***Established Supplier Network***: Industrial robot manufacturers often establish long-term partnerships with suppliers that provides key components and sub-systems, making it difficult for new entrants to secure essential supplies.

Historical Price Trends of Major Raw Materials

The major raw materials used in our production include copper, steel, plastic and aluminum, among others. The prices of these major raw materials were relatively stable from 2017 to 2020 and experienced a notable increase in 2021 as a result of demand-supply imbalance. The prices then experienced a slight decline in 2022 and 2023, with the exception of aluminum, which saw an increase in 2022, and copper, which saw an increase in 2023. The increase of aluminum's price in 2022 was attributed to production disruptions caused by power restrictions, and the increase of copper's price in 2023 was driven by global economic recovery and increased investment in infrastructure. Increases in raw material costs affect industry players unevenly. Market leaders are in a better position to leverage their diverse product portfolio and operational efficiency to alleviate the impact and in general have stronger pricing power to offset some of the pressure from rising raw material prices by raising prices.

The following graphs set forth historical prices of major raw materials for the periods indicated:

Prices of Major Raw Materials, 2017-2023



Source: London Metal Exchange, China Plastics, Frost & Sullivan Report

Note:

(1) The Plastic Price Index is compiled based on the transaction prices of plastic on the Zhejiang Plastic City online trading market and transaction prices of plastic spot goods in China Plastic City.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent global consulting firm that offers industry research and market strategies and provides growth consulting and corporate training to conduct a detailed research on and analysis of the global home appliance industry and the global commercial and industrial industries that include energy solutions and industrial technology, intelligent building technology and robotics and automation. We have agreed to pay a fee of RMB816,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in “Summary,” “Risk Factors,” “Business,” “Financial Information,” and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industries where we operate.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights on the industry trends of the target research markets. Primary research involved discussing the status of the market with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own database. Frost & Sullivan has independently verified the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan’s research may be affected by the accuracy of assumptions used and the choice of primary and secondary sources.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) the economy of mainland China and the global economy are likely to maintain steady growth in the near future; and (ii) the social, economic, and political environment of mainland China and the world is likely to remain stable from 2023 to 2027.

Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that may qualify, contradict or have a material impact on the information.

OVERVIEW

The history of our Group can be traced back to 1968, when our founder, Mr. He, started our business in Shunde, Guangdong Province. In 1980, we began the production of electric fans, marking our entry into home appliance manufacturing. Subsequent to the birth of our brand "Midea," we entered the air conditioning industry, starting the continual expansion of our product portfolio in the home appliances industry.

After over 50 years of growth, we have become a leading technology-driven global provider of Smart Home Solutions and Commercial & Industrial Solutions. We operate a global business that reaches over 200 countries and regions. We have achieved market leadership across different verticals including various home appliances and related core components, commercial air conditioners, robotics and automation, among others. We have been a Fortune Global 500 company for nine consecutive years, which demonstrates our global leadership and excellence.

In 1993, Midea Electric debuted on the Shenzhen Stock Exchange. In September 2013, our A Shares were listed on the main board of the Shenzhen Stock Exchange (stock code: 000333) by merging with Midea Electric. See "— Major Shareholding Changes of Our Company — Conversion into Joint Stock Limited Company and Listing on the Shenzhen Stock Exchange" for more details. As of the Latest Practicable Date, Midea Holding held 31.0% of our registered capital.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following is a summary of our Group's key corporate and business development milestones:

Year	Event
1968	We started our business in Shunde, China.
1980	We entered the home appliance industry with electric fans.
1981	The trademark "Midea" was registered.
1985	We started to offer air conditioning products.
1993	Midea Electric debuted on the Shenzhen Stock Exchange (stock code: 000527).
2002	We started to further diversify our product portfolio by entering into other home appliance markets, such as refrigerators and washing machines.
2007	We established our first overseas manufacturing base in Vietnam.
2008	We acquired Little Swan, further strengthening our foothold in the washing machine market.
2013	Our Group was listed on the Shenzhen Stock Exchange (stock code: 000333) by merging with Midea Electric.
2016	We acquired a majority interest in Toshiba's home appliances business, Toshiba Lifestyle, a Japanese manufacturer of electrical home appliances.
2017	We acquired KUKA Group, a robotics manufacturer in Germany.

Year	Event
2021	We became the No. 1 air conditioner provider in mainland China by sales volume.
2024	We have entered the *Fortune Global 500* for nine consecutive years.

MAJOR SUBSIDIARIES

The principal business activities and date of establishment of each of our Major Subsidiaries are shown below:

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
Anhui Meizhi Precision Manufacturing Co., Ltd. (安徽美芝精密製造有限公司) ("Meizhi Precision")	100%	Manufacturing and sales of air conditioner parts, such as electric motors, gas compressors and mechanical and electrical equipment	25 October 2010, PRC
Annto Smart Logistics (安得智聯供應鏈科技股份有限公司)	74%	Logistics and warehousing services	24 February 2011, PRC
Chongqing Midea Air-Conditioning Equipment Co., Ltd. (重慶美的製冷設備有限公司) ("Chongqing Midea A/C").	100%	Manufacturing and sales of air conditioners, refrigerators and freezers	30 May 2011, PRC
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司) ("Midea Heating Appliances")	100%	Manufacturing of small appliances, such as electrothermal steamer pots and pressure cookers	24 February 2006, PRC

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
Foshan Shunde Midea Household Appliances Industry Co., Ltd. (佛山市順德區美的家電實業有限公司) ("Midea Household Appliances")	100%	Investment holding	25 November 2005, PRC
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd. (佛山市順德區美的洗滌電器製造有限公司) ("Midea Washing Appliances")	100%	Manufacturing of kitchen appliances, such as dishwashers, range hoods, ovens, sterilizers and gas and heating appliances	18 January 2000, PRC
GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司) ("GD Midea A/C")	80%	Manufacturing and sales of residential air conditioners	22 October 2004, PRC
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd. (廣東美的集團蕪湖製冷設備有限公司) ("GD Midea Wuhu A/C") . . .	100%	Manufacturing and sales of residential air conditioners	30 April 2000, PRC
GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司) ("GD Midea H&V") . .	100%	Manufacturing of commercial air conditioners	26 September 2005, PRC
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司) ("GD Midea Kitchen")	100%	Manufacturing of small appliances, such as dishwashers, range hoods, ovens, sterilizers and gas and heating appliances	4 September 2006, PRC

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
WAHIN (廣州華凌製冷設備有限公司)	100%	Manufacturing and sales of residential air conditioners	13 June 2010, PRC
Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司) ("Hefei Midea H/V")	100%	Manufacturing and sales of air conditioners and heating and ventilating equipment	9 October 2010, PRC
Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司) ("Hefei Midea Refrig.")	100%	Manufacturing of refrigerators, freezers and refrigeration products	1 September 1996, PRC
Hubei Midea Refrigerator Co., Ltd. (湖北美的電冰箱有限公司) ("Hubei Midea Refrig.")	100%	Manufacturing of refrigerators, freezers and refrigeration products	31 August 1998, PRC
KUKA AG	100%	Manufacturing and sales of robots and robot-based products and solutions	8 May 1889, Germany
Midea Capital Corporation Limited (美的創業投資管理有限公司) ("Midea Capital")	100%	Investment in companies providing capital market and business-related services	12 June 2018, PRC
Midea Electric Netherlands (I) B.V. (美的電器(荷蘭)有限公司)	100%	Investment holding	15 March 2017, Netherlands

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
Midea Electric Trading (Singapore) Co. Pte. Ltd. (美的電器(新加坡)貿易有限公司)("Midea Singapore") . .	100%	Export trade of household appliances	11 January 2008, Singapore
Midea Group (Shanghai) Co. Ltd. (美的集團(上海)有限公司) ("Midea Shanghai")	100%	Manufacturing and sales of intelligent home appliances and automation solutions	2 January 2020, PRC
Midea Group Finance Co., Ltd. (美的集團財務有限公司) ("Midea Finance") . . .	100%	Providing financial services for companies within the Group	16 July 2010, PRC
Midea Innovation Investment Co., Ltd. (美的創新投資有限公司) ("Midea Innovation")	100%	Investment holding	19 March 2015, PRC
Midea International Corporation Company Limited (美的國際控股有限公司) ("Midea International")	100%	Investment holding	28 July 2004, Hong Kong
Midea Investment Development Company Limited (美的投資發展有限公司) ("Midea Investment Development")	100%	Investment in home appliances manufacturers	12 May 2016, British Virgin Islands
Ningbo Midea United Materials Supply Co. Ltd. (寧波美的聯合物資供應有限公司) ("Ningbo Midea United")	100%	Wholesale and retail of raw materials and components	7 January 2011, PRC

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
Toshiba Lifestyle (東芝生活電器株式會社)	100%	Manufacturing of home and kitchen appliances, office appliances, and industrial appliances	1 April 1991, Japan
Toshiba Consumer Marketing Corporation (東芝電器營銷株式會社)	100%	Manufacturing and sales of home appliances	2 November 1953, Japan
Wuhu Maty Air-Conditioning Equipment Co., Ltd. (蕪湖美智空調設備有限公司) ("Wuhu Maty A/C")	100%	Manufacturing of air conditioners and refrigeration equipment	29 April 2010, PRC
Wuhu Annto Logistics Technology Co., Ltd. (蕪湖安得智聯科技有限公司) ("Wuhu Annto")	74%	Logistics and warehousing services	7 December 2010, PRC
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd. (蕪湖美的廚衛電器製造有限公司) ("Wuhu Midea Kitchen & Bath")	100%	Manufacturing of kitchen appliances, such as range hoods, gas appliances, dishwashers, garbage disposers, sterilizers and water heaters	7 August 2008, PRC
Wuhu Midea Life Appliances Mfg Co., Ltd. (蕪湖美的生活電器製造有限公司) ("Wuhu Midea Life Appliances") . . .	100%	Manufacturing and sales of small and smart home appliances	7 August 2008, PRC
Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司) ("Little Swan Electric")	100%	Manufacturing and sales of laundry appliances	31 May 2019, PRC

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
Zhejiang Meizhi Compressor Co., Ltd. (浙江美芝壓縮機有限公司) ("Meizhi Compressor")	100%	Manufacturing and sales of air conditioners parts, such as gas compressors and refrigeration, electrical and mechanical equipment	21 January 2014, PRC

The Company held majority equity interests in the above Major Subsidiaries throughout the Track Record Period, except for Midea Capital Corporation Limited which became a wholly owned subsidiary of the Company in January 2022 as a result of acquisition of the remaining 51% equity interest from its other shareholder by the Group.

See "Appendix VI — Statutory and General Information — C. Further Information about Our Major Subsidiaries" for more details on share capital changes of the Major Subsidiaries.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Early Development of our Company and Our Founder

Mr. He led a group of Beijiao residents and started our business by establishing a township enterprise in 1968, mainly producing plastic and metal products, which was the predecessor of our Group. Mr. He led Midea Electric to go through shareholding reform in 1992 and be listed on the Shenzhen Stock Exchange in 1993, becoming the first listed township company in mainland China with a modern management system.

Our Company, then known as Shunde Meituo Investment Co., Ltd. (順德市美托投資有限公司), was incorporated on 7 April, 2000, which later changed the name to Midea Group Co., Ltd.

Upon the completion of several rounds of share transfers and capital injection, the registered share capital of our Company reached RMB100 million, and Mr. He became the controlling shareholder of our Company. In October 2002, Mr. He and Midea Holding entered into an equity transfer agreement, transferring all his equity interest in our Company to Midea Holding, of which Mr. He is the controlling shareholder and ultimate beneficial owner. In July 2003 and December 2007, the then shareholders agreed to inject capital in an aggregate amount of RMB400 million and RMB500 million to our Company, respectively.

Conversion into Joint Stock Limited Company and Listing on the Shenzhen Stock Exchange

In August 2012, our Company accomplished all procedures required to convert from a limited liability company to a joint stock limited company.

In September 2013, we completed the listing of our A Shares on the Shenzhen Stock Exchange (stock code: 000333) by merging with Midea Electric (the "A-Shares Listing"). As a result of the merger, Midea Electric was subsequently delisted.

In the A-Shares Listing, we issued an aggregate of 686,323,389 A Shares, accounting for 40.7% of our Company's then share capital immediately following the listing. Following the listing, Midea Holding owned approximately 35.5% of our Company's then share capital.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We had not carried out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

OUR LISTING ON THE SHENZHEN STOCK EXCHANGE AND REASONS FOR THE LISTING ON THE STOCK EXCHANGE

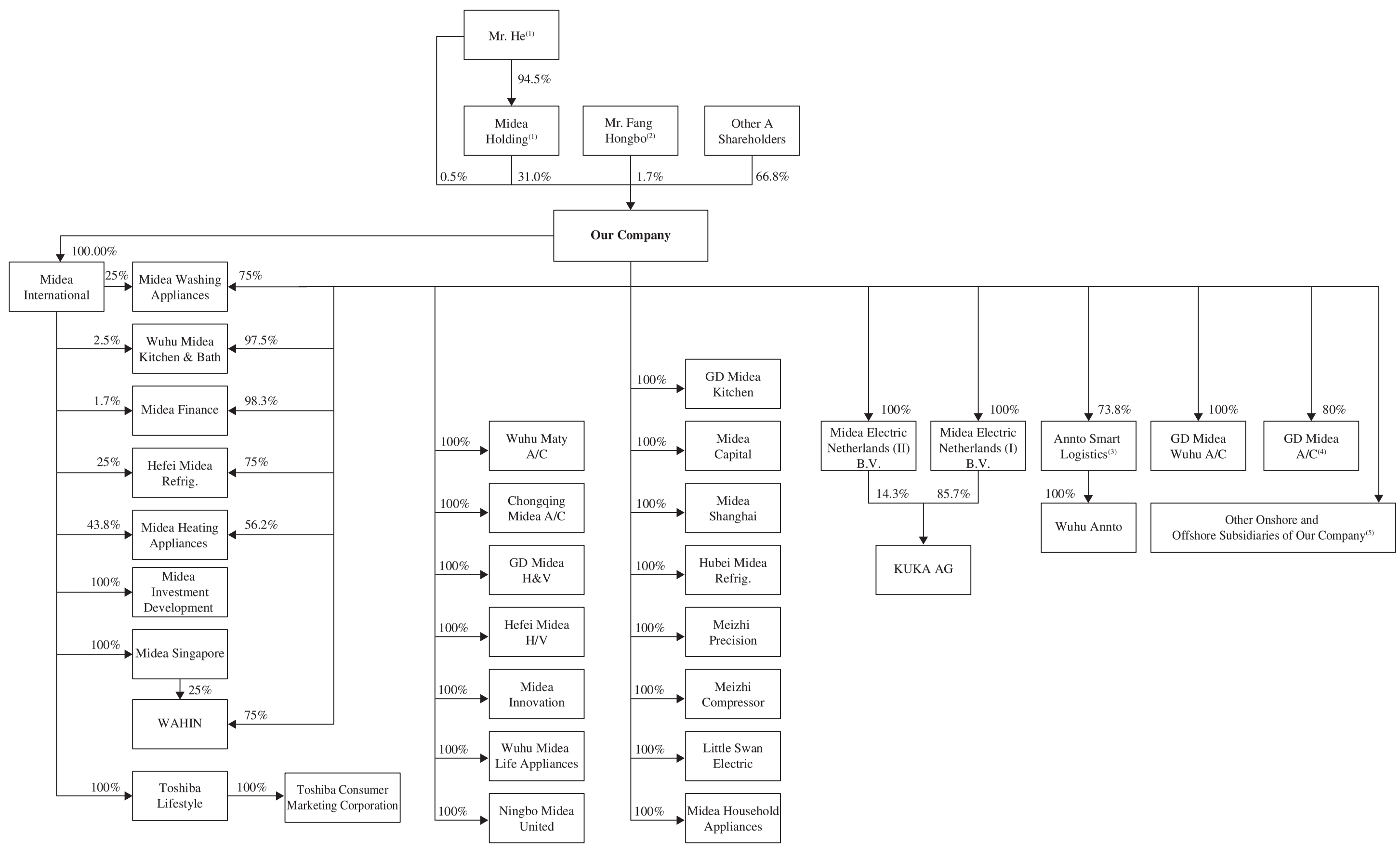
Since 2013, our Company has been listed on the Shenzhen Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shenzhen Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors' attention in relation to our compliance record on the Shenzhen Stock Exchange. Based on the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation with regard to the compliance records of the Company on the Shenzhen Stock Exchange.

Our Company seeks to be listed on the Hong Kong Stock Exchange in order to provide further capital for the development and expansion of our business, provide an additional fundraising platform for our Company should the need arise, further strengthen our business profile and market position in the industry, and better attract overseas investors and talents. See "Business — Our Strategies" and "Future Plans and Use of Proceeds" for more details.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate structure immediately before the Global Offering

The following chart depicts a simplified shareholding and beneficial ownership structure of our Group immediately prior to the completion of the Global Offering (assuming that no changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing):



Notes:

(1) Mr. He is the founder of our Group and the controlling shareholder and ultimate beneficial owner of Midea Holding. The remaining 5.5% of Midea Holding is held by Ms. Lu Deyan, daughter-in-law of Mr. He. Ms. Lu Deyan and Mr. He are not parties acting in concert in respect of their respective interest in Midea Holding.

(2) Mr. Fang is the chairman of the Board of Directors and the chief executive officer of our Company. See "Directors, Supervisors and Senior Management — Directors" for more details.

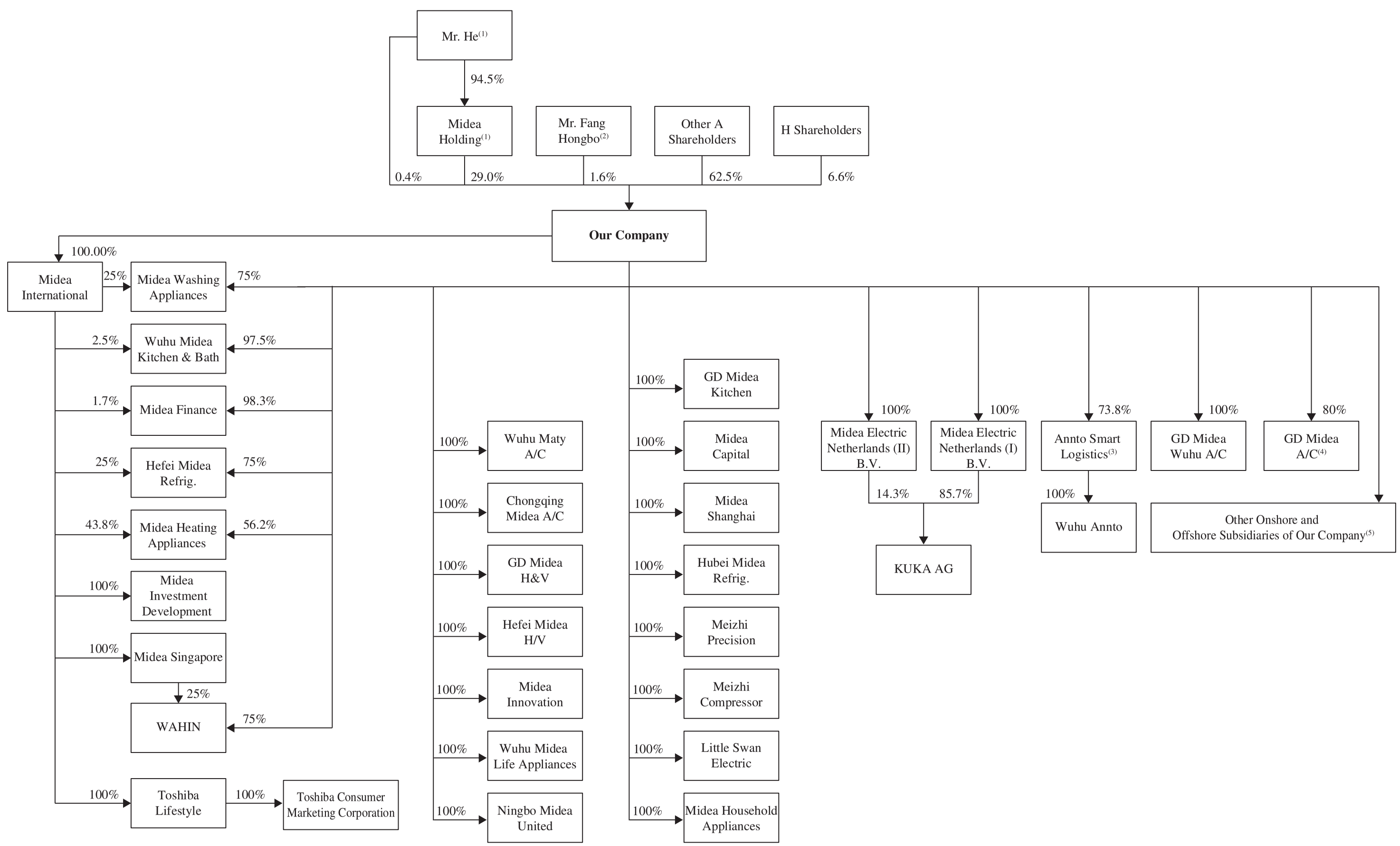
(3) As of the Latest Practicable Date, the remaining equity interest in Annto Smart Logistics was held by ten domestic employees shareholding platform, among which Ningbo Meiyu Venture Capital Limited Partnership (寧波美煜創業投資合夥企業(有限合夥)) and Ningbo Xunchi Enterprise Management Limited Partnership (寧波迅馳企業管理合夥企業(有限合夥)) each owned 5.3% and 5.1%, respectively, of the equity interest in Annto Smart Logistics, whose executive partners are employees of our Group who are not directors, supervisors and senior management of our Company. The remaining eight domestic employees shareholding platforms each owned less than 5% of the equity interest in Annto Smart Logistics.

(4) As of the Latest Practicable Date, the remaining 20.0% equity interest in GD Midea A/C was held by Toshiba Carrier Corporation, a subsidiary of Carrier Global Corporation (NYSE: CARR), a company listed on the New York Stock Exchange.

(5) Other subsidiaries include, in aggregate, over 400 subsidiaries established in various jurisdictions.

Shareholding and Corporate structure immediately following the Global Offering

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised and that no changes are made to the issued share capital of the Company between the Latest Practicable Date and Listing:



Notes (1) to (5): Please refer to the details contained in the preceding page.

The following tables set forth the shareholding structure of the Company showing the effect of the exercise of the Over-allotment Option in full, (a) assuming that the Offer Size Adjustment Option is not exercised; and (b) assuming that the Offer Size Adjustment Option is fully exercised.

(a) Assuming that the Offer Size Adjustment Option is not exercised

The table below sets forth the shareholding structure of the Company assuming that the Offer Size Adjustment Option is not exercised (a) as of the Listing Date; and (b) as at the end of the Over-allotment Option exercise period, assuming that the Over-allotment Option is fully exercised.

		As of the Listing Date (assuming that the Offer Size Adjustment Option is not exercised)		As at the end of the Over-allotment Option exercise period, assuming that the Over-allotment Option is fully exercised	
	Description of Shares	Number of Shares	Approximate % of the issued share capital	Number of Shares	Approximate % of the issued share capital
Midea Holding[(1)]	A Shares	2,169,178,713	29.0%	2,169,178,713	28.7%
Mr. He	A Shares	31,909,643	0.4%	31,909,643	0.4%
Mr. Fang Hongbo	A Shares	116,990,492	1.6%	116,990,492	1.5%
Other A Shareholders	A Shares	4,675,052,003	62.5%	4,675,052,003	61.8%
H Shareholders	H Shares	492,135,100	6.6%	565,955,300	7.5%
Total		7,485,265,951	100.0%	7,559,086,151	100.0%

Note:

(1) Midea Holding is held as to 94.5% by Mr. He.

(b) Assuming that the Offer Size Adjustment Option is fully exercised

The table below sets forth the shareholding structure of the Company assuming that the Offer Size Adjustment Option is fully exercised: (a) as of the Listing Date; and (b) as at the end of the Over-allotment Option exercise period, assuming that the Over-allotment Option is fully exercised.

		As of the Listing Date (assuming that the Offer Size Adjustment Option is fully exercised)		As at the end of the Over-allotment Option exercise period, assuming that the Over-allotment Option is fully exercised	
	Description of Shares	Number of Shares	Approximate % of the issued share capital	Number of Shares	Approximate % of the issued share capital
Midea Holding[1]	A Shares	2,169,178,713	28.7%	2,169,178,713	28.4%
Mr. He.	A Shares	31,909,643	0.4%	31,909,643	0.4%
Mr. Fang Hongbo	A Shares	116,990,492	1.5%	116,990,492	1.5%
Other A Shareholders. .	A Shares	4,675,052,003	61.8%	4,675,052,003	61.2%
H Shareholders	H Shares	565,955,300	7.5%	650,848,500	8.5%
Total		7,559,086,151	100.0%	7,643,979,351	100.0%

Note:

(1) Midea Holding is held as to 94.5% by Mr. He.

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 nine 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 373.7 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[(5)]
Top 10 Largest Active Patent Family Holder Globally[(6)]	**RMB 39 bn** Aggregate R&D Spending in 2021-2023	**A/A2/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, representing a market share of 14.3%, according to Frost & Sullivan

(5) In terms of revenue in 2023, according to Frost & Sullivan

(6) As at 31 December 2023, based on approximately 65,000 active patent families held by us, according to Frost & Sullivan

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

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%.

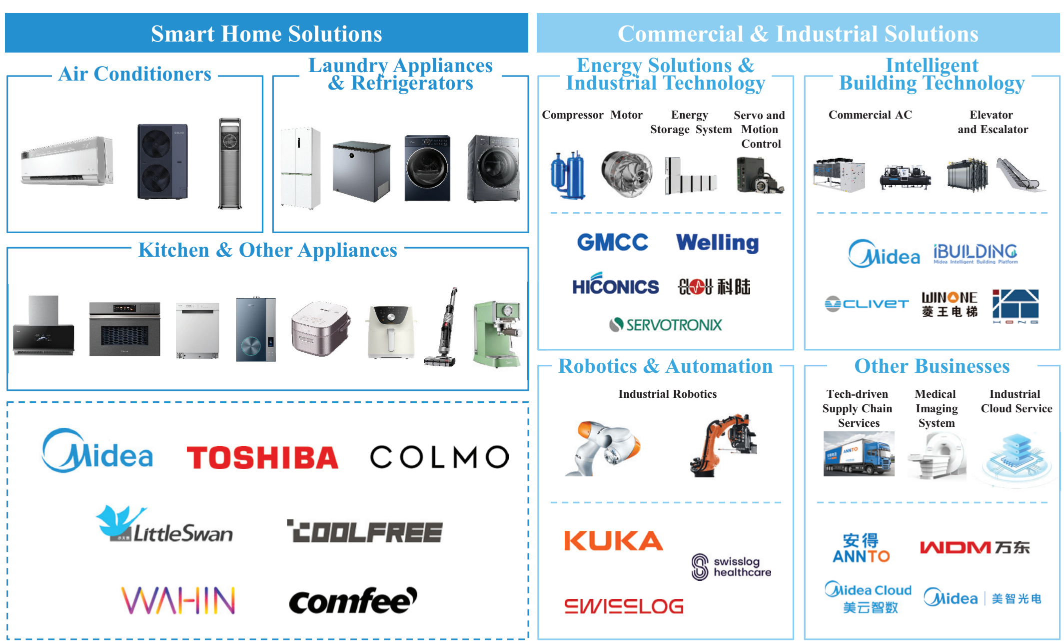
- We are the largest commercial air conditioner provider in mainland China, capturing a market share of 14.3%, and one of the top five globally, capturing a market share of 6.6%, both in terms of revenue in 2023.

- 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.



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	Midea	WAHIN
TOSHIBA	LittleSwan	comfee
	COOLFREE	

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 the four months ended 30 April 2024, 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.

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.

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.

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 30 June 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.

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 82 million as of 30 April 2024. 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.

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. For the years from 2021 to 2023 and the four months ended 30 April 2024, our revenue was RMB343.4 billion, RMB345.7 billion, RMB373.7 billion and RMB145.8 billion, respectively, and our net profit margin was 8.5%, 8.6%, 9.0% and 9.4%, respectively. Our ROE reached 23.6%, 22.1%, 22.1% and 25.3% in the same periods, respectively. As of the Latest Practicable Date, our credit ratings were A, A2 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.

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 nine 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 30 June 2024, 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 32,200 invention patents.

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. As of 30 June 2024, 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 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, 62 days and 50 days in 2021, 2022 and 2023 and the four months ended 30 April 2024, respectively, which are meaningfully below industry averages.

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 as of the Latest Practicable Date. We also continue to deepen the penetration of our digital sales platform, Midea Cloud Sales, in overseas markets. For example, as of the Latest Practicable Date, over 9,000 retailers in Southeast Asia had been onboarded to our overseas sales platform. As of 30 June 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 and the four months ended 30 April 2024, the revenue from our Commercial & Industrial Solutions accounted for 21.4%, 24.2%, 26.2% and 24.0% 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.

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 30 April 2024, we had launched nine stock option incentive plans, seven restricted share incentive plans and fifteen stock ownership schemes, targeting management teams and core employees at various levels.

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 RMB107.5 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.

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.

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.

- 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.

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 24.0% of the total revenue in the first four months of 2024, 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/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Smart Home Solutions	234,918,001	68.4	232,825,564	67.3	246,351,404	65.9	89,009,926	67.8	99,239,703	68.1
Commercial & Industrial Solutions	73,379,358	21.4	83,639,210	24.2	97,781,307	26.2	32,958,384	25.0	35,063,304	24.0
Others(1)	35,063,466	10.2	29,243,932	8.5	29,577,093	7.9	9,412,772	7.2	11,476,552	7.9
Total	**343,360,825**	**100.0**	**345,708,706**	**100.0**	**373,709,804**	**100.0**	**131,381,082**	**100.0**	**145,779,559**	**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/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022(1)		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Revenue										
Mainland China	205,706,997	59.9	203,063,764	58.7	222,804,120	59.6	77,948,366	59.3	85,755,297	58.8
Europe, Middle East and Africa (EMEA)	49,711,834	14.5	53,211,026	15.4	58,723,433	15.7	21,981,344	16.7	23,773,824	16.3
Americas	50,040,161	14.6	51,506,811	14.9	54,277,913	14.5	18,132,543	13.8	21,022,144	14.4
Asia Pacific (excluding mainland China)	37,901,833	11.0	37,927,105	11.0	37,904,338	10.2	13,318,829	10.2	15,228,294	10.5
Total	**343,360,825**	**100.0**	**345,708,706**	**100.0**	**373,709,804**	**100.0**	**131,381,082**	**100.0**	**145,779,559**	**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.

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						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
Air conditioners	104,108,047	44.3	108,638,571	46.7	112,982,505	45.9	43,060,203	48.4	48,054,657	48.4
Laundry appliances and refrigerators	62,883,096	26.8	62,713,261	26.9	68,288,642	27.7	24,008,567	26.9	26,551,938	26.8
Kitchen and other appliances	67,926,859	28.9	61,473,732	26.4	65,080,257	26.4	21,941,156	24.7	24,633,108	24.8
Total	**234,918,001**	**100.0**	**232,825,564**	**100.0**	**246,351,404**	**100.0**	**89,009,926**	**100.0**	**99,239,703**	**100.0**

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						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume
	RMB	*thousand units*	*RMB*	*thousand units*	*RMB*	*thousand units*	*RMB*	*thousand units*	*RMB*	*thousand units*
Air conditioners	1,691	61,571	1,877	57,877	1,908	59,227	1,878	22,928	1,875	25,628
Laundry appliances and refrigerators	1,268	49,578	1,372	45,719	1,362	50,156	1,332	18,025	1,362	19,500
Kitchen and other appliances	289	235,101	316	194,548	306	212,965	293	74,862	294	83,806

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™ 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 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.

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.

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.

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.

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%.

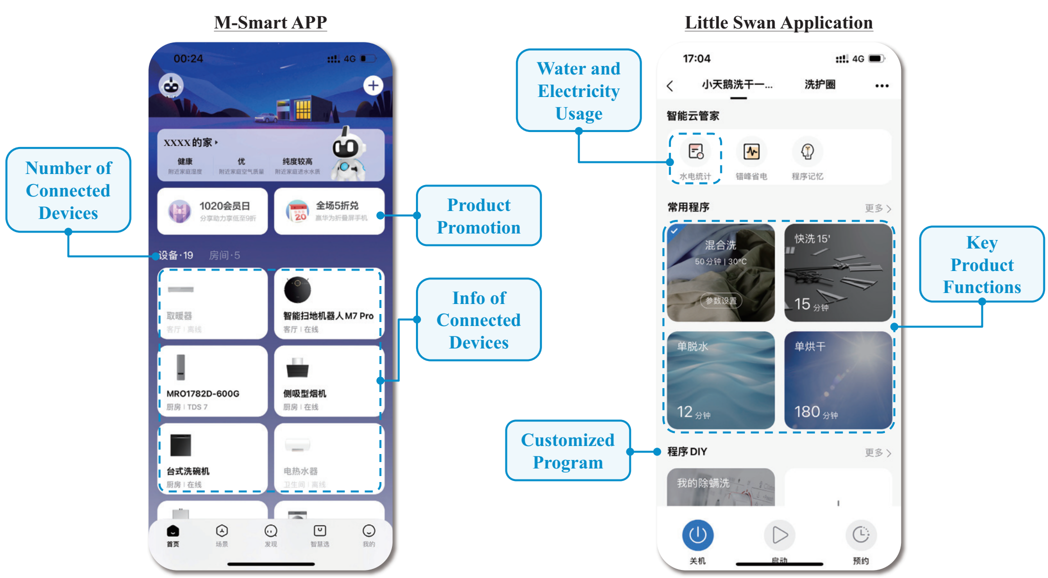
Electric fans

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 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 April 2024, M-Smart, consisting of a mobile app and a Weixin mini-program, boasted a total of over 82 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.

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, 2023 and the first four months ended 30 April 2024, 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

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 for the years/periods indicated.

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Energy Solutions & Industrial Technology	20,111,476	27.4	21,618,496	25.8	27,874,277	28.5	9,512,855	28.9	11,108,348	31.7
Intelligent Building Technology	19,690,855	26.8	22,778,244	27.2	25,914,181	26.5	9,874,995	30.0	10,532,805	30.0
Robotics & Automation	25,286,615	34.5	27,712,820	33.1	31,053,073	31.8	10,017,504	30.4	9,222,915	26.3
Other Businesses	8,290,412	11.3	11,529,651	13.9	12,939,776	13.2	3,553,030	10.7	4,199,236	12.0
Total	**73,379,358**	**100.0**	**83,639,210**	**100.0**	**97,781,307**	**100.0**	**32,958,384**	**100.0**	**35,063,304**	**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 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 RMB4,500 for an air conditioner compressor at the high-end. In 2021, 2022, 2023 and the four months ended 30 April 2024, the sales volume for these products were 159,251 thousand, 162,923 thousand, 187,325 thousand and 81,308 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.

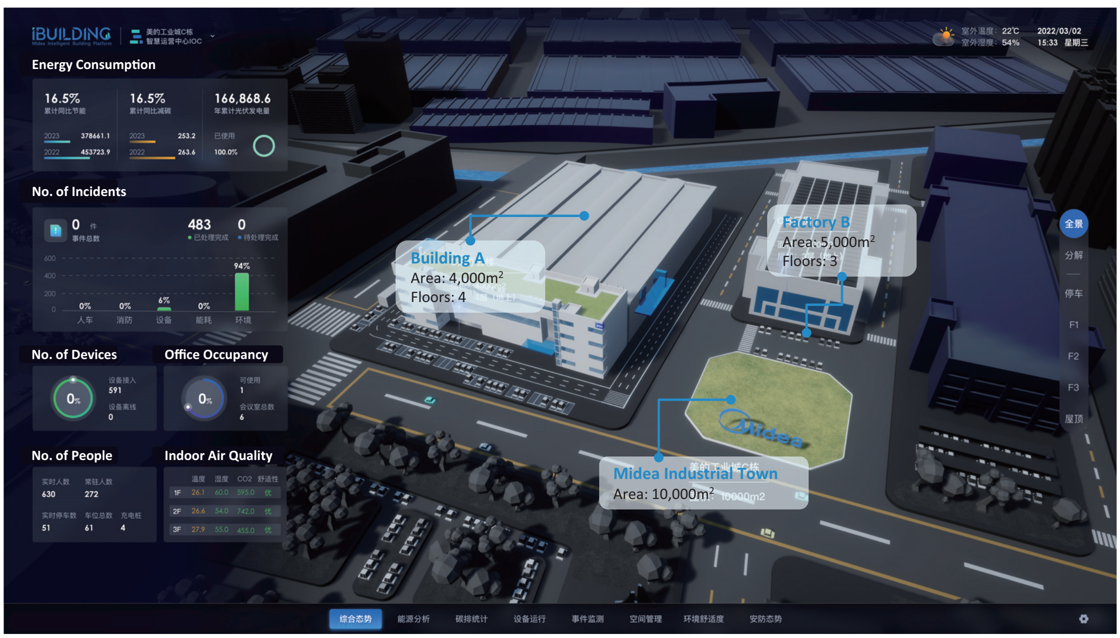
Intelligent Building Technology

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 RMB300 for an indoor central air conditioner unit at the low-end to around RMB3,300,000 at the high-end for a large centrifuge used in large facilities such as shopping centers, airports and factories. In 2021, 2022, 2023 and the four months ended 30 April 2024, the sales volume for these products were 7,425 thousand, 7,375 thousand, 8,170 thousand and 3,958 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.

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 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.

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.

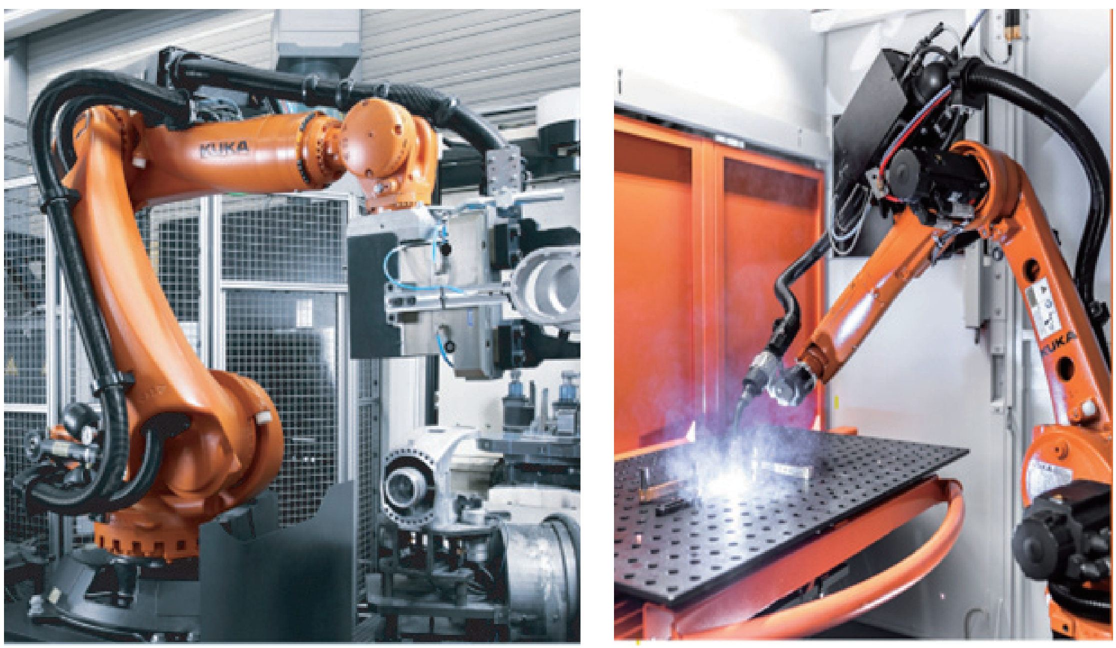
KUKA Group offers one-stop automation solutions including:

- *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.

- *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 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 RMB23,500 at the low-end to around RMB1,700,000 at the high-end for industrial robots with different payloads. In 2021, 2022, 2023 and the four months ended 30 April 2024, the sales volume for such products were 37 thousand, 42 thousand, 42 thousand and 13 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.

- *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.

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 120 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.

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.

In 2021, 2022, 2023 and the four months ended 30 April 2024, our total revenue from sales to online and offline distributors accounted for 43.0%, 45.9%, 45.6% and 48.0% 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						For the Four Months Ended 30 April	
	2021		2022		2023		2024	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Distributors:(1)								
– Online	42,487,693	12.4	49,922,299	14.5	53,872,191	14.4	22,763,695	15.6
– Offline	105,306,272	30.7	108,907,380	31.5	116,601,425	31.2	47,189,797	32.4
Direct sales:								
– Online	19,616,194	5.7	18,090,056	5.2	23,458,647	6.3	7,218,467	5.0
– Offline	175,950,666	51.2	168,788,971	48.8	179,777,541	48.1	68,607,601	47.0

Note:

(1) Distributors primarily consist of (i) e-commerce platforms, KA distributors and SME retailers in mainland China and distributors in overseas markets of our Smart Home Solutions; and (ii) distributors of our Commercial & Industrial Solutions.

The following table sets forth the total number of distributors of our Group, including distributors of our online and offline sales network in mainland China and overseas markets, as at the dates indicated and the movements during the Track Record Period:

	For the Year Ended 31 December			For the Four Months Ended 30 April
	2021	2022	2023	2024
As at the beginning of the period	78,159	90,636	89,087	80,487
Addition of new distributors	27,438	18,116	15,864	9,663
Inactive(1)/terminated distributors	14,961	19,665	24,464	6,628
Net increase/(decrease) in distributors	12,477	(1,549)	(8,600)	3,035
As at the end of the period(2)	90,636	89,087	80,487	83,522

Notes:

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

(2) Over 97% 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 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. During the Track Record Period, we strategically focused more on engaging with SME retailers who demonstrated robust sales performance, simultaneously encouraging SME retailers to diversify their ranges with our multiple product categories. This strategic shift led us to discontinue partnerships with certain low-performing SME retailers or those who maintained a narrow selection of our product offerings, resulting in the general reduction in the total number of distributors during the Track Record Period. 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.

The table below sets forth a breakdown of the revenue for our Smart Home Solutions among the main sales channels, both in absolute amounts and as percentages of total revenue for our Smart Home Solutions, during the Track Record Period:

	For the Year Ended 31 December						For the Four Months Ended 30 April	
	2021		2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Mainland China								
Online channels								
E-commerce platforms	39,539,843	16.8	46,861,922	20.1	50,168,493	20.4	21,311,156	21.5
Direct online sales	19,500,380	8.3	17,830,913	7.7	23,179,179	9.4	7,108,741	7.2
Offline channels[1]								
KA distributors	41,341,297	17.6	36,470,446	15.7	35,648,337	14.5	5,249,104	5.3[2]
SME retailers	18,569,370	7.9	19,635,386	8.4	22,233,455	9.0	17,112,679	17.2[2]
Direct offline sales	11,910,925	5.1	8,491,350	3.6	9,907,399	4.0	4,785,986	4.8
Overseas								
Direct online sales[3]	115,813	0.0	259,144	0.1	279,469	0.1	109,725	0.1
Direct offline sales	69,927,287	29.8	65,558,065	28.2	64,475,127	26.2	26,542,141	26.7
Retailers and distributors	34,013,086	14.5	37,718,338	16.2	40,459,945	16.4	17,020,171	17.1
Total	**234,918,001**	**100.0**	**232,825,564**	**100.0**	**246,351,404**	**100.0**	**99,239,703**	**100.0**

Notes:

(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.

(2) As we continued to implement our strategy to flatten our sales and distribution network, our business with KA distributors significantly reduced in the second half of 2023 as more SME retailers directly cooperated with us. As a result of this shift, the revenue contribution from KA distributors decreased, while the revenue contribution from SME retailers increased, in the four months ended 30 April 2024.

(3) Our direct online sales in overseas markets include sales to consumers (i) through stores we operate on third-party online platforms, and (ii) through our own shopping platforms such as Midea E-Store.

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, 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 general 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.

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.

- *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.

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.

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.

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									For the Four Months Ended 30 April		
	2021			2022			2023			2024		
	Designed Capacity[(1)]	Manufacturing Volume	Utilization Rate[(2)]	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)*			*(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)]	33,148	24,213	73.0%[(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)]	23,097	17,694	76.6%[(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)]	103,313	60,135	58.2%[(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)]	200,629	149,073	74.3%
Intelligent Building Technology[(4)]	9,258	7,312	79.0%	11,097	6,943	62.6%[(8)]	12,863	7,776	60.5%	5,065	3,150	62.2%
Robotics & Automation[(5)]	25	20	79.3%	30	26	86.9%[(10)]	30	19	61.7%[(11)]	10	8	76.5%[(15)]
Overseas manufacturing facilities*												
Smart Home Solutions:												
Air conditioners	–	–	–	210	143	68.3%	1,800	1,614	89.7%[(13)]	2,300	1,150	50.0%[(14)]
Laundry appliances and refrigerators	1,839	1,399	76.1%	3,107	1,422	45.8%[(12)]	2,314	1,814	78.4%[(13)]	825	755	91.5%[(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)]	3,149	2,365	75.1%

	For the Year Ended 31 December									For the Four Months Ended 30 April		
	2021			2022			2023			2024		
	Designed Capacity[(1)]	Manufacturing Volume	Utilization Rate[(2)]	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)*			*(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%	10	6	64.9%

Notes:

* The locations of our major overseas manufacturing bases includes, among others, Brazil, Japan, Thailand, Vietnam, Germany, Egypt and Italy.

(1) For all product categories presented in the table other than Robotics & Automation, the designed capacity of the year/period 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 of the year/period 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 and the four months ended 30 April 2024, 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.

(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 during this period, 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 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, mainly driven by the growing demand for our products in overseas markets, as a result of which our manufacturing volume increased.

(14) The utilization rate declined in the four months ended 30 April 2024, largely due to a significant increase in the manufacturing capacity as a result of an upgrade in our overseas production capabilities, despite increased manufacturing volume driven by the growing demand for our products in the overseas markets.

(15) The utilization rate increased in the four months ended 30 April 2024, mainly driven by increased orders from customers in the consumer electronics sector in mainland China during this period, as a result of which our manufacturing volume increased.

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.

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 30 June 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 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 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, and increased by 14.6% from RMB4.3 billion in the four months ended 30 April 2023 to RMB5.0 billion in the four months ended 30 April 2024. 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 and the four months ended 30 April 2024 accounted for 10.6%, 11.4%, 11.8% and 13.5%, 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 for each of the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024 together accounted for 6.3%, 6.4%, 6.1% and 6.5%, respectively, of our total purchase. 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 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, 62 days and 50 days in 2021, 2022, 2023 and the four months ended 30 April 2024, respectively, which are meaningfully below the industry average, according to the Frost & Sullivan Report.

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 82,800 registered patents and over 1,800 software copyrights in mainland China, over 2,800 registered patents in Japan, over 1,300 registered patents in the United States, over 1,000 registered patents in Germany, and over 4,600 registered patents in other countries and regions. We had applied for registration of over 31,000 patents in mainland China, over 1,200 patents in Japan, over 800 patents in the United States, over 2,000 registered patents in other countries and regions, and over 6,400 patent applications pending under the Patent Cooperation Treaty. Among our registered patents and patent applications pending approval, over 32,200 and 34,700 were invention related patent registrations and applications, over 46,100 and 4,700 were utility model related patent registrations and applications, and over 14,500 and 2,200 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 over 1,400 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.

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.

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.

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.

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 36 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.

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.

- *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.

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.

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 and cooperated with dismantling enterprises to dismantle disposed appliances for resource reuse, energy conservation and emission reduction.

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 ecosystems. 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 30 June 2024, we had over 190,000 employees from over 70 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.

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 1,900 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 30,000 e-learning courses as at 30 April 2024, including over 1,200 new courses added in 2024.

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.

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 30 June 2024, we had a total of 198,609 full-time employees, including 163,602 located in mainland China and 35,007 located overseas. The following table sets forth the numbers of our employees in mainland China and overseas categorized by function as of 30 June 2024:

Function	Number of Employees
Manufacturing	153,544
Research and Development	23,482
Sales	14,407
Administrative	7,176
Total	**198,609**

Our employees are located in more than 70 countries around the world. The following table sets forth the numbers of our employees categorized by location as of 30 June 2024:

Location	Number of Employees
Mainland China	163,602
Asia Pacific (excluding mainland China)	15,256
Europe, Middle East and Africa (EMEA)	14,367
Americas	5,384
Total	**198,609**

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.

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 30 April 2024, our Company and Major Subsidiaries in mainland China owned land use rights of 56 parcels of land, each occupying over 1,000 square meters, with an aggregate site area of approximately 6.04 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 30 April 2024, we owned over 190 properties with an aggregate site area of over 12.6 million square meters. As of 30 April 2024, 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 30 April 2024, 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 prospectus 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 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) 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 listing 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 Listing, 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 listing 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 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 and the four months ended 30 April 2024, our products exported from mainland China to the United States that were subject to U.S. tariffs contributed to less than 6% 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 0.3% 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 1.3% 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."

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
2024	Ranked 236th, World's Top 500 Most Valuable Brands (全球最具價值品牌500強)	Brand Finance
2024	Science and Technology Progress Award (科學技術進步獎)	China National Light Industry Council
2024	First Prize, Awards of Contribution to Technological Development (科技發展貢獻獎一等獎)	China Private Technology Promotion Association
2024	Listed on the Innovation Application Cases of Industrial Internet Platform (工業互聯網平臺創新領航應用案例)	Ministry of Industry and Information Technology of the People's Republic of China
2024	2024 German National Design Award	German Design Council
2024	iF Design Award	iF Design Foundation
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

Award Year	Award/Recognition	Awarding Institution/Authority
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 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

The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountant's Report," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

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 nine 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.

We achieved sustained growth in our revenue and profit during the Track Record Period, driven by the growth of Smart Home Solutions and Commercial & Industrial Solutions. In 2021, 2022 and 2023, our revenue amounted to RMB343.4 billion, RMB345.7 billion and RMB373.7 billion, respectively, representing a CAGR of 4.3%, and our profit for the year amounted to RMB29.0 billion, RMB29.8 billion and RMB33.7 billion, respectively. From the four months ended 30 April 2023 to the same period of 2024, our revenue increased by 11.0% from RMB131.4 billion to RMB145.8 billion, and our profit for the period increased by 12.5% from RMB12.1 billion to RMB13.6 billion.

BASIS OF PREPARATION

The principal accounting policies applied in the preparation of our historical financial information are in accordance with IFRS Accounting Standards, or IFRS, issued by the International Accounting Standards Board, or IASB. Our historical financial information has been prepared on a historical cost basis, except for certain financial assets at fair value through other comprehensive income, or FVOCI, financial assets and financial liabilities at fair value through profit or loss, or FVPL, and derivative financial instruments, which are carried at fair value.

The preparation of historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 of the Accountant's Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects.

Global Economic Conditions and Consumer and Business Spending

We operate a business that reaches more than 200 countries and regions around the world. Our business and operating results are therefore affected by the global economic conditions, including the overall global economic growth and level of per capita disposable income, growth of end-markets, international trade policies and tariffs, among other things. Unfavorable changes in the global economic conditions and consumer and business spending could negatively affect demand for our products and services and materially and adversely affect our results of operations.

Our Smart Home Solutions are significantly affected by consumer spending. Macroeconomic factors that influence consumer confidence, demand and spending behavior include, among other things, the level of inflation and unemployment, fluctuations in energy prices, real estate market conditions, and the overall global economic conditions. In recent years, our Smart Home Solutions business has been significantly influenced by the need for replacement rather than new home purchases. According to the National Bureau of Statistics of China, over 75.0% of the total sales of residential air conditioners, refrigerators and washing machines in 2023 in mainland China were attributed to replacement demand, reflecting the significant impact of renovation-driven demand on mainland China's home appliance market. Our diverse product portfolio, encompassing brands and products for both premium and mass markets, is critical for us to navigate shifts in the global economy and consumer spending.

Our Commercial & Industrial Solutions are affected by business expenditures, driven by customer demand for our products and services, which in turn depends largely on the end-markets in which our customers operate. These end-markets are prone to fluctuations in supply and demand, and overall weakness in these markets could temper demand for our products and services.

Demand for Our Smart Home Solutions

A majority of our revenue is derived from sales of Smart Home Solutions in mainland China and overseas. Revenue growth in our Smart Home Solutions in recent years was primarily driven by consumer demand for our products and, in particular, a growing preference towards premium brands and more sophisticated products.

The demand for our Smart Home Solutions is driven by different factors in different markets. In mainland China, our ability to improve product mix and successfully implement our premiumization strategy is critical to our business performance, which in turn depends on the successful introduction of new products with more technologically sophisticated features, developing and growing the sales of our high-end brands, and allocating more sales and marketing resources to higher-end products. To continually do so, our ability to directly reach and stay close to consumers and adapt quickly to the rapidly changing consumer preferences and behaviors is critical. Our ability to diversify our sales channels is critical for us to capture consumer demand and reach more consumers. In overseas markets, our ability to continually expand and deepen our global sales network to extend our customer reach, localize R&D and production and strengthen our branding in overseas markets is critical for us to deepen the market penetration for our products. We seek further growth in overseas markets through continued global expansion, product and technology development, and the digitalization and optimization of our sales network and logistical infrastructure.

Growth of Our Commercial & Industrial Solutions

Our Commercial & Industrial Solutions business grew at a fast pace during the Track Record Period and has become an increasingly important driver for our overall growth. Compared to Smart Home Solutions, some of our Commercial & Industrial Solutions require longer lead time to ramp up, but may also come with higher customer stickiness and entry barriers.

The growth of our Commercial & Industrial Solutions ultimately depends on the breadth and quality of our product and service offerings and the size of our customer base. We currently offer our commercial and industrial customers a wide range of products and services under Energy Solutions & Industrial Technology, Intelligent Building Technology, Robotics & Automation, and Other Businesses. In each of these businesses, we seek to continually expand and upgrade our offerings to provide comprehensive and high-quality solutions for customers. Our sustained efforts in R&D lay a strong foundation for our continued innovation in product and service categories and functionalities. In terms of customer base, we strive to extend our reach to a wider variety of sectors and customers, while deepening our relationships particularly with industry leaders and fast-growing sectors with great potential. For example, our Intelligent Building Technology business today serves not only commercial and office buildings, but increasingly more complex facilities such as industrial parks and hospitals that often require more sophisticated and comprehensive solutions. KUKA Group's Robotics & Automation business, on the other hand, continues to solidify its leading position in the automotive industry and strengthen its collaboration with leading automotive brands, while developing strong relationships in sectors such as consumer electronics, healthcare and general industrial sectors, which it traditionally had less focused on.

Expansion and Penetration in Overseas Markets

We provide products and solutions in over 200 countries and regions across the world. In 2021, 2022, 2023 and the four months ended 30 April 2024, revenue from countries and regions other than mainland China accounted for more than 40% of our total revenue. We have built 17 R&D centers and 22 major manufacturing bases overseas, localizing R&D and production to better serve the local markets.

We believe there remains vast opportunities for us in the global markets, and we will continue to expand our presence through organic growth and acquisitions, deepen our penetration, broaden our sales channels, enhance our branding efforts, and invest in infrastructure and personnel to support our globalization strategy. We believe our large scale, decades of experience in manufacturing and track record for successful acquisitions bring us considerable competitive advantages that will continue to serve us well in our pursuit of globalization. We intend to leverage our strong execution abilities to bring our digitalized and highly efficient manufacturing capabilities to strategic overseas markets. Branding is also an important focus of our broader globalization strategy, and we will enhance our efforts to promote the sales of products of our own brands. In terms of personnel, we intend to continue to strengthen our global workforce and cultivate local talent. However, there is no guarantee that these efforts will succeed, and if we fail to capture future opportunities in overseas markets, our results of operations and growth prospects may be materially and adversely affected.

Competitive Landscape

We compete in highly competitive global markets characterized by intense price competition, frequent introduction of new products, rapid adoption of technological and product advancements, continual upgrades in features, design and performance, energy efficiency, rapidly changing customer preferences, evolving industry standards, and broad distribution channels and sales network.

The success of our Smart Home Solutions depends in part on our ability to compete effectively with our competitors. In mainland China, we face competition in most of our product lines from a number of Chinese and international home appliance manufacturers that compete on price, product quality, brand recognition, and service. Our major competitors in the overseas markets also include a broad array of competitors ranging from large multinational brands to local and specialized brands. Competition in many commercial and industrial solutions markets is similarly intense. For example, in our Intelligent Building Technology business, we face competition from a number of global and Chinese providers of commercial air conditioners and elevators who may have stronger brand positioning, more experience or resources than we do. KUKA Group also faces competition from established and new players in the Robotics & Automation market who may be able to offer robotics and automation solutions at more attractive prices.

We believe our competitiveness lies in the value we offer. In both Smart Home Solutions and Commercial & Industrial Solutions, we strive to offer a full suite of high-quality products and services integrated with advanced technology. In addition, we have been relentlessly improving customer experience through timely adaptation to evolving customer needs.

We expect that the competition in most of the markets in which we operate will likely remain intense, although the competitive landscape may evolve over time. See "Industry Overview" and "Risk Factors — Risks Relating to Our Business and Industries — Global markets for our products and services are highly competitive and subject to rapid technological changes, and we may be unable to compete effectively in these markets."

Management of Raw Material Costs and Supply Chain

Our ability to manage raw material costs and maintain supply chain resilience is critical to our operations.

The majority of our cost of revenue in 2021, 2022, 2023 and the four months ended 30 April 2023 and 2024 consisted of raw materials and consumables that we used in product manufacturing, such as copper, steel, plastic and aluminum. Many factors beyond our control can affect the prices of these materials, including fluctuations in the market supply of and demand for these materials, international trade policies and tariffs, transportation costs, and fluctuations in currency exchange rates.

We manage our raw material costs through hedging measures and centralized procurement. To mitigate the impact of raw material price fluctuations, we have implemented hedging strategies and utilized financial instruments to reduce potential losses resulting from price fluctuations. Our large scale and the efficient sharing of resources among our many businesses enable us to centralize the procurement of many raw materials and components and lower costs. We have also adopted big data technology for intelligent inventory stocking and replenishment, which allows us to match the scale of procurement with manufacturing and minimize waste. In addition, we typically seek to enter into framework agreements with strategic suppliers for stable procurement of raw materials or components on terms and accumulate inventories when commodity prices are low, and continually optimize our supplier base to obtain raw material supplies at competitive prices as well as strengthen the resilience of our supply chain. Our ability to adopt a local-for-local business model for overseas markets is also key to improving our supply chain resilience.

Investment in People and Technology

As we continue to expand our business globally, investment in people and R&D for the expansion and upgrade of our product and service offerings, broadening our sales channels, and talent attraction and retention are critical to our business, operations and growth prospects. We have made, and will continue to make, significant investments in people and technology, to solidify our market leadership and provide great customer experience.

In addition, we have dedicated and will continue to dedicate significant resources to research and development. Our research and development expenses increased from RMB12.0 billion in 2021 to RMB12.7 billion in 2022 and further to RMB14.6 billion in 2023, and increased from RMB4.3 billion for the four months ended 30 April 2023 to RMB5.0 billion for the four months ended 30 April 2024. The significant investment has translated to outstanding R&D results. Going forward, we expect to continue to invest in foundational research and product development and believe that R&D will continue to be a key driver for our sustained growth.

Foreign Currency Fluctuations

Due to the global presence of our business, our results of operations are affected by foreign exchange rate movements, both on a translational and transactional basis.

Translational effects of exchange rate fluctuations arise because financial results of our subsidiaries are measured in their respective functional currencies, i.e., the currency of the primary economy in which a subsidiary operates. The results of operations of our global subsidiaries are, therefore, measured in currencies other than Renminbi and are then translated into Renminbi for presentation of our financial results in the consolidated financial statements. Consequently, fluctuations in the applicable foreign currency exchange rates may increase or decrease the Renminbi value of our non-Renminbi assets, liabilities, revenues and costs, even if their value has not changed in their local functional currency. The exchange differences are generated when the results and financial position of all applicable entities within our Group that use a functional currency different from our Company's presentation currency are translated into our Company's presentation currency. The differences are recognized as the currency translation differences of foreign operations in other comprehensive loss or income.

Transactional effects of exchange rate fluctuations arise when one of our subsidiaries enters into a sale or purchase transaction in a currency other than its functional currency. We have a professional team within the finance department to manage risks arising from transactional effects of exchange rate fluctuations, utilizing the natural hedge for settling currencies and forward foreign exchange hedging contracts, while controlling the scale of foreign currency assets and liabilities. See Note 3.1(a)(i) of the Accountant's Report in Appendix I to this document for more details of the foreign exchange risk.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Revenue Recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

Incremental costs incurred to obtain a contract, if recoverable, are capitalized as contract assets and subsequently amortized when the related revenue is recognized.

Sales of goods

We are principally engaged in the design, manufacturing and sales of residential air conditioners, commercial air conditioners, heating and ventilation systems, elevators, kitchen appliances, refrigerators, washing machines, various small appliances, high-voltage inverters, low-voltage inverters, medical imaging products, robotics and automation systems, and other products and materials to buyers.

Revenue from domestic sales of goods is recognized when we have delivered products to the location specified in the sales contract and the buyer has confirmed the acceptance of the products, and the delivery order is signed by both parties. Upon confirming the acceptance, the buyer has the right to sell the products at its discretion and takes the risks of any price fluctuations and obsolescence and loss of the products.

Revenue from overseas sales of goods is recognized when the products have been declared to the customs and shipped out of the port in accordance with the sales contract.

The credit period granted to customers by us is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component involved. We base our estimates of sales return on historical results, taking into consideration of the type of customers, the type of transactions and the specifics of each arrangement.

We provide distributors and retailers with sales rebate and discount, and the relevant revenue is recognized based on contract consideration net of the rebate and discount amount estimated.

The periods and terms of product quality warranty are provided in accordance with the laws and regulations related to the products. We have not provided any additional services or product quality warranty, so the product quality warranty does not constitute a separate performance obligation.

The rights to receive considerations for transferring goods to the customer (and such rights depend on factors other than the passage of time) are recognized as contract assets. Our obligation to transfer products to customers for consideration received or receivable is presented as contract liabilities.

Rendering of services

We provide robotics and automation system construction services, intelligent logistics integration solutions, storage services, delivery services, installation services and transportation services, which are recognized in a certain period of time based on the stage of completion. On the balance sheet date, we re-estimate the stage of completion to reflect the actual status of contract performance.

When we recognize revenue based on the progress towards complete satisfaction of a performance obligation, the amount with unconditional right to consideration obtained by us is recognized as trade receivables, and the rest is recognized as contract assets. Meanwhile, provision for trade receivables and contract assets is recognized on the basis of expected credit losses. See Note 50.10(iv) to the Accountant's Report in Appendix I to this document. If the contract consideration received or receivable exceeds the progress of the service performed, the excess portion will be recognized as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Contract costs include costs to fulfil a contract and costs to obtain a contract. Costs incurred for provision of the aforesaid services are recognized as costs to fulfil a contract, which is carried forward to the cost of revenue when revenue recognized based on the progress of the service performed. Incremental costs incurred by us for the acquisition of the aforesaid service contract are recognized as the costs to obtain a contract. For the costs to obtain a contract with the amortization period within one year, the costs are charged to profit or loss when incurred. For the costs to obtain a contract with the amortization period beyond one year, the costs are charged in the profit or loss on the same basis as aforesaid revenue of rendering of services recognized under the relevant contract. If the carrying amount of the contract costs is higher than the remaining consideration expected to be obtained by rendering of the service net of the estimated cost to be incurred, we make provision for impairment on the excess portion and recognizes it as asset impairment losses. As at the date of the end of the reporting period, based on whether the amortization period of the costs to fulfil a contract is more than one year when initially recognized, the amount of our costs to fulfil a contract net of related provision for asset impairment is presented as inventories or other non-current assets. For costs to obtain a contract with amortization period beyond one year at the initial recognition, the amount net of related provision for asset impairment is presented as other non-current assets.

Impairment of Goodwill

We test annually whether goodwill has suffered any impairment. The recoverable amount of the asset group or groups of asset groups that contain the apportioned goodwill is determined by the higher value between the present value of the future cash flows and the net value that is calculated by the fair value less the disposal costs. Accounting estimate is required for the calculation of the recoverable amount. The impairment testing is performed by assessing the recoverable amount of the asset group or groups of asset groups containing the relevant goodwill, based on the present value of cash flows forecasts. Key assumptions adopted in the impairment testing of goodwill included revenue annual growth rate, certain profitability metric, perpetual annual growth rate, pre-tax discount rate, etc. which involves critical accounting estimates and judgement.

If our management revises the revenue annual growth rate and perpetual annual growth rate that are used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised rates are lower than the current rates, we would need to recognize further impairment against goodwill.

If our management revises the profitability metric that is used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised metric is lower than the current one, we would need to recognize further impairment against goodwill.

If our management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, we would need to recognize further impairment against goodwill.

If the actual revenue annual growth rate, perpetual annual growth rate and the profitability metric are higher or the actual pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by us.

Uncertain tax position and recognition of current and deferred income tax assets

We are subject to enterprise income tax in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from us in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in Note 11 to the Accountant's Report in Appendix I to this document, some of our subsidiaries are high-tech enterprises. The "High-Tech Enterprise Certificate" is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, we consider that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognized deferred tax assets, deferred tax liabilities and income tax expenses.

IMPACT OF COVID-19 ON OUR OPERATIONS

At its height, the COVID-19 pandemic had a severe impact on mainland China and the rest of the world. In response to the pandemic, countries and regions around the world, including mainland China, imposed various measures to contain the spread of the virus, such as social distancing and travel restrictions, quarantine and remote work, among others. During the pandemic, repeated outbreaks affected the demand for and production and sale of our products and services, and the pandemic control measures taken in many countries, reduced customer mobility and led to limited production and operations in some regions, the shutdown of some retail outlets, suspended operations of some of our customers in some regions, and increased logistics costs. Our operations, including production, supply chain, sales and marketing, product delivery and R&D, were at times interrupted by the restrictive measures imposed in response to the pandemic. All these factors had an impact on our results of operations and financial condition. During certain periods of the pandemic, the market demand for home appliances declined, which adversely affected the industry including us. For example, in 2022, the sales volume of air conditioners, laundry appliances, refrigerators, and kitchen and other appliances in mainland China decreased by 0.6%, 9.9%, 8.9%, and 7.9%, respectively, according to the Frost & Sullivan Report. Our revenue from Smart Home Solutions was also affected, decreasing from RMB234.9 billion in 2021 to RMB232.8 billion in 2022, in contrast with an increase from 2020 the 2021. In addition, our product delivery was affected by the disruptions on international and domestic transportation caused by the pandemic, resulting in, for example, over 20 days of delay in the delivery of certain orders for refrigerator compressors to our Southeast Asia market in March and April 2022. To mitigate such impact, we took measures across all stages of our operations from procurement, manufacturing to sales and distributions, to minimize the impact of COVID-19 on our business and operations.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the years/periods indicated. This information should be read together with our consolidated financial statements and related notes included in the Accountant's Report set out in Appendix I to this document. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000* *(unaudited)*	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	343,360,825	100.0	345,708,706	100.0	373,709,804	100.0	131,381,082	100.0	145,779,559	100.0
Cost of revenue	(266,450,882)	(77.6)	(262,321,797)	(75.9)	(275,320,160)	(73.7)	(99,348,589)	(75.6)	(106,469,785)	(73.0)
Gross profit	**76,909,943**	**22.4**	**83,386,909**	**24.1**	**98,389,644**	**26.3**	**32,032,493**	**24.4**	**39,309,774**	**27.0**
Selling and marketing expenses	(28,646,188)	(8.3)	(28,715,439)	(8.3)	(34,880,794)	(9.3)	(11,248,192)	(8.6)	(14,624,289)	(10.0)
General and administrative expenses	(10,742,475)	(3.1)	(12,023,970)	(3.5)	(13,975,965)	(3.7)	(3,911,452)	(3.0)	(4,630,693)	(3.3)
Research and development expenses	(12,014,891)	(3.5)	(12,667,099)	(3.7)	(14,586,346)	(3.9)	(4,327,729)	(3.3)	(4,960,679)	(3.4)
Net impairment losses on financial assets and contract assets	(384,501)	(0.1)	(538,108)	(0.2)	(235,002)	(0.1)	(179,526)	(0.1)	(56,212)	(0.0)
Other income	6,177,047	1.8	7,088,757	2.1	8,120,251	2.2	2,370,278	1.8	2,862,663	2.0
Other gains/(losses), net	2,777,178	0.8	(1,065,436)	(0.3)	(945,664)	(0.3)	271,205	0.2	(2,012,940)	(1.4)
Operating profit	**34,076,113**	**9.9**	**35,465,614**	**10.3**	**41,886,124**	**11.2**	**15,007,077**	**11.4**	**15,887,624**	**10.9**
Finance income	401,501	0.1	793,175	0.2	1,085,256	0.3	275,801	0.2	590,833	0.4
Finance costs	(1,299,556)	(0.4)	(1,902,422)	(0.6)	(3,372,815)	(0.9)	(1,151,972)	(0.9)	(485,846)	(0.3)
Finance (costs)/income, net	(898,055)	(0.3)	(1,109,247)	(0.4)	(2,287,559)	(0.6)	(876,171)	(0.7)	104,987	0.1
Share of profit of associates and joint ventures, net	560,679	0.2	608,278	0.2	680,759	0.2	224,055	0.2	239,455	0.2
Impairment provision for investments in associates and joint ventures	–	–	(6,179)	(0.0)	–	–	–	–	–	–
Profit before income tax	**33,738,737**	**9.8**	**34,958,466**	**10.1**	**40,279,324**	**10.8**	**14,354,961**	**10.9**	**16,232,066**	**11.2**
Income tax expense	(4,707,309)	(1.3)	(5,146,341)	(1.5)	(6,532,371)	(1.8)	(2,229,553)	(1.7)	(2,585,791)	(1.8)
Profit for the year/period	**29,031,428**	**8.5**	**29,812,125**	**8.6**	**33,746,953**	**9.0**	**12,125,408**	**9.2**	**13,646,275**	**9.4**
Attributable to:										
Owners of the Company	28,586,980	8.4	29,553,342	8.5	33,721,536	9.0	11,995,920	9.1	13,461,205	9.3
Non-controlling interests	444,448	0.1	258,783	0.1	25,417	0.0	129,488	0.1	185,070	0.1

Revenue

We primarily offer Smart Home Solutions for consumers and Commercial & Industrial Solutions for enterprise customers. To a significantly lesser extent, we generate certain revenue through sales of raw materials and others. The following table sets forth a breakdown of our revenue among Smart Home Solutions, Commercial & Industrial Solutions and others, including the respective revenue from each main product category under Smart Home Solutions and each business unit under Commercial & Industrial Solutions, during the Track Record Period, both in absolute amounts and as percentages of total revenue, for the years/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Revenue										
Air conditioners	104,108,047	30.3	108,638,571	31.4	112,982,505	30.2	43,060,203	32.8	48,054,657	33.0
Laundry appliances and refrigerators	62,883,096	18.3	62,713,261	18.1	68,288,642	18.3	24,008,567	18.3	26,551,938	18.2
Kitchen and other appliances	67,926,859	19.8	61,473,732	17.8	65,080,257	17.4	21,941,156	16.7	24,633,108	16.9
Smart Home Solutions	**234,918,001**	**68.4**	**232,825,564**	**67.3**	**246,351,404**	**65.9**	**89,009,926**	**67.8**	**99,239,703**	**68.1**
Energy Solutions & Industrial Technology	20,111,476	5.9	21,618,496	6.3	27,874,277	7.5	9,512,855	7.2	11,108,348	7.6
Intelligent Building Technology	19,690,855	5.7	22,778,244	6.6	25,914,181	6.9	9,874,995	7.5	10,532,805	7.2
Robotics & Automation	25,286,615	7.4	27,712,820	8.0	31,053,073	8.3	10,017,504	7.6	9,222,915	6.3
Other Businesses	8,290,412	2.4	11,529,651	3.3	12,939,776	3.5	3,553,030	2.7	4,199,236	2.9
Commercial & Industrial Solutions	**73,379,358**	**21.4**	**83,639,210**	**24.2**	**97,781,307**	**26.2**	**32,958,384**	**25.0**	**35,063,304**	**24.0**
Others	**35,063,466**	**10.2**	**29,243,932**	**8.5**	**29,577,093**	**7.9**	**9,412,772**	**7.2**	**11,476,552**	**7.9**
Total	**343,360,825**	**100.0**	**345,708,706**	**100.0**	**373,709,804**	**100.0**	**131,381,082**	**100.0**	**145,779,559**	**100.0**

In addition to the above, in our consolidated financial statements, our results of operations are also reported based on the nature of the products and services offered: (i) heating & ventilation, and air conditioner (HVAC), (ii) consumer appliances, (iii) robotics and automation system, and (iv) others. The following table sets forth a breakdown of our revenue, both in absolute amounts and as percentages of total revenue, for the years/periods indicated.

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
HVAC	165,428,603	48.2	167,072,126	48.3	177,572,832	47.5	67,743,289	51.6	73,633,924	50.4
Consumer appliances	140,406,787	40.9	135,631,425	39.2	145,857,207	39.0	48,921,474	37.2	55,768,450	38.3
Robotics and automation system	27,545,334	8.0	30,203,793	8.7	33,408,425	8.9	10,808,814	8.2	10,606,891	7.3
Other segments and unallocated	9,980,101	2.9	12,801,362	3.8	16,871,340	4.6	3,907,505	3.0	5,770,294	4.0
Total revenue	**343,360,825**	**100.0**	**345,708,706**	**100.0**	**373,709,804**	**100.0**	**131,381,082**	**100.0**	**145,779,559**	**100.0**

Cost of Revenue

The following table sets forth the breakdown of our cost of revenue by its major components, both in absolute amounts and as percentages of total revenue, for the years/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000* *(unaudited)*	*% of revenue*	*RMB'000*	*% of revenue*
Cost of revenue										
Raw materials and consumables used	221,124,402	64.4	212,264,850	61.4	219,556,360	58.8	80,974,507	61.6	86,630,288	59.4
Employee benefit expenses	17,092,171	5.0	18,298,853	5.3	20,754,874	5.6	6,496,237	4.9	6,735,315	4.6
Installation and transportation cost	16,932,307	4.9	18,161,353	5.3	20,957,914	5.6	5,980,559	4.6	7,547,662	5.2
Depreciation and amortization	3,618,389	1.1	3,753,173	1.1	4,182,835	1.1	1,291,966	1.0	1,437,678	1.0
Others	7,683,613	2.2	9,843,568	2.8	9,868,177	2.6	4,605,320	3.5	4,118,842	2.8
Total	**266,450,882**	**77.6**	**262,321,797**	**75.9**	**275,320,160**	**73.7**	**99,348,589**	**75.6**	**106,469,785**	**73.0**

Raw materials and consumables used constitutes the majority of our cost of revenue and includes the raw materials used in the manufacturing of our products, primarily including copper, steel, plastic and aluminum.

Gross Profit and Gross Margin

The following table sets forth the breakdown of our gross profit among Smart Home Solutions, Commercial & Industrial Solutions and others, including the respective gross profit of each main product category under Smart Home Solutions and each business unit under Commercial & Industrial Solutions, for the years/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (*unaudited*)	%	*RMB'000*	%
Air conditioners	22,604,340	21.7	25,422,272	23.4	29,452,538	26.1	9,397,106	21.8	12,525,438	26.1
Laundry appliances and refrigerators	17,049,311	27.1	18,898,848	30.1	22,189,827	32.5	7,650,792	31.9	8,958,800	33.7
Kitchen and other appliances	19,198,244	28.3	18,499,236	30.1	21,726,330	33.4	6,798,536	31.0	8,236,693	33.4
Smart Home Solutions	**58,851,895**	**25.1**	**62,820,356**	**27.0**	**73,368,695**	**29.8**	**23,846,434**	**26.8**	**29,720,931**	**29.9**
Energy Solutions & Industrial Technology	2,439,657	12.1	3,154,867	14.6	5,027,566	18.0	1,467,575	15.4	2,193,884	19.7
Intelligent Building Technology	5,365,588	27.2	6,346,521	27.9	7,744,598	29.9	2,919,927	29.6	3,330,484	31.6
Robotics & Automation	5,345,136	21.1	5,686,768	20.5	7,373,993	23.7	2,241,729	22.4	2,225,661	24.1
Other Businesses	1,203,039	14.5	1,449,164	12.6	1,672,781	12.9	398,414	11.2	444,561	10.6
Commercial & Industrial Solutions	**14,353,420**	**19.6**	**16,637,320**	**19.9**	**21,818,938**	**22.3**	**7,027,645**	**21.3**	**8,194,590**	**23.4**
Others	**3,704,628**	**10.6**	**3,929,233**	**13.4**	**3,202,011**	**10.8**	**1,158,414**	**12.3**	**1,394,253**	**12.1**
Total	**76,909,943**	**22.4**	**83,386,909**	**24.1**	**98,389,644**	**26.3**	**32,032,493**	**24.4**	**39,309,774**	**27.0**

For Smart Home Solutions, we recorded gross profit of RMB58.9 billion, RMB62.8 billion, RMB73.4 billion, RMB23.8 billion and RMB29.7 billion, and gross margin of 25.1%, 27.0%, 29.8%, 26.8% and 29.9% for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, respectively.

For Commercial & Industrial Solutions, we recorded gross profit of RMB14.4 billion, RMB16.6 billion, RMB21.8 billion, RMB7.0 billion and RMB8.2 billion, and gross margin of 19.6%, 19.9%, 22.3%, 21.3% and 23.4% for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, respectively.

For others, we recorded gross profit of RMB3.7 billion, RMB3.9 billion, RMB3.2 billion, RMB1.2 billion and RMB1.4 billion, and gross margin of 10.6%, 13.4%, 10.8%, 12.3% and 12.1% for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, respectively.

As a result of the foregoing, we recorded total gross profit of RMB76.9 billion, RMB83.4 billion, RMB98.4 billion, RMB32.0 billion and RMB39.3 billion, and gross margin of 22.4%, 24.1%, 26.3%, 24.4% and 27.0% for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, respectively.

The following table sets forth the breakdown of our gross profit by geographical location for the years/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Mainland China	47,557,328	23.1	50,296,156	24.8	57,682,260	25.9	18,968,005	24.3	22,821,531	26.6
Other countries or regions	29,352,615	21.3	33,090,753	23.2	40,707,384	27.0	13,064,488	24.5	16,488,243	27.5
Total	**76,909,943**	**22.4**	**83,386,909**	**24.1**	**98,389,644**	**26.3**	**32,032,493**	**24.4**	**39,309,774**	**27.0**

Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of advertising and promotion expenses, transportation and after-sales expenses, employee benefit expenses, lease and administrative expenses and others. The following table sets forth a breakdown of our selling and marketing expenses, in absolute amounts and as percentages of total selling and marketing expenses, for the years/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Selling and marketing expenses										
Advertising and promotion expenses	12,900,425	45.0	12,031,875	41.9	15,981,191	45.8	5,777,504	51.4	8,039,356	55.0
Transportation and after-sales expenses	7,200,912	25.1	7,587,358	26.4	7,390,558	21.2	2,182,898	19.4	2,434,381	16.6
Employee benefit expenses	4,423,053	15.4	4,839,443	16.9	6,548,019	18.8	1,832,260	16.3	2,354,573	16.1
Lease and administrative expenses	2,000,493	7.0	2,193,289	7.6	2,818,752	8.1	820,551	7.3	989,783	6.8
Others	2,121,305	7.5	2,063,474	7.2	2,142,274	6.1	634,979	5.6	806,196	5.5
Total	**28,646,188**	**100.0**	**28,715,439**	**100.0**	**34,880,794**	**100.0**	**11,248,192**	**100.0**	**14,624,289**	**100.0**

Advertising and promotion expenses primarily relate to our advertising activities, such as offline promotion expenses, service fees paid to online platforms and expenses related to brand promotion, stores and product marketing. Transportation and after-sales expenses primarily include freight fees for transportation and delivery of our products, spare parts expenses and provisions for warranty services. Employee benefit expenses primarily include salaries, pension scheme contributions and other social welfare payments for our sales and marketing employees. Lease and administrative expenses primarily include property rental expenses, travel and conference expenses, and general office expenses.

In the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, our selling and marketing expenses represented 8.3%, 8.3%, 9.3%, 8.6% and 10.0% of our revenue, respectively.

General and Administrative Expenses

Our general and administrative expenses primarily include employee benefit expenses, depreciation and amortization, administrative expenses, auditors' remuneration, and other general administrative expenses. The following table sets forth a breakdown of our general and administrative expenses, in absolute amounts and as percentages of total general and administrative expenses, for the years/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (*unaudited*)	%	*RMB'000*	%
General and administrative expenses										
Employee benefit expenses	6,649,408	61.9	7,154,199	59.5	8,180,408	58.5	2,610,911	66.8	3,053,797	65.9
Depreciation and amortization	1,933,954	18.0	1,842,227	15.3	1,956,923	14.0	632,430	16.2	692,215	14.9
Administrative expenses	724,085	6.7	760,818	6.3	913,974	6.5	246,512	6.3	273,069	5.9
Auditors' remuneration	53,320	0.5	52,198	0.4	55,872	0.4	2,897	0.1	3,686	0.1
Others(1)	1,381,708	12.9	2,214,528	18.5	2,868,788	20.6	418,702	10.6	607,926	13.2
Total	**10,742,475**	**100.0**	**12,023,970**	**100.0**	**13,975,965**	**100.0**	**3,911,452**	**100.0**	**4,630,693**	**100.0**

Note:

(1) Others mainly include IT system expenses and lease and property management expenses.

In the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, our general and administrative expenses represented 3.1%, 3.5%, 3.7%, 3.0% and 3.3% of our revenue, respectively.

Research and Development Expenses

Our research and development expenses primarily include employee benefit expenses, material consumption and external institutional fees, depreciation and amortization, and others. The following table sets forth a breakdown of our research and development expenses, in absolute amounts and as percentages of total research and development expenses, for the years/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Research and development expenses										
Employee benefit expenses	6,554,504	54.6	7,057,889	55.7	7,727,547	53.0	2,191,933	50.6	2,683,228	54.1
Material consumption and external institutional fees	4,670,298	38.9	4,675,304	36.9	5,293,667	36.3	1,758,320	40.6	1,786,334	36.0
Depreciation and amortization	544,227	4.5	539,674	4.3	749,604	5.1	196,757	4.5	233,909	4.7
Others[1]	245,862	2.0	394,232	3.1	815,528	5.6	180,719	4.3	257,208	5.2
Total	**12,014,891**	**100.0**	**12,667,099**	**100.0**	**14,586,346**	**100.0**	**4,327,729**	**100.0**	**4,960,679**	**100.0**

Note:

(1) Others mainly include tooling and proto charges, utilities and IT system expenses.

In the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, our research and development expenses represented 3.5%, 3.7%, 3.9%, 3.3% and 3.4% of our revenue, respectively.

Net Impairment Losses on Financial Assets and Contract Assets

Our net impairment losses on financial assets and contract assets consist primarily of impairment losses for movement in loss allowance for trade and note receivables at amortized cost, and movement in loss allowance for other receivables and other assets. For the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, our net impairment losses on financial assets and contract assets amounted to RMB384.5 million, RMB538.1 million, RMB235.0 million, RMB179.5 million and RMB56.2 million, respectively.

Other Income

Our other income primarily consists of (i) interest income, (ii) government grants and (iii) additional deduction for value-added tax, or VAT. The following table sets forth a breakdown of our other income for the years/periods indicated:

	For the Year Ended 31 December						For the Four Months Ended 30 April			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Other income										
Interest income	4,780,157	77.4	5,081,372	71.7	5,977,068	73.6	1,858,654	78.4	1,926,114	67.3
Government grants	1,396,890	22.6	2,007,385	28.3	1,892,262	23.3	511,624	21.6	371,640	13.0
Additional deduction for VAT	–	–	–	–	250,921	3.1	–	–	564,909	19.7
Total	**6,177,047**	**100.0**	**7,088,757**	**100.0**	**8,120,251**	**100.0**	**2,370,278**	**100.0**	**2,862,663**	**100.0**

Interest income mainly comprises interest income on our deposits classified as financial assets at amortized cost and financial assets at fair value through other comprehensive income calculated using the effective interest method.

Government grants mainly comprise incentives provided by local government authorities in mainland China, including various forms of government financial incentives to reward our continuous support and contribution for the development of local economies. As at 31 December 2021, 2022 and 2023 and 30 April 2024, there were no unfulfilled conditions or contingencies relating to these government grants.

Additional deduction for VAT represents the additional VAT deduction certain of our subsidiaries are entitled to. Pursuant to the relevant rules issued in 2023 by the competent authorities, advanced manufacturing enterprises such as us are eligible for a 5% additional VAT deduction based on deductible input VAT in the current year from 1 January 2023 to 31 December 2027.

Other Gains/(Losses), Net

Our other gains/(losses), net primarily reflect (i) net gains or losses on financial instruments, (ii) net foreign exchange gains or losses, (iii) net gains or losses on disposal of property, plant and equipment and other assets, and (iv) others. The following table sets forth a breakdown of our other gains/(losses), net for the years/periods indicated:

	For the Year Ended 31 December			For the Four Months Ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other gains/(losses), net					
Net gains/(losses) on financial instruments	1,731,713	(519,286)	(262,395)	5,092	79,239
Net foreign exchange gains/(losses)	733,270	(435,574)	(340,027)	234,710	(2,272,829)
Net gains/(losses) on disposal of property, plant and equipment and other assets	58,257	(59,854)	(60,868)	12,331	72,859
Others	253,938	(50,722)	(282,374)	19,072	107,791
Total	**2,777,178**	**(1,065,436)**	**(945,664)**	**271,205**	**(2,012,940)**

Finance (Costs)/Income, Net

Our finance income mainly represents interest income from financial assets held for cash management purposes, which include bank balances and term deposits. Our finance costs primarily consist of (i) interest and finance charges paid/payable for borrowings, (ii) interest and finance charges paid/payable for lease liabilities, and (iii) net exchange gains or losses on foreign currency borrowings.

The following table sets forth a breakdown of our finance income and costs for the years/periods indicated:

	For the Year Ended 31 December			For the Four Months Ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Finance income:					
Interest income from financial assets held for cash management purposes[(1)]	401,501	756,341	974,378	239,504	553,972
Reclassification from cost of hedge reserves[(2)]	–	36,834	110,878	36,297	36,861
	401,501	793,175	1,085,256	275,801	590,833
Finance costs:					
Interest and finance charges paid/payable for borrowings	(1,252,661)	(1,719,142)	(2,656,770)	(788,127)	(607,600)
Interest and finance charges paid/payable for lease liabilities	(111,745)	(111,773)	(151,334)	(37,238)	(49,871)
Net exchange gains/(losses) on foreign currency borrowings	64,850	(71,507)	(564,711)	(326,607)	171,625
	(1,299,556)	(1,902,422)	(3,372,815)	(1,151,972)	(485,846)
Finance (costs)/income, net	**(898,055)**	**(1,109,247)**	**(2,287,559)**	**(876,171)**	**104,987**

Notes:

(1) Interest income represents interest income from cash and cash equivalent, including bank balances and term deposits with initial terms within three months.

(2) Reclassification from cost of hedge reserves mainly represents the amortization of the foreign currency basis spread. The foreign currency basis spread was separated from cross-currency interest rate swaps, or CCIRSs, and excluded from the designation of the CCIRSs as hedging instruments which hedge time-period relate hedged items. According to IFRS 9, the foreign currency basis spread from the CCIRSs at the date of designation was recognized in other comprehensive income to the extent that it related to the hedged item and amortized on a systematic and rational basis over the period during which the hedge adjustment for the value of the CCIRSs could affect profit or loss. During the Track Record Period, the amortization was reclassified from the other comprehensive income into profit or loss as a reclassification adjustment.

Share of Profit of Associates and Joint Ventures, Net

Our share of profit of associates and joint ventures, net primarily represents our share of profits or losses from our long-term investments in our associates and joint ventures. For the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, our share of profit of associates and joint ventures, net amounted to RMB560.7 million, RMB608.3 million, RMB680.8 million, RMB224.1 million and RMB239.5 million, respectively.

Taxation

Our income tax expense primarily consists of (i) current income tax and (ii) deferred income tax. During the Track Record Period, certain entities within our Group enjoyed preferential tax treatments. In 2021, 2022, 2023 and the four months ended 30 April 2023 and 2024, we recorded income tax expense of RMB4.7 billion, RMB5.1 billion, RMB6.5 billion, RMB2.2 billion and RMB2.6 billion, respectively. We are subject to varying tax rates in different jurisdictions. See Note 11 to the Accountant's Report set out in Appendix I to this document.

In mainland China, pursuant to the Enterprise Income Tax Law and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of our Company and our subsidiaries in mainland China was 25% for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024. Certain of our subsidiaries in mainland China enjoyed preferential tax treatments, mainly including tax rate of 15% due to preferential tax policies for being approved as high-tech enterprises. Certain of our subsidiaries in mainland China enjoyed other tax concessions, including tax rate of 15% due to some subsidiaries located in certain areas of mainland China upon fulfilment of certain requirements of the respective local governments and additional pre-tax deduction. Certain of our subsidiaries in mainland China enjoy additional tax deduction on their research and development expenses.

Profit for the Years/Periods

We recorded profit for the year/period of RMB29.0 billion, RMB29.8 billion, RMB33.7 billion, RMB12.1 billion and RMB13.6 billion for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, respectively, representing 8.5%, 8.6%, 9.0%, 9.2% and 9.4% of our revenue in the respective years/periods.

The increase in profit for the period from the four months ended 30 April 2023 to the four months ended 30 April 2024 was mainly due to (i) an increase in our revenue from Smart Home Solutions, primarily driven by increased consumer demand for our air conditioners, laundry appliances, refrigerators and kitchen appliances as a result of enhanced product competitiveness from our continued innovation and upgrades, and (ii) an increase in our revenue from Commercial & Industrial Solutions, primarily driven by (x) an increase in revenue of our Energy Solutions & Industrial Technology business due to increased sales of core industrial components and the consolidation of Clou Electronics in our financial statements following our acquisition of Clou Electronics, (y) an increase in revenue of our Intelligent Building Technology, as a result of strong sales of certain key products, (z) an increase in revenue of our Other Businesses, partially offset by (i) an increase in our cost of revenue, primarily due to our increased raw materials and consumables used, which was generally in line with our growth in revenue, and (ii) an increase in our expenses, largely driven by our business growth.

This increase in profit for the year from 2022 to 2023 was mainly due to an increase in our revenue from Smart Home Solutions, primarily driven by increased consumer demand for our air conditioners, laundry appliances, refrigerators and kitchen appliances as a result of enhanced product competitiveness from our continued innovation and upgrades, partially offset by (i) an increase in our cost of revenue, primarily due to our increased raw materials and consumables used, which was generally in line with our growth in revenue, and (ii) an increase in our expenses, largely driven by our business growth.

This increase in profit for the year from 2021 to 2022 was mainly due to (i) an increase in our revenue from Commercial & Industrial Solutions, primarily driven by (x) an increase in revenue of our Intelligent Building Technology, as a result of strong growth of overseas heat pump sales, (y) an increase in revenue of our Robotics & Automation, as a result of strong demand from automotive customers, particularly in mainland China, and the sales growth of Swisslog's logistics systems, and (z) an increase in revenue of our Other Businesses, including the intelligent supply chain business operated by Annto Smart Logistics, and (ii) a decrease in our cost of revenue partially attributable to a decline in raw material costs, partially offset by a decline in revenue from Smart Home Solutions as we proactively streamlined certain product categories and faced macroeconomic headwind that resulted in a decrease in consumer demand for certain home appliance products.

For details, see "— Period to Period Comparison of Results of Operations."

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four Months Ended 30 April 2024 Compared to Four Months Ended 30 April 2023

Revenue

Our revenue increased by 11.0% from RMB131.4 billion for the four months ended 30 April 2023 to RMB145.8 billion for the four months ended 30 April 2024. Specifically, our revenue from Smart Home Solutions increased by 11.5% from RMB89.0 billion for the four months ended 30 April 2023 to RMB99.2 billion for the four months ended 30 April 2024, which was primarily due to (i) sales in air conditioners increasing by 11.6% from RMB43.1 billion for the four months ended 30 April 2023 to RMB48.1 billion for the four months ended 30 April 2024, as a result of the increase in sales volume by 11.8% from 22,928 thousand units for the four months ended 30 April 2023 to 25,628 thousand units for the four months ended 30 April 2024, (ii) sales in laundry appliances and refrigerators increasing by 10.6% from RMB24.0 billion for the four months ended 30 April 2023 to RMB26.6 billion for the four months ended 30 April 2024, primarily as a result of both the increase in sales volume by 8.2% from 18,025 thousand units for the four months ended 30 April 2023 to 19,500 thousand units for the four months ended 30 April 2024 and the increase in average selling price by 2.2% from RMB1,332 for the four months ended 30 April 2023 to RMB1,362 for the four months ended

30 April 2024, and (iii) sales in kitchen and other appliances increasing by 12.3% from RMB21.9 billion for the four months ended 30 April 2023 to RMB24.5 billion for the four months ended 30 April 2024, primarily as a result of the increase in sales volume by 11.9% from 74,862 thousand units for the four months ended 30 April 2023 to 83,799 thousand units for the four months ended 30 April 2024. The primary driver is the increased consumer demand for our products in Smart Home Solutions, as a result of enhanced product competitiveness from our continued innovation and upgrades. Our revenue from Commercial & Industrial Solutions increased by 6.4% from RMB33.0 billion for the four months ended 30 April 2023 to RMB35.1 billion for the four months ended 30 April 2024, which was primarily due to (i) growth of our Energy Solutions & Industrial Technology business, with revenue increasing by 16.8% from RMB9.5 billion for the four months ended 30 April 2023 to RMB11.1 billion for the four months ended 30 April 2024, driven by increased sales of core industrial components and the consolidation of Clou Electronics in our financial statements following our acquisition of Clou Electronics; (ii) growth of our Intelligent Building Technology business, with revenue increasing by 6.7% from RMB9.9 billion for the four months ended 30 April 2023 to RMB10.5 billion for the four months ended 30 April 2024, driven by strong sales of certain key products; and (iii) growth of our Other Businesses. Our revenue from others increased from RMB9.4 billion for the four months ended 30 April 2023 to RMB11.5 billion for the four months ended 30 April 2024.

Cost of revenue

Our cost of revenue increased by 7.2% from RMB99.3 billion for the four months ended 30 April 2023 to RMB106.5 billion for the four months ended 30 April 2024, primarily due to our increased raw materials and consumables used from RMB81.0 billion for the four months ended 30 April 2023 to RMB86.6 billion for the four months ended 30 April 2024, which was generally in line with our growth in revenue.

Gross profit

As a result of the foregoing, our gross profit increased by 22.7% from RMB32.0 billion for the four months ended 30 April 2023 to RMB39.3 billion for the four months ended 30 April 2024, and our overall gross profit margin increased from 24.4% for the four months ended 30 April 2023 to 27.0% for the four months ended 30 April 2024.

Our gross profit for Smart Home Solutions increased by 24.6% from RMB23.8 billion for the four months ended 30 April 2023 to RMB29.7 billion for the four months ended 30 April 2024, with gross margin increasing from 26.8% to 29.9% in the same periods. The increase in gross margin was primarily caused by an increase in the gross margin of air conditioners from 21.8% to 26.1%, an increase in the gross margin of laundry appliances and refrigerators from 31.9% to 33.7%, and an increase in the gross margin of kitchen and other appliances from 31.0% to 33.4%, due to (i) the continued improvement in our product mix, such as launching products with more technologically sophisticated features as part of our premiumization strategy and (ii) our active and efficient management of all costs (including raw material costs), achieved via improving intelligent manufacturing capability and continued digitization efforts.

Our gross profit for Commercial & Industrial Solutions increased by 16.6% from RMB7.0 billion for the four months ended 30 April 2023 to RMB8.2 billion for the four months ended 30 April 2024, with gross margin increasing from 21.3% to 23.4% in the same periods. The increase in gross margin was primarily caused by an increase in the gross margin of Energy Solutions & Industrial Technology from 15.4% to 19.7%, an increase in the gross margin of Intelligent Building Technology from 29.6% to 31.6%, and an increase in the gross margin of Robotics & Automation from 22.4% to 24.1%, due to continued product upgrades and our active and efficient management of all costs, including raw materials.

Selling and marketing expenses

Our selling and marketing expenses increased by 30.0% from RMB11.2 billion for the four months ended 30 April 2023 to RMB14.6 billion for the four months ended 30 April 2024, primarily due to (i) an increase in advertising and promotion expenses from RMB5.8 billion for the four months ended 30 April 2023 to RMB8.0 billion for the four months ended 30 April 2024 as we increased marketing efforts to promote our brand name and deepen our reach to consumers as we continued to promote the "direct to users" strategy, and (ii) an increase in employee benefit expenses from RMB1.8 billion for the four months ended 30 April 2023 to RMB2.4 billion for the four months ended 30 April 2024, driven by our business growth. Our selling and marketing expenses as a percentage of revenue was 8.6% and 10.0% for the four months ended 30 April 2023 and 2024, respectively.

General and administrative expenses

Our general and administrative expenses increased by 18.4% from RMB3.9 billion for the four months ended 30 April 2023 to RMB4.6 billion for the four months ended 30 April 2024, primarily due to the increase in employee benefit expenses, in line with our business growth. Our general and administrative expenses as a percentage of revenue remained stable at 3.0% and 3.3% for the four months ended 30 April 2023 and 2024, respectively.

Research and development expenses

Our research and development expenses increased by 14.6% from RMB4.3 billion for the four months ended 30 April 2023 to RMB5.0 billion for the four months ended 30 April 2024, in line with our business expansion. Our research and development expenses as a percentage of revenue remained stable at 3.3% and 3.4% for the four months ended 30 April 2023 and 2024, respectively.

Other income

Our other income increased by 20.8% from RMB2.4 billion for the four months ended 30 April 2023 to RMB2.9 billion for the four months ended 30 April 2024, primarily due to an increase in additional deduction for VAT as a result of taxation rules issued in 2023.

Other gains/(losses), net

We recorded other gains, net of RMB271.2 million for the four months ended 30 April 2023 and other losses, net of RMB2.0 billion for the four months ended 30 April 2024, primarily due to net foreign exchange losses due to fluctuations in currency exchange rates.

Finance (costs)/income, net

We recorded finance costs, net of RMB876.2 million for the four months ended 30 April 2023 and finance income, net of RMB105.0 million for the four months ended 30 April 2024, primarily due to (i) an increase in finance income, driven primarily by an increase in average balance of cash and cash equivalents, and (ii) a decrease in finance costs, driven primarily by a decrease in exchange losses on foreign currency borrowings as the result of foreign currency exchange rate fluctuation.

Income tax expense

We recorded income tax expense of RMB2.2 billion and RMB2.6 billion for the four months ended 30 April 2023 and 2024, respectively. Our income tax expense as a percentage of our profit before income tax increased from 15.5% for the four months ended 30 April 2023 to 15.9% for the four months ended 30 April 2024.

Profit for the period

As a result of the foregoing, our profit for the period increased by 12.5% from RMB12.1 billion for the four months ended 30 April 2023 to RMB13.6 billion for the four months ended 30 April 2024.

Year Ended 31 December 2023 Compared to Year Ended 31 December 2022

Revenue

Our revenue increased by 8.1% from RMB345.7 billion in 2022 to RMB373.7 billion in 2023. Specifically, our revenue from Smart Home Solutions increased by 5.8% from RMB232.8 billion in 2022 to RMB246.4 billion in 2023, which was primarily due to (i) sales in air conditioners increasing by 4.0% from RMB108.6 billion in 2022 to RMB113.0 billion in 2023, as a result of both the increase in average selling price by 1.6% from RMB1,877 in 2022 to RMB1,908 in 2023 and the increase in sales volume by 2.3% from 57,877 thousand units in 2022 to 59,227 thousand units in 2023, (ii) sales in laundry appliances and refrigerators increasing by 8.9% from RMB62.7 billion in 2022 to RMB68.3 billion in 2023, primarily as a result of the increase in sales volume by 9.7% from 45,719 thousand units in 2022 to 50,156 thousand units in 2023, and (iii) sales in kitchen and other appliances increasing by 5.9% from RMB61.5 billion in 2022 to RMB65.1 billion in 2023, primarily as a result of the increase in sales volume by 9.5% from 194,548 thousand units in 2022 to 212,965 thousand units in 2023. The primary driver is the increased consumer demand for our products in Smart Home

Solutions, as a result of enhanced product competitiveness from our continued innovation and upgrades. Our revenue from Commercial & Industrial Solutions increased by 16.9% from RMB83.6 billion in 2022 to RMB97.8 billion in 2023, which was primarily due to (i) growth of our Energy Solutions & Industrial Technology business, with revenue increasing by 28.9% from RMB21.6 billion in 2022 to RMB27.9 billion in 2023, driven by increased sales of core industrial components and the consolidation of Clou Electronics in our financial statements following our acquisition of Clou Electronics; (ii) growth of our Robotics & Automation, with revenue increasing by 12.1% from RMB27.7 billion in 2022 to RMB31.1 billion in 2023, driven by increased demand for automation in certain end-markets; (iii) growth of our Intelligent Building Technology business, with revenue increasing by 13.8% from RMB22.8 billion in 2022 to RMB25.9 billion in 2023, driven by strong overseas sales of heat pumps and the growth of domestic sales due to products upgrades, and (iv) growth of our Other Businesses primarily driven by the growth of Annto Smart Logistics business. Our revenue from others remained stable at RMB29.2 billion in 2022 and RMB29.6 billion in 2023.

Cost of revenue

Our cost of revenue increased by 5.0% from RMB262.3 billion in 2022 to RMB275.3 billion in 2023, primarily due to our increased raw materials and consumables used from RMB212.3 billion in 2022 to RMB219.6 billion in 2023, which was generally in line with our growth in revenue.

Gross profit

As a result of the foregoing, our gross profit increased by 18.0% from RMB83.4 billion in 2022 to RMB98.4 billion in 2023, and our overall gross profit margin increased from 24.1% in 2022 to 26.3% in 2023.

Our gross profit for Smart Home Solutions increased by 16.8% from RMB62.8 billion in 2022 to RMB73.4 billion in 2023, with gross margin increasing from 27.0% to 29.8% in the same periods. The increase in gross margin was primarily caused by an increase in the gross margin of air conditioners from 23.4% to 26.1%, an increase in the gross margin of laundry appliances and refrigerators from 30.1% to 32.5%, and an increase in the gross margin of kitchen and other appliances from 30.1% to 33.4%, due to (i) the continued improvement in our product mix, such as launching products with more technologically sophisticated features as part of our premiumization strategy, and (ii) a reduction in the price of certain raw materials during this period, as well as our active and efficient management of all costs (including raw material costs) achieved via improving intelligent manufacturing capability and continued digitization efforts.

Our gross profit for Commercial & Industrial Solutions increased by 31.1% from RMB16.6 billion in 2022 to RMB21.8 billion in 2023, with gross margin increasing from 19.9% to 22.3% in the same periods. The increase in gross margin was primarily caused by an increase in the gross margin of Intelligent Building Technology from 27.9% to 29.9%, an increase in the gross margin of Energy Solutions & Industrial Technology from 14.6% to

18.0%, and an increase in the gross margin of Robotics & Automation from 20.5% to 23.7%, due to (i) price increases in certain models of our commercial air conditioners and robotics, resulting from upgraded functionalities, and (ii) a reduction in the price of certain raw materials during this period and our active and efficient management of all costs, including raw material costs.

Selling and marketing expenses

Our selling and marketing expenses increased by 21.5% from RMB28.7 billion in 2022 to RMB34.9 billion in 2023, primarily due to (i) an increase in advertising and promotion expenses from RMB12.0 billion in 2022 to RMB16.0 billion in 2023 as we increased marketing efforts to promote our brand name and deepen our reach to consumers as we continued to promote the "direct to users" strategy, and (ii) an increase in employee benefit expenses from RMB4.8 billion in 2022 to RMB6.5 billion in 2023, driven by the expansion of our sales team and our business growth. Our selling and marketing expenses as a percentage of revenue was 8.3% and 9.3% in 2022 and 2023, respectively.

General and administrative expenses

Our general and administrative expenses increased by 16.2% from RMB12.0 billion in 2022 to RMB14.0 billion in 2023, primarily due to the increase in employee benefit expenses, in line with our business growth. Our general and administrative expenses as a percentage of revenue remained stable at 3.5% and 3.7% in 2022 and 2023, respectively.

Research and development expenses

Our research and development expenses increased by 15.2% from RMB12.7 billion in 2022 to RMB14.6 billion in 2023, in line with our business expansion. Our research and development expenses as a percentage of revenue remained stable at 3.7% and 3.9% in 2022 and 2023, respectively.

Other income

Our other income increased by 14.6% from RMB7.1 billion in 2022 to RMB8.1 billion in 2023, primarily due to an increase in interest income driven by higher balance of relevant deposits.

Other losses, net

Our other losses, net decreased from RMB1.1 billion in 2022 to RMB0.9 billion in 2023, primarily due to (i) a decrease of fair value changes of financial assets, which is driven by the market value fluctuation experienced by certain companies in which we hold equity interests and derivative instruments, and (ii) net foreign exchange losses due to fluctuations in currency exchange rates.

Finance costs, net

Our finance costs, net increased from RMB1.1 billion in 2022 to RMB2.3 billion in 2023, primarily due to an increase in finance costs, driven primarily by an increase in outstanding amount of our borrowings and an increase in interest rates for overseas borrowings, partially offset by an increase in finance income from RMB793.2 million in 2022 to RMB1.1 billion in 2023, primarily due to an increase in average balance of cash and cash equivalents.

Income tax expense

We recorded income tax of RMB5.1 billion and RMB6.5 billion in 2022 and 2023, respectively. Our income tax expense as a percentage of our profit before income tax increased from 14.7% in 2022 to 16.2% in 2023, primarily due to the increased profit contribution from subsidiaries subject to higher income tax rates.

Profit for the year

As a result of the foregoing, our profit for the year increased by 13.2% from RMB29.8 billion in 2022 to RMB33.7 billion in 2023.

Year Ended 31 December 2022 Compared to Year Ended 31 December 2021

Revenue

Our revenue increased slightly from RMB343.4 billion in 2021 to RMB345.7 billion in 2022. Specifically, our revenue from Smart Home Solutions decreased slightly from RMB234.9 billion in 2021 to RMB232.8 billion in 2022, which was primarily due to (i) a decline of 9.5% in sales of kitchen and other appliances from RMB67.9 billion in 2021 to RMB61.5 billion in 2022, primarily as a result of the decrease in sales volume by 17.2% from 235,101 thousand units in 2021 to 194,548 thousand units as we proactively streamlined our product categories to focus on core products; (ii) a slight decrease of 0.3% in sales of laundry appliances and refrigerators from RMB62.9 billion in 2021 to RMB62.7 billion in 2022, primarily as a result of the decrease in sales volume by 7.8% from 49,578 thousand units in 2021 to 45,719 thousand units in 2022 due to a decline in demand for home appliances from macroeconomic headwind, partially offset by an increase of 4.4% in sales from air conditioners from RMB104.1 billion in 2021 to RMB108.6 billion in 2022, primarily due to the increase in the average selling price by 11.0% from RMB1,691 in 2021 to RMB1,877 in 2022 as a result of our continued efforts in product innovation and upgrades. Our revenue from Commercial & Industrial Solutions increased by 14.0% from RMB73.4 billion in 2021 to RMB83.6 billion in 2022, primarily driven by (i) an increase of 15.7% in revenue of our Intelligent Building Technology from RMB19.7 billion in 2021 to RMB22.8 billion in 2022, due to strong growth of overseas heat pump sales, (ii) an increase of 9.6% in revenue of our Robotics & Automation from RMB25.3 billion in 2021 to RMB27.7 billion in 2022, driven by strong demand from automotive customers, particularly in mainland China, and the sales growth of Swisslog's logistics systems, and (iii) an increase in revenue of our Other Businesses, including the intelligent supply chain business operated by Annto Smart Logistics.

Cost of revenue

Our cost of revenue decreased by 1.5% from RMB266.5 billion in 2021 to RMB262.3 billion in 2022, which is generally in line with our revenue trend during the same period and partially contributed by the decline in raw material costs. Our raw materials and consumables used decreased by 4.0% from RMB221.1 billion for 2021 to RMB212.3 billion for 2022, due to the general decline in raw material prices.

Gross profit

As a result of the foregoing, our gross profit increased by 8.4% from RMB76.9 billion in 2021 to RMB83.4 billion in 2022, and our overall gross profit margin increased from 22.4% in 2021 to 24.1% in 2022.

Our gross profit for Smart Home Solutions increased by 6.7% from RMB58.9 billion for 2021 to RMB62.8 billion for 2022, with gross margin increasing from 25.1% to 27.0% in the same periods. The increase in gross margin was primarily caused by an increase in the gross margin of air conditioners from 21.7% to 23.4%, an increase in the gross margin of laundry appliances and refrigerators from 27.1% to 30.1%, and an increase in the gross margin of kitchen and other appliances from 28.3% to 30.1%, due to (i) the continued improvement in our product mix, such as launching products with more technologically sophisticated features as part of our premiumization strategy, and (ii) a reduction in the price of certain raw materials during this period, as well as our active and efficient management of all costs (including raw material costs) achieved via improving intelligent manufacturing capability and continued digitization efforts.

Our gross profit for Commercial & Industrial Solutions increased by 15.9% from RMB14.4 billion for 2021 to RMB16.6 billion for 2022, with gross margin increasing slightly from 19.6% to 19.9% in the same periods. The slight increase in gross profit margin was primarily caused by an increase in the gross margin of Intelligent Building Technology from 27.2% to 27.9% and an increase in the gross margin of Energy Solutions & Industrial Technology from 12.1% to 14.6%, due to a general decline in raw material prices, as well as our active and efficient management of all costs, including raw materials costs, partially offset by a slight decrease in the gross margin of Robotics & Automation from 21.1% to 20.5% as a result of price increases in certain key components.

Selling and marketing expenses

Our selling and marketing expenses remained stable, amounting to RMB28.6 billion in 2021 and RMB28.7 billion in 2022, representing 8.3% of our revenue in both years.

General and administrative expenses

Our general and administrative expenses increased by 11.9% from RMB10.7 billion in 2021 to RMB12.0 billion in 2022, primarily due to the increase in employee benefit expenses. Our general and administrative expenses as a percentage of revenue was 3.1% and 3.5% in 2021 and 2022 respectively.

Research and development expenses

Our research and development expenses increased by 5.4% from RMB12.0 billion in 2021 to RMB12.7 billion in 2022, primarily due to (i) an increase in employee benefit expenses, and (ii) an increase in technical development expenses. Our research and development expenses as a percentage of revenue remained generally stable at 3.5% and 3.7% in 2021 and 2022 respectively.

Net impairment losses on financial assets and contract assets

Our net impairment losses on financial assets and contract assets increased by 39.9% from RMB384.5 million in 2021 to RMB538.1 million in 2022, primarily due to increases in provisions made for receivables from certain customers deemed in financial distress.

Other income

Our other income increased by 14.8% from RMB6.2 billion in 2021 to RMB7.1 billion in 2022, primarily due to an increase in interest income driven by higher balance of relevant deposits.

Other gains/(losses), net

We recorded other gains, net of RMB2.8 billion in 2021, in comparison with other losses, net of RMB1.1 billion in 2022, primarily due to (i) a decrease of fair value of financial assets, which is driven by the market value fluctuation experienced by the companies in which we hold equity interests, and (ii) the net foreign exchange losses in 2022 in comparison with the net foreign exchange gains in 2021, which were driven by fluctuations in currency exchange rates.

Finance costs, net

Our finance costs, net remained relatively stable at RMB0.9 billion in 2021 and RMB1.1 billion in 2022.

Income tax expense

We recorded income tax expense of RMB4.7 billion and RMB5.1 billion in 2021 and 2022, respectively. Our income tax expense as a percentage of our profit before income tax remained relatively stable at 14.0% in 2021 as compared to 14.7% in 2022.

Profit for the year

As a result of the foregoing, our profit for the year increased by 2.7% from RMB29.0 billion in 2021 to RMB29.8 billion in 2022.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth the breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 July
	2021	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets					
Inventories	45,924,439	46,044,897	47,339,255	41,117,853	39,149,838
Contract assets	3,823,476	4,498,956	4,045,925	3,937,221	3,769,507
Trade and note receivables at amortized cost	29,421,354	32,996,102	38,406,699	47,982,254	48,358,232
Trade and note receivables at fair value through other comprehensive income	10,273,552	13,526,540	13,330,008	21,385,125	14,691,125
Prepayments, other receivables and other assets	16,424,299	14,181,573	14,796,946	14,736,706	14,627,112
Loan receivables	20,656,600	14,138,756	14,296,958	14,916,523	11,164,447
Derivative financial instruments	1,298,815	752,451	1,670,754	2,602,799	670,000
Other financial assets at amortized cost	23,696,825	69,873,261	59,275,572	53,671,064	51,639,452
Other financial assets at fair value through other comprehensive income	19,590,387	6,532,043	4,694,429	1,282,936	1,827,300
Other financial assets at fair value through profit or loss	5,879,202	3,284,593	1,790,588	1,585,485	7,056,029
Term deposits and restricted cash	31,325,517	4,138,131	21,786,586	36,545,868	62,220,822
Cash and cash equivalents	40,550,039	51,131,968	59,887,260	64,252,371	54,433,044
Total current assets	**248,864,505**	**261,099,271**	**281,320,980**	**304,016,205**	**309,606,908**

	As at 31 December			As at 30 April	As at 31 July
	2021	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current liabilities					
Trade and note payables	98,735,566	89,805,646	94,238,073	106,294,118	108,615,873
Contract liabilities	23,916,595	27,960,038	41,765,475	35,510,113	38,847,545
Borrowings	33,647,538	11,417,964	22,109,985	17,891,000	29,849,818
Lease liabilities	860,503	992,142	1,166,901	1,149,267	1,123,639
Customer deposits	78,180	77,469	88,960	77,200	76,003
Derivative financial instruments	166,649	314,539	413,222	636,508	528,138
Other financial liabilities at fair value through profit or loss	–	1,580,771	1,346,674	1,174,016	1,067,216
Current tax liabilities	2,972,040	2,813,522	3,477,253	3,712,902	3,112,865
Other payables and accruals	62,474,405	71,379,650	86,639,178	113,288,284	97,907,811
Total current liabilities	**222,851,476**	**206,341,741**	**251,245,721**	**279,733,408**	**281,128,908**
Net current assets	**26,013,029**	**54,757,530**	**30,075,259**	**24,282,797**	**28,478,000**

We had net current assets positions as at 31 December 2021, 2022 and 2023, 30 April 2024 and 31 July 2024.

Our net current assets increased from RMB24.3 billion as at 30 April 2024 to RMB28.5 billion as at 31 July 2024, mainly due to a net increase in current assets, which is primarily a result of an increase in term deposits and restricted cash driven primarily by an increase in profit, partially offset by a net increase in current liabilities primarily as a result of an increase in borrowings due to bank loans borrowed and the maturity date of our borrowings falling within one year.

Our net current assets decreased from RMB30.1 billion as at 31 December 2023 to RMB24.3 billion as at 30 April 2024, mainly due to a net increase in current liabilities which is primarily a result of (i) an increase of cash dividends payables of RMB20.8 billion and (ii) an increase in trade and note payables driven by our business growth, partially offset by a net increase in current assets, which is primarily a result of (x) an increase in balance of term deposits and restricted cash, driven primarily by an increase in profit (see our consolidated statement of changes in equity included in Appendix I to this document), and (y) an increase in trade and note receivables as a result of an increase in sales.

Our net current assets decreased from RMB54.8 billion as at 31 December 2022 to RMB30.1 billion as at 31 December 2023, mainly due to a net increase in current liabilities primarily as a result of (i) an increase in other payables and accruals mainly due to our enhanced promotion efforts that resulted in an increase in sales rebate, (ii) an increase in contract liabilities primarily as a result of an increase in advances on sales and services driven by our business growth, and (iii) an increase in borrowings due to new bank loans borrowed and the maturity date of certain of our borrowings falling within one year, partially offset by a net increase in current assets primarily as a result of (x) increases in cash, cash equivalents and other deposits driven primarily by an increase in profit (see our consolidated statements of changes in equity included in Appendix I to this document), and (y) an increase in trade and note receivables at amortized cost primarily as a result of an increase in sales.

Our net current assets increased from RMB26.0 billion as at 31 December 2021 to RMB54.8 billion as at 31 December 2022, due to (i) a net increase in current assets primarily as a result of (a) the increase in balance of cash and cash equivalents driven primarily by an increase in profit (see our consolidated statements of changes in equity included in Appendix I to this document), and (b) net increase in balance of the current portion of our other financial assets at amortized cost primarily as a result of changes of our investment portfolio; and (ii) a net decrease in current liabilities primarily as a result of refinancing activities where we replaced certain of our short-term borrowings with long-term borrowings in 2022.

Non-Current Assets and Non-Current Liabilities

The following table sets forth the breakdown of our non-current assets and non-current liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	25,996,426	30,516,233	36,382,765	36,562,524
Right-of-use assets	10,264,315	10,485,657	11,501,892	11,239,167
Investment properties	859,195	809,936	1,293,629	1,263,150
Intangible assets	37,073,861	37,307,434	40,860,697	39,485,598
Deferred tax assets	8,192,309	10,244,296	12,771,150	13,633,849
Prepayments, other receivables and other assets	2,701,909	2,412,405	2,705,275	2,715,755
Investments in associates and joint ventures	3,796,705	5,188,817	4,976,109	5,053,245
Loan receivables	851,927	693,294	975,272	518,630
Derivative financial instruments	–	4,276,688	2,082,347	3,105,590
Other financial assets at amortized cost	35,485,395	42,032,707	79,121,387	79,926,465
Other financial assets at fair value through other comprehensive income	7,939,682	11,135,618	6,356,921	6,235,029
Other financial assets at fair value through profit or loss	5,912,873	6,348,556	5,687,591	5,402,552
Total non-current assets	**139,074,597**	**161,451,641**	**204,715,035**	**205,141,554**

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Borrowings	19,734,020	53,849,564	49,356,705	50,008,478
Lease liabilities	1,533,552	1,507,480	2,047,319	2,007,395
Deferred tax liabilities	4,948,450	4,646,555	5,097,810	4,919,505
Other payables and accruals	2,823,276	2,563,915	2,253,296	2,382,391
Deferred income	1,228,459	1,721,092	1,734,932	1,696,417
Derivative financial instruments	–	–	2,282	20,573
Total non-current liabilities	**30,267,757**	**64,288,606**	**60,492,344**	**61,034,759**

Inventories

The following table sets forth details of our inventories as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Inventories				
Finished goods	33,636,462	34,753,459	35,291,863	28,852,990
Raw materials	9,592,914	8,675,143	8,572,689	9,641,426
Work in progress	2,406,866	2,519,241	3,170,699	2,524,293
Consigned processing materials	596,531	427,838	444,995	446,144
Contract fulfilment costs[1]	232,049	368,584	556,540	413,652
	46,464,822	46,744,265	48,036,786	41,878,505
Less: Provision for impairment loss	(540,383)	(699,368)	(697,531)	(760,652)
Total	**45,924,439**	**46,044,897**	**47,339,255**	**41,117,853**

Note:

(1) Contract fulfillment costs mainly represent the costs incurred to fulfill the obligations under a product purchase contract, primarily attributable to our Smart Home Solutions and our Other Businesses under Commercial & Industrial Solutions.

Our inventories decreased from RMB47.3 billion as at 31 December 2023 to RMB41.1 billion as at 30 April 2024, primarily due to a decrease in finished goods as the result of seasonality as our operations generally have higher inventory needs at year-end to prepare for increased sales activities during the Chinese New Year.

Our inventories remained stable at RMB45.9 billion as at 31 December 2021, RMB46.0 billion as at 31 December 2022 and RMB47.3 billion as at 31 December 2023.

The following is an aging analysis of our inventories:

	As at 31 December			As at 30 April
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	42,134,603	40,513,813	41,744,610	35,952,489
Between 3 and 6 months	2,286,602	2,881,609	2,641,078	2,660,889
Between 6 months and 1 year	1,195,872	2,069,949	1,940,581	1,495,637
Between 1 and 2 years	587,074	963,561	1,249,814	1,246,907
Over 2 years	260,671	315,333	460,703	522,583
Total	**46,464,822**	**46,744,265**	**48,036,786**	**41,878,505**

The following table sets forth our inventory turnover days for the years/period indicated:

	For the Year Ended 31 December			For the Four Months Ended 30 April
	2021	**2022**	**2023**	**2024**
Inventory turnover days[1]	53	64	62	50

Note:

(1) Calculated as the average of beginning and ending balance of inventories for the year/period divided by cost of revenue for that year/period and multiplied by 365 days (for a year) or 121 days (for the four-month period).

Our inventory turnover days were 53 days, 64 days, 62 days and 50 days in 2021, 2022 and 2023 and the four months ended 30 April 2024, respectively, which are meaningfully below industry averages. The decrease in inventory turnover days for the four months ended 30 April 2024 was primarily due to aforementioned seasonality factor. The increase in inventory turnover days for 2022, despite having similar year-end inventories amount compared to that of 2021, was primarily due to a higher beginning inventories balance as compared to that of 2021 as a result of a material increase in various raw material prices which caused higher carrying value of finished goods and raw materials in 2021.

As at 31 July 2024, we had used or sold approximately RMB30.8 billion, or 73.4% of our balance of inventories as at 30 April 2024.

Trade and Note Receivables at Amortized Cost

The following table sets forth details of our trade and note receivables at amortized cost as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and note receivables at amortized cost				
– Trade receivables	25,495,619	29,570,582	34,367,460	44,618,742
– Note receivables	4,816,538	4,819,885	5,587,562	4,975,310
	30,312,157	34,390,467	39,955,022	49,594,052
Less: allowance for credit losses				
– Trade receivables	(859,179)	(1,332,609)	(1,482,721)	(1,548,984)
– Note receivables	(31,624)	(61,756)	(65,602)	(62,814)
	(890,803)	(1,394,365)	(1,548,323)	(1,611,798)
Total	**29,421,354**	**32,996,102**	**38,406,699**	**47,982,254**

Our trade and note receivables at amortized cost increased by 24.9% from RMB38.4 billion as at 31 December 2023 to RMB48.0 billion as at 30 April 2024 and increased by 16.4% from RMB33.0 billion as at 31 December 2022 to RMB38.4 billion as at 31 December 2023, as a result of the growth of our overseas business, which generally features longer credit terms compared with domestic business. Our trade and note receivables at amortized cost remained relatively stable at RMB29.4 billion and RMB33.0 billion as at 31 December 2021 and 2022, respectively.

As at 31 July 2024, RMB35.8 billion, or 80.3% of our trade receivables at amortized cost as at 30 April 2024 had been settled.

The following table sets forth a breakdown of our trade and note receivables at amortized cost by business as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and note receivables at amortized cost				
Smart Home Solutions	17,099,644	17,774,243	21,255,123	27,908,763
Commercial & Industrial Solutions	12,122,444	14,979,441	16,840,871	19,951,803
Others	199,266	242,418	310,705	121,688
Total	**29,421,354**	**32,996,102**	**38,406,699**	**47,982,254**

The following is an aging analysis of our trade receivables at amortized cost based on the invoice date as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables at amortized cost				
Below 3 months	21,985,394	24,927,697	29,183,011	39,339,270
Between 3 and 6 months	1,638,277	1,627,320	2,047,141	2,362,524
Between 6 months and 1 year	942,730	1,587,150	1,378,882	1,181,015
Between 1 and 2 years	617,355	1,099,842	1,114,153	1,065,931
Over 2 years	311,863	328,573	644,273	670,002
Total	**25,495,619**	**29,570,582**	**34,367,460**	**44,618,742**

During the Track Record Period, a majority of our trade receivables at amortized cost were outstanding for less than six months. For a substantial portion of our Smart Home Solutions in mainland China, we generally require full payment upon delivery of goods. For other businesses, we generally grant a credit period of 60 days. For certain customers for our Commercial & Industrial Solutions, we may extend longer credit terms depending on the credit history of our customers and the transaction value.

The following table sets forth our trade and note receivables at amortized cost turnover days in terms of Smart Home Resolutions and Commercial & Industrial Solutions, respectively, for the years/periods indicated:

	For the Year Ended 31 December			For the Four Months Ended 30 April
	2021	2022	2023	2024
Trade and note receivables at amortized cost turnover days	**31**	**33**	**35**	**36**
Smart Home Solutions[1]	27	27	29	33
Commercial & Industrial Solutions[1]	55	59	59	63

Note:

(1) Calculated as the average of beginning and ending balance of trade and note receivables at amortized cost for the year/period divided by revenue for that year/period and multiplied by 365 days (for a year) or 121 days (for the four-month period).

Our trade and note receivables at amortized cost turnover days increased from 31 days in 2021 to 33 days in 2022, 35 days in 2023 and further to 36 days in the four months ended 30 April 2024, primarily as a result of (i) the expansion of our overseas business, which generally features longer credit terms than our domestic business, and (ii) the growth of our Commercial & Industrial Solutions, which generally features longer credit terms compared to Smart Home Solutions.

Trade and Note Receivables at Fair Value Through Other Comprehensive Income ("FVOCI")

Our trade and note receivables at FVOCI represent the accounts receivable and bank acceptance notes held for collection of contractual cash flows and for selling. During the Track Record Period, our trade and note receivables at FVOCI were mainly note receivables. Our trade and note receivables at FVOCI were RMB10.3 billion, RMB13.5 billion, RMB13.3 billion and RMB21.4 billion as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively.

Prepayments, Other Receivables and Other Assets

The following table sets forth details of our prepayments, other receivables and other assets as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments, other receivables and other assets				
Prepayments and other assets				
Prepayments[1]	5,241,768	5,174,583	4,767,457	5,373,898
Deductible value-added tax	6,137,776	3,875,519	5,852,464	4,931,827
Prepaid expenses	828,675	856,455	1,047,492	1,065,640
Deferred listing expenses	–	–	30,876	33,989
Others	1,711,806	2,100,042	2,060,175	2,522,141
	13,920,025	12,006,599	13,758,464	13,927,495
Less: non-current portion	(1,830,553)	(1,797,807)	(2,454,756)	(2,532,062)
	12,089,472	10,208,792	11,303,708	11,395,433
Other receivables and other assets				
Other receivables[2]	3,147,595	2,249,186	2,233,595	2,011,003
Long-term receivables[3]	1,371,022	1,176,968	1,050,627	997,145
Futures margin	739,557	1,208,013	632,773	677,969
	5,258,174	4,634,167	3,916,995	3,686,117

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less: provision for impairment				
– Other receivables	(43,530)	(38,009)	(51,717)	(43,505)
– Long-term receivables	(8,461)	(8,779)	(121,521)	(117,646)
	(51,991)	(46,788)	(173,238)	(161,151)
Less: non-current portion	(871,356)	(614,598)	(250,519)	(183,693)
	4,334,827	3,972,781	3,493,238	3,341,273
	16,424,299	14,181,573	14,796,946	14,736,706

Notes:

(1) The prepayments mainly consists of advance payment for raw material and equipment.

(2) The majority of other receivables are security deposit and guarantee, current accounts, petty cash to staff and receivables related to stock options.

(3) Long-term receivables mainly consist of finance lease receivables.

Loan Receivables

Our loan receivables represent loan receivables to individuals and corporations. The following table sets forth details of our loan receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loan receivables				
Loan receivables to individuals	2,217,220	1,820,952	1,555,477	1,274,387
Loan receivables to corporations	19,744,034	13,475,027	14,073,508	14,548,808
	21,961,254	15,295,979	15,628,985	15,823,195
Less: Provision for impairment	(452,727)	(463,929)	(356,755)	(388,042)
	21,508,527	14,832,050	15,272,230	15,435,153
Less: Non-current portion	(851,927)	(693,294)	(975,272)	(518,630)
	20,656,600	14,138,756	14,296,958	14,916,523

Derivative Financial Instruments

Our derivative financial instruments mainly represent forwards, options and futures contracts. The following table sets forth details of our derivative financial instruments as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial instruments				
Assets:				
– Cross-currency interest rate swaps – used for hedging	–	3,374,926	1,924,092	2,843,256
– Cross-currency interest rate swaps – held for trading	–	901,762	1,213,625	1,740,912
– Foreign currency and futures contracts – used for hedging	752,950	86,967	392,593	339,285
– Others – held for trading	545,865	665,484	222,791	784,936
	1,298,815	5,029,139	3,753,101	5,708,389
Less: Non-current portion	–	(4,276,688)	(2,082,347)	(3,105,590)
	1,298,815	752,451	1,670,754	2,602,799
Liabilities:				
– Cross-currency interest rate swaps – held for trading	–	–	–	20,895
– Foreign currency and futures contracts – used for hedging	9,047	79,933	155,554	182,870
– Others – held for trading	157,602	234,606	259,950	453,316
	166,649	314,539	415,504	657,081
Less: Non-current portion	–	–	(2,282)	(20,573)
	166,649	314,539	413,222	636,508

For our hedging strategy, see "— Indebtedness — Derivative Financial Instruments."

Other Financial Assets at Amortized Cost

Our other financial assets at amortized cost represent the financial products that are held for collection of contractual cash flows, and the contractual cash flows solely represent payments of principal and interest. Our other financial assets at amortized cost primarily consist of constant return financial products, which mainly include term bank deposits with initial terms over one year, custom deposits and non-transferable certificates of deposits deposited in financial institutions, which were subsequently measured at amortized cost.

The following table sets forth details of our other financial assets at amortized cost as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other financial assets at amortized cost				
Constant Return Financial Products	59,182,220	111,905,968	138,396,959	133,597,529
Less: Non-current portion	(35,485,395)	(42,032,707)	(79,121,387)	(79,926,465)
	23,696,825	69,873,261	59,275,572	53,671,064

Other Financial Assets at Fair Value Through Other Comprehensive Income ("FVOCI")

Our other financial assets at FVOCI primarily consist of transferable certificate of deposits and equity securities, among which transferable certificate of deposits represented the majority of other financial assets at FVOCI during the Track Record Period. Our other financial assets at FVOCI was RMB27.5 billion, RMB17.7 billion, RMB11.1 billion and RMB7.5 billion as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively.

Other Financial Assets at Fair Value Through Profit or Loss ("FVPL")

Our other financial assets at FVPL primarily consist of equity securities, structured deposits, listed securities and others.

The following table sets forth details of our other financial assets at FVPL as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other financial assets at FVPL				
Non-current:				
– Equity securities	5,912,873	6,348,556	5,687,591	5,402,552
Current:				
– Structured deposits	4,285,607	1,606,608	53,750	175,000
– Listed securities	1,319,470	1,264,595	1,726,584	1,400,190
– Others	274,125	413,390	10,254	10,295
	5,879,202	3,284,593	1,790,588	1,585,485
Total	**11,792,075**	**9,633,149**	**7,478,179**	**6,988,037**

Our investment policies and strategies with respect to financial products mainly include: (i) we minimize financial risks by matching the maturities of the portfolio with anticipated operating cash needs, while aiming to generate reasonable investment returns for the benefits of our shareholders; (ii) investment in high-risk products is not allowed; (iii) the proposed investment must not interfere with our business operations or capital expenditures; and (iv) the financial products we invest in should guarantee returns and should be issued by a reputable bank. We primarily invest in financial products issued by major commercial banks in mainland China with low risks and a short-to-mid-term. We make investment decisions related to financial products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to the macro-economic environment, general market conditions, the risk control and credit levels of the issuing banks, our working capital needs, and the expected profit or potential loss of the investment.

To monitor and control the investment risks associated with our financial product portfolio, we have adopted a comprehensive set of internal procedures to manage our investment in financial products. With the authorization of the Board and the supervision by our chief financial officer, our investment panel, which is comprised by certain members of our finance department with financial and cash management capabilities as well as prior work experience in investment funds and financial institutions, is responsible for analysing, evaluating and determining the investment plans with respect to financial products in accordance with our cash management policies and internal approval process. Prior to modifying our existing investment portfolio, the proposal must be approved by our chief financial officer or designated senior members of the finance department. For details of our chief financial officer's expertise in this regard, see "Directors, Supervisors and Senior Management."

After Listing, our investments in financial products will be subject to compliance with Chapter 14 of the Listing Rules.

Intangible Assets

Our intangible assets primarily consist of goodwill, patents and non-patent technologies, trademark rights and others.

The following table sets forth details of our intangible assets as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Intangible assets				
Goodwill	27,874,752	28,548,653	30,858,237	29,991,509
Patents and non-patent technologies	2,169,910	1,952,359	2,814,995	2,711,475
Trademark rights	4,608,913	4,674,769	4,827,900	4,679,778
Others	2,420,286	2,131,653	2,359,565	2,102,836
Total	**37,073,861**	**37,307,434**	**40,860,697**	**39,485,598**

Our intangible assets remained relatively stable at RMB37.1 billion, RMB37.3 billion, RMB40.9 billion and RMB39.5 billion as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively.

Impairment tests for goodwill and trademark rights with an indefinite useful life

The carrying amount of goodwill and trademark rights with an indefinite useful life are allocated to groups of cash-generating units, or CGUs, including (i) KUKA Group, (ii) the TLSC group, which mainly represents Toshiba Lifestyle and its subsidiaries, (iii) Little Swan and (iv) others. The following sets forth details of the carrying amount of goodwill and trademark rights with an indefinite useful life allocated to groups of CGUs as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
KUKA Group	20,544,697	21,122,932	22,364,486	21,757,226
TLSC group	2,580,274	2,437,914	2,338,037	2,131,160
Little Swan	1,361,306	1,361,306	1,361,306	1,361,306
Others	3,893,186	4,149,906	5,327,237	5,276,467
	28,379,463	29,072,058	31,391,066	30,526,159
Less: Impairment	(504,711)	(523,405)	(532,829)	(534,650)
	27,874,752	28,548,653	30,858,237	29,991,509

The trademark rights with an indefinite useful life of our Group are used by KUKA Group for its robotics and automation system business, the carrying amounts of which are RMB4,019,207,000, RMB4,132,328,000, RMB4,375,217,000 and RMB4,256,417,000 as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively.

Impairment reviews on our goodwill and trademark rights with an indefinite useful life have been conducted by our management as at 31 December 2021, 2022 and 2023 and 30 April 2024. For the purposes of impairment review, the recoverable amounts of CGU or group of CGUs, are determined based on value in use, or VIU, calculations by using the discounted cash flow method.

The key assumptions used by our management for VIU calculation for the impairment test of KUKA Group as at 31 December 2021, 2022 and 2023 and 30 April 2024, included: the revenue annual growth rates of 4.10%~17.21%, 0.18%~12.94%, 4.73%~15.43%, and 3.57%~15.43%; the gross margins of 22.71%~24.59%, 22.76%~23.60%, 22.79%~23.60%, and 22.78%~23.60%; the perpetual annual growth rates of 2.00%, 2.00%, 2.00% and 2.00%; and the pre-tax discount rates of 9.32%, 10.74%, 10.73% and 11.60%, respectively.

The key assumptions used by our management for VIU calculation for the impairment test of the TLSC group as at 31 December 2021, 2022 and 2023 and 30 April 2024, included: the revenue annual growth rates of 2.89%~5.21%, 2.94%~5.26%, 2.89%~7.00%, and 2.89%~7.01%; the gross margins of 27.52%~30.80%, 26.52%~30.82%, 26.22%~29.00%, and 26.22%~29.01%; the perpetual annual growth rates of 1.00%, 1.00%, 1.00% and 1.00%; and the pre-tax discount rates of 15.13%, 15.62%, 14.92% and 14.99%, respectively.

The key assumptions used by our management for VIU calculation for the impairment test of Little Swan as at 31 December 2021, 2022 and 2023 and 30 April 2024, included: the revenue annual growth rates of 2.00%~11.80%, 2.00%~10.00%, 3.00%~8.70%, and 3.00%~8.70%; the gross margins of 28.34%~28.86%, 29.47%~30.06%, 31.79%~34.17%, and 31.80%~33.59%; the perpetual annual growth rates of 2.00%, 2.00%, 2.00% and 2.00%; and the pre-tax discount rates of 13.17%, 12.83%, 12.41% and 12.31%, respectively.

Our management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue annual growth rate .	Revenue annual growth rate is estimated over the five-year or six-year forecast period based on past performance and our management's expectations of market development. The management of us used a six-year period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose for many years. Based on the industry knowledge and understanding of the market and business cycle, the management considered that before the projections move into a long term stable period, such six-year period projection was reasonable and supportable
Gross margin	Based on past performance and our management's expectations for the future
Perpetual annual growth rate .	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long term inflation rates of the relevant countries were relatively stable during the Track Record Period.
Pre-tax discount rate	Estimated by using the weighted average cost of capital ("WACC") method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business

Impact of possible changes in key assumptions

For the sensitivity analysis of KUKA Group conducted during the impairment review, had there been reasonably possible changes with reduction of the revenue annual growth rate of each year during the forecast period by 3.00%, or a reduction of the gross margin of each year during the forecast period by 2.00%, or an increase in pre-tax discount rate by 0.50%, or a reduction of perpetual annual growth rate by 0.50%, it would cause the reduction of the recoverable amount of KUKA Group as follows, if one of the key assumptions was to change while other variable held constant: As at 31 December 2021, the recoverable amount would decrease by RMB1.8 billion, RMB2.4 billion, RMB2.8 billion and RMB2.0 billion. As at 31 December 2022, the recoverable amount would decrease by RMB1.4 billion, RMB2.3 billion, RMB2.4 billion and RMB1.6 billion. As at 31 December 2023, the recoverable amount would decrease by RMB2.0 billion, RMB2.8 billion, RMB2.5 billion and RMB1.6 billion. As at 30 April 2024, the recoverable amount would decrease by RMB2.0 billion, RMB2.4 billion, RMB2.2 billion and RMB1.4 billion.

For the sensitivity analysis of TLSC Group conducted during the impairment review, had there been reasonably possible changes with reduction of the revenue annual growth rate of each year during the forecast period by 3.00%, or a reduction of the gross margin of each year during the forecast period by 2.00%, or an increase in pre-tax discount rate by 0.50%, or a reduction of perpetual annual growth rate by 0.50%, it would cause the reduction of the recoverable amount of TLSC Group as follows, if one of the key assumptions was to change while other variable held constant: As at 31 December 2021, the recoverable amount would decrease by RMB206.8 million, RMB842.8 million, RMB265.1 million and RMB158.9 million. As at 31 December 2022, the recoverable amount would decrease by RMB213.3 million, RMB867.8 million, RMB301.9 million and RMB192.5 million. As at 31 December 2023, the recoverable amount would decrease by RMB209.7 million, RMB851.7 million, RMB294.9 million and RMB167.6 million. As at 30 April 2024, the recoverable amount would decrease by RMB204.6 million, RMB832.0 million, RMB276.2 million and RMB175.2 million.

For the sensitivity analysis of Little Swan conducted during the impairment review, had there been reasonably possible changes with reduction of the revenue annual growth rate of each year during the forecast period by 3.00%, or a reduction of the gross margin of each year during the forecast period by 2.00%, or an increase in pre-tax discount rate by 0.50%, or a reduction of perpetual annual growth rate by 0.50%, it would cause the reduction of the recoverable amount of Little Swan as follows, if one of the key assumptions was to change while other variable held constant: As at 31 December 2021, the recoverable amount would decrease by RMB938.5 million, RMB2.1 billion, RMB1.1 billion and RMB720.1 million. As at 31 December 2022, the recoverable amount would decrease by RMB651.1 million, RMB1.9 billion, RMB1.7 billion and RMB1.0 billion. As at 31 December 2023, the recoverable amount would decrease by RMB654.8 million, RMB2.3 billion, RMB1.7 billion and RMB1.1 billion. As at 30 April 2024, the recoverable amount would decrease by RMB721.5 million, RMB2.4 billion, RMB1.6 billion and RMB1.1 billion.

We have considered and assessed reasonably possible changes for the key assumptions and have not identified any instances that would cause the carrying amounts of the above CGUs to exceed their recoverable amounts as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively.

Investments in Associates and Joint Ventures

Our investments in associates and joint ventures represent our investments in entities in which we have significant influence or joint control. During the Track Record Period, our investments in associates and joint ventures mainly include our investments in companies, such as Guangdong Shunde Rural Commercial Bank Co., Ltd., Hefei Royalstar Motor Co., Ltd., Carrier Midea North America LLC, Foshan Micro Midea Filter Mfg. Co., Ltd, Concepcion Midea Inc., TWENTYTHREEC LLC, ShenZhen CEGN Co., Ltd. and T.G. Battery Co. (Hong Kong) Ltd.

As at 31 December 2021, 2022 and 2023 and 30 April 2024, we recorded investments in associates and joint ventures of RMB3.8 billion, RMB5.2 billion, RMB5.0 billion and RMB5.1 billion, respectively.

Trade and Note Payables

The following table sets forth details of our trade and note payables as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and note payables				
Trade payables	65,983,559	64,233,225	72,530,465	83,048,129
Note payables	32,752,007	25,572,421	21,707,608	23,245,989
Total	**98,735,566**	**89,805,646**	**94,238,073**	**106,294,118**

Our trade and note payables remained relatively stable at RMB98.7 billion as at 31 December 2021, RMB89.8 billion as at 31 December 2022, RMB94.2 billion as at 31 December 2023 and RMB106.3 billion as at 30 April 2024.

As at 31 July 2024, RMB60.0 billion, or 72.3% of our trade payables as at 30 April 2024 had been settled.

The following is an aging analysis of our trade payables based on the invoice date as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
Below 3 months	60,571,240	58,401,404	67,421,139	74,548,097
Between 3 and 6 months	2,269,335	2,561,447	1,838,583	4,936,835
Between 6 months and 1 year	1,871,896	2,102,026	1,597,946	1,757,631
Over 1 year	1,271,088	1,168,348	1,672,797	1,805,566
Total	**65,983,559**	**64,233,225**	**72,530,465**	**83,048,129**

During the Track Record Period, over 90% of our trade payables were outstanding for less than six months. For suppliers who grant us a credit period, the typical term is up to 180 days.

The following table sets forth our trade and note payables turnover days for the years/periods indicated:

	For the Year Ended 31 December			For the Four Months Ended 30 April
	2021	2022	2023	2024
Trade and note payables turnover days[(1)]	124	131	122	114

Note:

(1) Calculated as the average of beginning and ending balance of trade and note payables for the year/period divided by cost of revenue for the year/period and multiplied by 365 days (for a year) or 121 days (for the four-month period).

Our trade and note payables turnover days remained relatively stable at 124 days, 131 days, 122 days and 114 days in 2021, 2022 and 2023 and 30 April 2024, respectively.

Contract Liabilities

Our contract liabilities represent the liabilities recognized when the measure of the remaining performance obligations of a contract exceeds the measure of the remaining rights, primarily consisting of advances on sales and services and advances for construction projects.

The following table sets forth details of our contract liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities				
Advances on sales and services	21,319,800	25,143,337	38,549,278	32,430,882
Advances for construction projects	2,596,795	2,816,701	3,216,197	3,079,231
Total	**23,916,595**	**27,960,038**	**41,765,475**	**35,510,113**

Our contract liabilities decreased from RMB41.8 billion as at 31 December 2023 to RMB35.5 billion as at 30 April 2024, primarily due to the decrease of RMB6.1 billion in advances on sales and services as the result of our contract fulfillment in the four months ended 30 April 2024. Our contract liabilities increased significantly from RMB28.0 billion as at 31 December 2022 to RMB41.8 billion as at 31 December 2023, primarily due to the increase of

RMB13.4 billion in advances on sales and services as the result of the enhancement of product portfolio and the increasing advance payments made by our customers. Our contract liabilities remained relatively stable at RMB23.9 billion as at 31 December 2021 and RMB28.0 billion as at 31 December 2022.

As at 31 July 2024, RMB23.5 billion, or 66.2%, of our contract liabilities as at 30 April 2024 were subsequently recognized as revenue.

Other Payables and Accruals

Our other payables and accruals mainly consist of sales rebate and others. Sales rebate primarily represents the rebates we granted to customers as part of our promotion strategies.

The following table sets forth details of our other payables and accruals as at the dates indicated:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals				
Sales rebate accruals	31,307,753	40,041,953	48,311,934	56,537,490
Marketing and transportation expenses accruals	5,689,733	6,118,002	7,908,952	9,915,737
Salaries, wages and benefits	9,360,184	8,640,673	10,509,901	7,082,501
Endorsed note receivables without been derecognized and not yet due[1]	3,002,446	2,647,855	2,951,899	2,082,267
Other taxes payable	2,432,227	2,141,813	1,977,849	2,740,787
Other payables[2]	4,288,104	4,322,025	4,442,928	25,276,916
Others[3]	9,217,234	10,031,244	12,789,011	12,034,977
Total	65,297,681	73,943,565	88,892,474	115,670,675
Less: non-current portion				
– Salaries, wages and benefits	(1,825,016)	(1,488,456)	(1,433,874)	(1,310,411)
– Others	(998,260)	(1,075,459)	(819,422)	(1,071,980)
	62,474,405	71,379,650	86,639,178	113,288,284

Notes:

(1) Endorsed note receivables without been derecognized and not yet due represent bank acceptance notes that have been transferred and not yet due, excluding those meets the criteria for derecognition.

(2) Other payables primarily consist of dividend payables, restricted stock repurchase obligations and deposits.

(3) Others mainly represent (i) warranty and (ii) output tax to be declared.

Our other payables and accruals increased by 30.1% from RMB88.9 billion as at 31 December 2023 to RMB115.7 billion as at 30 April 2024, primarily due to (i) an increase of RMB20.8 billion in dividend payables as the result of our declared cash dividends in the four months ended 30 April 2024, and (ii) an increase of RMB8.2 billion in sales rebate as the result of our enhanced promotion efforts and the growth of our revenue in the four months ended 30 April 2024.

Our other payables and accruals increased by 20.2% from RMB73.9 billion as at 31 December 2022 to RMB88.9 billion as at 31 December 2023, primarily due to an increase of RMB8.3 billion in sales rebate as the result of our enhanced promotion efforts and the growth of our revenue in 2023.

Our other payables and accruals increased by 13.2% from RMB65.3 billion as at 31 December 2021 to RMB73.9 billion as at 31 December 2022, primarily due to the increase of RMB8.7 billion in sales rebate as the result of our enhanced promotion efforts in 2022.

KEY FINANCIAL RATIOS

	As at/For the Year Ended 31 December			As at/For the Four Months Ended 30 April
	2021	2022	2023	2024
Net profit margin	8.5%	8.6%	9.0%	9.4%
ROE[(1)]	23.6%	22.1%	22.1%	25.3%
Inventory turnover days[(2)]	53	64	62	50
Trade and note receivables turnover days[(3)]	31	33	35	36
Operating cash flow conversion ratio[(4)]	1.2	1.2	1.7	1.3
Gearing ratio[(5)]	65.2%	64.0%	64.1%	66.9%

Notes:

(1) ROE is calculated by dividing profit for the year attributable to the owners of our Company by the average balance of equity attributable to owners of our Company. For the four months ended 30 April 2024, ROE is annualized by multiplying the number by three.

(2) Inventory turnover days is calculated as the average of beginning and ending balance of inventories for the year/period divided by cost of revenue for that year/period and multiplied by 365 days (for a year) or 121 days (for the four-month period).

(3) Trade and note receivables turnover days is calculated as the average of beginning and ending balance of trade and note receivables at amortized cost for the year/period divided by revenue for that year/period and multiplied by 365 days (for a year) or 121 days (for the four-month period).

(4) Operating cash flow conversion ratio is calculated by dividing net cash generated from operating activities by profit for the year/period.

(5) Gearing ratio is calculated by dividing total liabilities by total assets of the year/period.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period and up to the Latest Practicable Date, we have funded our working capital primarily from cash generated from our business operation, and to a lesser extent, external indebtedness. We do not anticipate any material changes to the availability of financing to fund our operations in the future.

Our Directors are of the view that, taking into account the financial resources available to us, including cash and cash equivalents, our available banking facilities, cash flows from operating activities and net proceeds from the Global Offering, we have sufficient working capital for at least 12 months from the date of this document.

Our cash and cash equivalents primarily consist of cash at bank and in hand, short-term deposits with initial terms within three months. We had cash and cash equivalents of RMB40.6 billion, RMB51.1 billion, RMB59.9 billion and RMB64.3 billion as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively. In addition, we have other deposits of terms longer than three months, which is also an important part of our capital resources.

The following table sets forth a summary of our cash flows for the years/periods indicated.

	For the Year Ended 31 December			For the Four Months Ended 30 April	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net cash generated from operating activities	35,448,953	34,657,828	57,902,611	11,820,270	16,916,694
Net cash generated from/(used in) investing activities	13,599,586	(13,509,510)	(31,219,855)	(27,842,393)	(8,577,869)
Net cash (used in)/generated from financing activities	(31,561,788)	(10,854,881)	(17,910,213)	10,785,347	(3,731,916)
Net increase in cash and cash equivalents	17,486,751	10,293,437	8,772,543	(5,236,776)	4,606,909
Cash and cash equivalents at the beginning of the year/period	**23,548,508**	**40,550,039**	**51,131,968**	**51,131,968**	**59,887,260**
Exchange (losses)/gains on cash and cash equivalents	(485,220)	288,492	(17,251)	(66,853)	(241,798)
Cash and cash equivalents at the end of the year/period	**40,550,039**	**51,131,968**	**59,887,260**	**45,828,339**	**64,252,371**

Net cash generated from operating activities

Net cash generated from operating activities for the four months ended 30 April 2024 was RMB16.9 billion. The difference between net cash generated from operating activities and the profit before income tax of RMB16.2 billion was the result of (i) adjustments, which primarily consist of depreciation and amortization of non-current assets of RMB2.5 billion and share-based compensation expenses and others of RMB556.0 million, and (ii) changes in working capital, which primarily consist of an increase in trade and note payables of RMB12.1 billion, an increase in other payables and accruals of RMB7.0 billion, and a decrease in inventories of RMB5.9 billion, partially offset by an increase in trade and note receivables of RMB18.6 billion and a decrease in contract liabilities of RMB6.0 billion.

Net cash generated from operating activities in 2023 was RMB57.9 billion. The difference between net cash generated from operating activities and the profit before income tax of RMB40.3 billion was the result of (i) adjustments, which primarily consist of depreciation and amortization of non-current assets of RMB7.3 billion and finance cost, net of RMB2.3 billion, and (ii) changes in working capital, which primarily consist of an increase in other payables and accruals of RMB14.2 billion and an increase in contract liabilities of RMB12.3 billion, partially offset by an increase in trade and note receivables of RMB8.0 billion.

Net cash generated from operating activities in 2022 was RMB34.7 billion. The difference between net cash generated from operating activities and the profit before income tax of RMB35.0 billion was the result of (i) adjustments, which primarily consist of depreciation and amortization of non-current assets of RMB6.5 billion, finance cost, net of RMB1.1 billion and share-based compensation expenses and others of RMB1.0 billion, and (ii) changes in working capital, which primarily consist of an increase in other payables and accruals of RMB13.5 billion and a decrease in loan receivables of RMB6.7 billion, partially offset by an increase in trade and note receivables of RMB10.1 billion and a decrease in trade and note payables of RMB9.1 billion.

Net cash generated from operating activities in 2021 was RMB35.4 billion. The difference between net cash generated from operating activities and the profit before income tax of RMB33.7 billion was the result of (i) adjustments, which primarily consist of depreciation and amortization of non-current assets of RMB6.5 billion and share-based compensation expenses and others of RMB1.6 billion, and (ii) changes in working capital, which primarily consist of an increase in trade and note payables of RMB13.1 billion and an increase in contract liabilities of RMB9.4 billion, partially offset by an increase in inventories of RMB15.2 billion.

Net cash generated from/(used in) investing activities

Net cash used in investing activities for the four months ended 30 April 2024 was RMB8.6 billion, primarily due to net payments for purchase of financial assets (payments for purchase of financial assets minus proceeds from disposal of financial assets and interest received) of RMB6.8 billion, and net payments for purchase of property, plant and equipment, intangible assets and other non-current assets (payments for purchase of property, plant and equipment, intangible assets and other non-current assets minus proceeds from disposal of these assets) of RMB2.0 billion.

Net cash used in investing activities in 2023 was RMB31.2 billion, primarily due to net payments for purchase of financial assets (payments for purchase of financial assets minus proceeds from disposal of financial assets and interest received) of RMB26.0 billion, and net payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB5.9 billion.

Net cash used in investing activities in 2022 was RMB13.5 billion, primarily due to net payments for purchase of financial assets (payments for purchase of financial assets minus proceeds from disposal of financial assets and interest received) of RMB6.1 billion and net payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB7.1 billion.

Net cash generated from investing activities in 2021 was RMB13.6 billion, primarily due to net proceeds from disposal of financial assets (the aggregate of proceeds from disposal of financial assets and interest received minus payments for purchase of financial assets) of RMB21.7 billion, partially offset by net payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB6.5 billion.

Net cash used in financing activities

Net cash used in financing activities for the four months ended 30 April 2024 was RMB3.7 billion, primarily due to repayment of borrowings of RMB11.7 billion, partially offset by proceeds from borrowings of RMB8.2 billion.

Net cash used in financing activities in 2023 was RMB17.9 billion, primarily due to repayments of borrowings of RMB33.1 billion and dividends paid to our shareholders of RMB17.2 billion, partially offset by proceeds from borrowings of RMB33.9 billion.

Net cash used in financing activities in 2022 was RMB10.9 billion, primarily due to repayments of borrowings of RMB44.9 billion and dividends paid to our shareholders of RMB11.7 billion, partially offset by proceeds from borrowings of RMB53.3 billion.

Net cash used in financing activities in 2021 was RMB31.6 billion, primarily due to repayments of borrowings of RMB24.2 billion, payments for repurchase of shares and refund the exercise price of lapsed restricted shares of RMB13.8 billion and dividends paid to our shareholders of RMB11.1 billion, partially offset by proceeds from borrowings of RMB19.0 billion.

INDEBTEDNESS

Borrowings

Other than our operating cash flow, we also finance our working capital with bank loans and other borrowings. As at 31 July 2024, the latest date for determining our indebtedness, the aggregate balance of our borrowings was RMB73.0 billion.

The following table sets forth the breakdown of our borrowings as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 July
	2021	**2022**	**2023**	**2024**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Non-current:					
Bank loans	19,734,020	50,685,948	46,138,736	46,795,636	39,862,455
Debentures	–	3,163,616	3,217,969	3,212,842	3,249,453
	19,734,020	53,849,564	49,356,705	50,008,478	43,111,908
Current:					
Bank loans	33,647,538	11,417,964	22,109,985	17,891,000	29,849,818
Total	**53,381,558**	**65,267,528**	**71,466,690**	**67,899,478**	**72,961,726**

Our non-current borrowings decreased from RMB50.0 billion as at 30 April 2024 to RMB43.1 billion as at 31 July 2024, primarily due to the remaining term of certain of our borrowings becoming less than one year. Our non-current borrowings remained relatively stable at RMB49.4 billion as at 31 December 2023 and RMB50.0 billion as at 30 April 2024. Our non-current borrowings decreased from RMB53.8 billion as at 31 December 2022 to RMB49.4 billion as at 31 December 2023, primarily due to the remaining term of certain of our borrowings becoming less than one year. Our non-current borrowings increased from RMB19.7 billion as at 31 December 2021 to RMB53.8 billion as at 31 December 2022, primarily as a result of refinancing activities where we replaced certain of our short-term borrowings with long-term borrowings in 2022.

Our current borrowings increased from RMB17.9 billion as at 30 April 2024 to RMB29.8 billion as at 31 July 2024, primarily as the result of (i) the changes in non-current borrowings and (ii) an increase in financing activities. Our current borrowings decreased from RMB22.1 billion as at 31 December 2023 to RMB17.9 billion as at 30 April 2024, primarily due to the repayments of borrowings. Our current borrowings increased from RMB11.4 billion as at 31 December 2022 to RMB22.1 billion as at 31 December 2023, primarily due to (i) the changes in non-current borrowings, and (ii) the consolidation of Clou Electronics in our financial statements following our acquisition of Clou Electronics. Our current borrowings decreased from RMB33.6 billion as at 31 December 2021 to RMB11.4 billion as at 31 December 2022, primarily due to the repayments of borrowings.

Bank loans

Our bank loans amounted to RMB53.4 billion, RMB62.1 billion, RMB68.2 billion, RMB64.7 billion and RMB69.7 billion as at 31 December 2021, 2022 and 2023, 30 April 2024 and 31 July 2024, respectively.

The following table sets forth a breakdown of our bank loans obtained in mainland China and overseas as at the dates indicated:

	As at 31 December			As at 30 April 2024	As at 31 July 2024
	2021	2022	2023		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)
Bank loans					
– Mainland China	16,936,758	23,524,764	28,604,958	24,335,792	34,987,236
– Overseas	36,444,800	38,579,148	39,643,763	40,350,844	34,725,037
Total	**53,381,558**	**62,103,912**	**68,248,721**	**64,686,636**	**69,712,273**

During the Track Record Period, our bank loans came from mainland China and foreign commercial banks and financial institutions bearing effective interest rates in the range of 0.30% to 28.50% per annum. The majority of our bank borrowings were unsecured as of 30 April 2024. Additionally, we maintain facilities with a number of commercial banks in support of our operations. As at 31 July 2024, we had bank facilities of approximately RMB229.1 billion, of which RMB128.9 billion remained unutilized.

Debentures

Our debentures amounted to nil, RMB3.2 billion, RMB3.2 billion, RMB3.2 billion and RMB3.2 billion as at 31 December 2021, 2022 and 2023, 30 April 2024 and 31 July 2024, respectively.

In February 2022, our subsidiary Midea Investment Development Company Limited issued a five-year US dollar-denominated corporate bond, with face value of US$450.0 million and carried a coupon interest rate of 2.88% per annum payable semi-annually. From the date of the issuance to 31 July 2024, Midea Investment Development Company Limited paid an aggregate of US$25.9 million in interest payments related to the corporate bond.

Subsequent to 31 July 2024, we did not issue any material corporate bonds or debentures.

Lease Liabilities

As required by IFRS 16, at the commencement of a lease, a lessee will recognize a liability to make lease payments, namely, the lease liabilities, and an asset representing the right to use the underlying asset during the lease term, namely, the right-of-use assets. During the Track Record Period, we entered into leases primarily for our manufacturing facilities, offices and warehouses.

The following table sets forth the remaining contractual maturities of our lease liabilities as at the dates indicated:

	As at 31 December			As at 30 April 2024	As at 31 July 2024
	2021	2022	2023		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current	860,503	992,142	1,166,901	1,149,267	1,123,639
Non-current	1,533,552	1,507,480	2,047,319	2,007,395	1,923,276
Total lease liabilities	**2,394,055**	**2,499,622**	**3,214,220**	**3,156,662**	**3,046,915**

Derivative Financial Instruments

Our derivative financial instruments mainly include forwards, options and futures. During the Track Record Period, we used a combination of these derivative financial instruments to hedge the fluctuations of foreign exchange rate, interest rate and raw material price. During the Track Record Period, a professional team within our finance department, together with our overseas sales team and our supply chain team, implemented measures to manage our hedge activities, including but not limited to, (i) a monthly assessment of our hedge needs, taking into account factors such as foreign exchange rate movements, interest rate movements, the extent of exposure to foreign exchange risk caused by overseas sales, raw material procurement, financing and other business activities, spot market price of raw materials, the estimated amount of bank deposits and cash, equity investments, bank loans and intercompany balances in our functional currencies, prevailing foreign exchange market condition and recommendations from institutions, and (ii) obtaining relevant market information, analysing hedge instruments and determining the derivative instruments.

As at 31 December 2021, 2022 and 2023, 30 April 2024 and 31 July 2024, our derivative financial instruments amounted to RMB166.6 million, RMB314.5 million, RMB415.5 million, RMB657.1 million and RMB528.1 million, respectively.

Other Financial Liabilities at Fair Value Through Profit or Loss

We operate a technology industry investment fund, which was incorporated in November 2018 and consolidated to the financial statements of our Group since 2022, with a paid-in capital of RMB2.08 billion. The fund mainly allocates its investments to advanced manufacturing and technological innovation sectors, intelligent manufacturing and smart home solutions sectors, new retail sector, new energy sector and other relevant sectors. For the amount raised from limited partners, we have contractual obligation to settle the liabilities with the limited partners at the fund's prevailing fair value and the management designates such obligation as other financial liabilities at fair value through profit or loss. As at 31 December 2021, 2022 and 2023, 30 April 2024 and 31 July 2024, our other financial liabilities at fair value through profit or loss amounted to nil, RMB1,580.8 million, RMB1,346.7 million, RMB1,174.0 million and RMB1,067.2 million, respectively.

Contingent Liabilities

During the Track Record Period, our contingent liabilities mainly relate to tax disputes involving our Brazilian subsidiary, which had been initiated before we acquired equity interest of this Brazilian subsidiary from its original shareholders pursuant to a share purchase agreement dated 5 August 2011. As at 31 December 2021, 2022 and 2023, 30 April 2024 and 31 July 2024, the amounts of the maximum potential loss on a cumulative basis in outstanding tax disputes involving this Brazilian subsidiary, in which we hold 51% equity interest, were about BRL614.2 million (equivalent to RMB701.7 million), BRL741.9 million (equivalent to RMB990.3 million), BRL735.1 million (equivalent to RMB1,075.4 million), BRL733.0 million (equivalent to RMB1,007.2 million) and BRL649.8 million (equivalent to RMB818.8 million), respectively, including the tax amount in dispute, penalty, interest, etc., payable to the Brazilian government. The decrease in the amount of the maximum potential loss from 31 December 2022 to 31 July 2024 was primarily due to the resolution of some of the disputes. 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, in the share purchase agreement that we entered into in August 2011, they agreed to indemnify us in an amount not exceeding BRL157.5 million (equivalent to RMB179.4 million, RMB209.6 million, RMB230.4 million, RMB216.4 million and RMB198.5 million as at 31 December 2021, 2022 and 2023, 30 April 2024 and 31 July 2024, respectively) in accordance with the final verdicts. As at the Latest Practicable Date, the relevant cases (other than some disputes that have been resolved) were still ongoing. With reference to judgments of third-party attorneys, our management believes that the probability of losing the relevant lawsuits and paying compensation is low, and has accrued sufficient amount of provisions based on that probability. The amount of provisions for the potential compensation for the relevant lawsuits, based on our best estimate, was RMB13.4 million, RMB26.8 million, RMB35.4 million, RMB33.8 million and RMB15.7 million as at 31 December 2021, 2022 and 2023, 30 April 2024 and 31 July 2024, respectively.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and debentures or default in payment of bank loans and debentures during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, we did not have any bank loans and debentures, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of 31 July 2024, the latest date for determining our indebtedness. Our Directors confirm that there has not been any material change in our indebtedness since 31 July 2024, the latest date for determining our indebtedness, up to the date of this document.

CAPITAL COMMITMENT

Our capital commitments are related to contracted, but not provided for purchase of property, plant and equipment and the acquisition consideration to be paid. The details of our capital commitments as at the dates indicated are set forth below:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for purchase of property, plant and equipment	5,990,809	5,145,982	4,005,911	2,872,559

In April 2024, we entered into an agreement with Arbonia AG, a company listed on the SIX Swiss Exchange, to acquire all equity interest in its climate division. Subject to the fulfillment of certain closing conditions, the acquisition consideration of the transaction is EUR648.8 million. As at the Latest Practicable Date, the payment of the consideration has not been made, and the transaction has not been completed, subject to the fulfillment of certain closing conditions including regulatory approvals.

In June 2024, we entered into an agreement with HERITAGE B to acquire 97.38% equity interests of Teka Industrial, S.A. The acquisition consideration of the transaction is EUR175 million. As at the Latest Practicable Date, the payment of the consideration has not been made, and the transaction has not been completed, subject to the fulfillment of certain closing conditions including regulatory approvals.

CAPITAL EXPENDITURES

Our capital expenditures consist of buildings, overseas land, machinery and equipment, motor vehicles, electronic equipment and others, construction in progress, leasehold improvements and land use rights. The following table sets forth details of our capital expenditures for the years/periods presented:

	For the Year Ended 31 December			For the Four Months Ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Buildings	706,350	468,401	1,381,338	91,794	116,847
Overseas land	29,364	29,246	64,694	–	99,715
Machinery and equipment	2,219,034	3,148,615	3,429,407	721,942	817,280
Motor vehicles	29,775	66,129	168,436	8,692	25,168
Electronic equipment and others	775,815	1,112,476	1,410,092	295,030	338,348
Construction in progress	2,381,015	3,294,350	4,386,848	782,768	916,008
Leasehold improvements	288,260	388,110	524,305	129,287	172,946
Land use rights	2,382,182	510,764	759,883	4,563	5,529
Total	**8,811,795**	**9,018,091**	**12,125,003**	**2,034,076**	**2,491,841**

We funded these expenditures primarily with our operating cash flow, and we expect to fund our capital expenditures with our operating cash flow and proceeds from the Global Offering.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details relating to our related party transactions, see "Connected Transactions" and Note 45 to the Accountant's Report set out in Appendix I to this document. In particular, in terms of the balance with related parties, term deposits, other financial assets at amortized cost and other financial assets at FVOCI were non-trade in nature, while trade and note receivables at amortized cost, trade and note payables, contract liabilities, prepayments, other receivables and other assets and other payables and accruals were trade in nature. We intend to settle the outstanding balances in accordance with the terms of deposits. The non-trade balances as of 30 April 2024 are term deposits placed by us with Guangdong Shunde Rural Commercial Bank Co., Ltd. ("**Guangdong Shunde Rural Commercial Bank**"), which as of the Latest Practicable Date is not our connected person and such term deposits do not constitute our connected transactions upon the Listing. The term deposits were also placed with Guangdong Shunde Rural Commercial Bank in our ordinary course of business and on normal commercial terms. As such we are not required by the Listing Rules to settle these term deposits before the Listing. Our

Directors believe that our transactions with related parties during the Track Record Period were conducted in the ordinary course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks, including market risk (including foreign exchange risk, other price risk and interest rate risk), credit risk and liquidity risk. For details, see Note 3 to the Accountant's Report set out in Appendix I to this document.

Market Risk

Foreign exchange risk

We operate internationally and are exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our subsidiaries.

Our finance department has a professional team to manage the risk arising of fluctuation of exchange rate, with approach of the natural hedge for settling currencies, signing forward foreign exchange hedging contracts and controlling the scale of foreign currency assets and liabilities, to minimise foreign exchange risk, and to reduce the impact of exchange rate fluctuations on business performance.

Other price risk

We are exposed to equity price risk mainly arising from investments held by us that are classified either FVPL or FVOCI. To manage our price risk arising from the investments, we diversify our investment portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing our liquidity level simultaneously. Each investment is managed by management on a case by case basis.

Sensitivity analysis is performed by management to assess the exposure of our financial results to equity price risk of FVPL and FVOCI at the end of each reporting period.

Interest rate risk

Our interest rate risk primarily arises from long-term interest-bearing borrowings and bonds. Long-term borrowings issued at floating rates expose us to cash flow interest rate risk. Borrowings and bonds issued at fixed rates expose us to fair value interest rate risk. We determine the proportion of borrowings and bonds issued at floating rates and fixed rates based on the market environment.

We have been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings and finance leases issued at floating rates, which will further impact our performance. To hedge against the variability in the cash flows arising from a change in market interest rates, we have entered into certain interest rate swaps to swap floating rates into fixed rates.

Credit Risk

We are exposed to credit risk primarily in relation to its contract assets, trade and note receivables at amortized cost, trade and note receivables at FVOCI, loan receivables, other financial assets at amortized cost, other financial assets at FVOCI (excluding unlisted securities), term deposits and restricted cash, cash and cash equivalents. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets.

(i) Risk management

To manage this risk arising from other financial assets at FVOCI (excluding unlisted securities), constant return financial products in other financial assets at amortized cost, term deposits and restricted cash, cash and cash equivalents, we mainly transact with the People's Bank of China, state-owned banks or other reputable listed banks with high credit rating. There has been no recent history of default in relation to those financial institutions.

For contract assets, trade and note receivables at amortized cost, loan receivables and other financial assets at amortized cost (excluding constant return financial products), we assess the credit quality of and sets credit limits on our customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by us. In respect of customers with a poor credit history, we will use written payment reminders, or shorten or cancel credit periods, to ensure our overall credit risk is limited to a controllable extent.

In addition, for loans receivables, we determine the amount and type of collateral required based on the credit risk assessment of the counterparty. The pledged collateral of the loan mainly includes receivables and inventories. We monitor the market value of the collateral, requests additional collateral in accordance with the relevant agreements, and monitors changes in the market value of the collateral in the context of the adequacy review of the provision for impairment. As at 31 December 2021, 2022 and 2023 and 30 April 2024, we had no other material collateral held for debtors or other credit enhancements.

(ii) Impairment of financial assets

We have eight types of assets that are subject to the expected credit loss model:

- Contract assets;
- Trade and note receivables at amortized cost;
- Trade and note receivables at fair value through other comprehensive income;
- Other receivables and other assets;
- Loan receivables;
- Other financial assets at amortized cost;
- Other financial assets at fair value through other comprehensive income (excluding unlisted securities); and
- Cash and cash equivalents, term deposits and restricted cash.

While cash and cash equivalents, term deposits and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2021, 2022 and 2023 and 30 April 2024.

Contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI

We apply the IFRS 9 simplified approach to measuring expected credit losses, or ECL, which uses a lifetime expected loss allowance for all contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI.

To measure the ECL, contract assets, trade and note receivables at amortized cost have been grouped based on shared credit risk characteristics and aging. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. We have therefore concluded that the expected loss rates for trade and note receivables at amortized cost are a reasonable approximation of the loss rates for the contract assets. We also made individual assessment on the recoverability of its contract assets and trade and note receivables at amortized cost for certain customer based on historical settlement record.

The historical loss rates are determined by reference to the credit rating analysis of respective customers and external data or based on the payment profiles of sales over a period before the respective period ends and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We have identified the Total Retail Sales of Consumer goods and the Gross Domestic Product or GDP, of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(i) Contract assets

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

We individually assessed the recoverability of the balance with certain customers as significant increase in credit risk were identified as at 31 December 2021, 2022 and 2023 and 30 April 2024. An impairment loss of RMB3.1 million, RMB51.8 million and RMB52.3 million were individually recognized for contract asset and gross carrying amount were RMB11.4 million and RMB71.4 million and RMB68.7 million as at 31 December 2021 and 2023 and 30 April 2024, respectively. There was no significant concentrations of credit risk as at 31 December 2021, 2022 and 2023 and 30 April 2024.

(ii) Trade receivables at amortized cost

We individually assessed the recoverability of the balance with certain customers as at 31 December, 2021, 2022 and 2023 and 30 April 2024 as significant increase in credit risk were identified.

(iii) Note receivables at amortized cost and trade and note receivables at FVOCI

As at 31 December 2021, 2022 and 2023 and 30 April 2024, we measured provision for impairment based on the lifetime ECL and expected that there was no significant credit risk associated with our bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.

Other receivables and other assets and loan receivables

We consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk in other receivables and other assets and loan receivables, we compare the risk of a default occurring on the assets at the end of each reporting period with the risk of default at the date of initial recognition. We consider available, reasonable, supportive forward-looking information. Especially, the following indicators are incorporated:

- external credit rating of the counterparty (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty; and
- significant expected changes in the performance and behavior of the counterparty, including changes in the payment status of the counterparty and changes in the operating results of the counterparty.

We account for our credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, we consider historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Other financial assets at amortized cost and other financial assets at FVOCI (excluding unlisted securities)

As at 31 December 2021, 2022 and 2023 and 30 April 2024, we considered that there was no significant increase in credit risk of constant return financial products and transferable certificate of deposit since initial recognition, and made provision for loss based on 12-month ECL. we considered that there was no significant credit risk associated with constant return financial products and transferable certificate of deposit and did not expect that there would be any significant losses from non-performance by these financial institutions.

Net impairment losses on financial assets and contract assets recognized in profit or loss

During the Track Record Period, the provision/reversal of loss allowances were recognised in profit or loss in "Net impairment losses on financial assets and contract assets" in relation to the impaired financial assets and contract assets.

Financial assets and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery amongst others, include the failure of a debtor to engage in a repayment plan with us.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate balances of such.

DIVIDEND POLICY

Subject to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (2023 Revision) (《上市公司監管指引第3號 －上市公司現金分紅(2023年修訂)》), and Articles 156 through 161 of the Articles of Association, we are required to pay cumulative cash dividends of any three fiscal years that account for not less than 30% of our average net profits for those three fiscal years which are available for distribution, calculated in accordance with PRC GAAP. In 2022, our Shareholder Return Plan for 2022-2024 was adopted. We have strictly implemented this plan, which specifies the decision-making process for dividend standards, dividend ratios and profit distribution policies, aiming to ensure a consistent profit distribution policy and to protect the legitimate interests of minority shareholders.

Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders' meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that our Board may deem relevant.

During the Track Record Period, we declared cash dividends to our shareholders as follows:

	For the Year Ended 31 December			For the Four Months Ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Final dividends in respect of the previous year, declared or paid during the year/period (tax inclusive)	11,066,392	11,677,509	17,188,858	–	20,780,278
Dividends of lapsed restricted shares	(13,663)	(25,484)	(44,594)	(7,242)	(3,926)
Dividends provided during the year/period	**11,052,729**	**11,652,025**	**17,144,264**	**(7,242)**	**20,776,352**

DISTRIBUTABLE RESERVES

As at 30 April 2024, we had approximately RMB128.9 billion of retained earnings available for distribution to our shareholders.

LISTING EXPENSES

Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, an Offer Price of HK$53.40 per Offer Share (which is the mid-point of the Offer Price range) and the full payment of the discretionary incentive fee, if any, we expect to incur approximately RMB280.8 million (equivalent to HK$307.8 million) of listing expenses (including (i) underwriting-related expenses, including but not limited to commissions, fees, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, amounting to approximately RMB193.8 million, and (ii) fees and expenses of legal advisers and accountants amounted to approximately RMB67.3 million and other fees and expenses relating to the Global Offering, including but not limited to the listing application fees, amounting to approximately RMB19.7 million), accounting for approximately 1.2% of the gross proceeds from the Global Offering. Approximately RMB12.6 million of our listing expenses is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately RMB268.2 million is expected to be deducted from equity upon Listing. During the Track Record Period, we incurred listing expenses of RMB38.3 million, of which (i) RMB4.3 million was charged to the consolidated statements of profit or loss, and (ii) RMB34.0 million was directly attributable to the offering and listing of our Offer Shares and will be deducted from equity upon the Listing. The estimate of listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 April 2024 and based on the audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 April 2024 as derived from the Accountant's Report, the text of which is set out in Appendix I to this document, and adjusted as described below.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group had the Global Offering been completed as at 30 April 2024 or any future dates.

	Audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 April 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of our Company as at 30 April 2024	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(note 1)	*(note 2)*		*(note 3)*	*(note 4)*
Based on an Offer Price of HK$ 52.00 per H Share	119,258,506	23,073,289	142,331,795	19.01	20.84
Based on an Offer Price of HK$ 54.80 per H Share	119,258,506	24,320,146	143,578,652	19.18	21.03

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 April 2024 is derived from the Accountant's Report as set out in Appendix I to this document, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as at 30 April 2024 of approximately RMB156,962,038,000, with an adjustment for the intangible assets attributable to the owners of our Company as at 30 April 2024 of approximately RMB37,703,532,000.

(2) The estimated net proceeds from the Global Offering are based on 492,135,100 Offer Shares and the indicative Offer Price of HK$52.00 and HK$54.80 per H Share respectively, after deduction of the underwriting fees and other related listing expenses (excluding listing expenses of RMB4,339,000 which have been accounted for in the consolidated statements of profit or loss prior to 30 April 2024) and takes no account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option, any Shares that may be issued by the Company pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time under the Share Schemes or any Shares which may be issued or repurchased by the Company after the Latest Practicable Date.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 7,485,265,951 Shares were in issue, assuming that the Global Offering had been completed on 30 April 2024 but does not take into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option, any Shares that may be issued by the Company pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time under the Share Schemes or any Shares which may be issued or repurchased by the Company after the Latest Practicable Date.

(4) For the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets per Share, the translation of Renminbi amounts into Hong Kong dollars was at the rate of RMB1.00 to HK$1.0962. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 April 2024.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

No Material Adverse Change

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our business, financial condition and results of operations since 30 April 2024, which is the end date of the years/period reported on in the Accountant's Report in Appendix I to this document, and there is no event since 30 April 2024 which would materially affect the information as set out in the Accountant's Report in Appendix I to this document.

Summary of Unaudited Financial Information for the Six Months Ended 30 June 2024

We are a public company listed on the Shenzhen Stock Exchange and we have disclosed unaudited key financial information prepared under PRC GAAP as at and for the six months ended 30 June 2024 pursuant to the relevant PRC securities laws and regulations. We have included our unaudited interim condensed consolidated financial information prepared in accordance with IAS 34, *Interim Financial Reporting* as at and for the six months ended 30 June 2024 in Appendix IA to this document. Our unaudited interim condensed consolidated financial information as at and for the six months ended 30 June 2024 has been reviewed by our reporting accountant in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. The members of the Board, including those of the Audit Committee, have received and reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2024, as set out in Appendix IA to this document. We have complied with the code provisions in Part 2 of Appendix C1 to the Listing Rules. We are not in breach of our Articles of Association or laws and regulations of the PRC or other regulatory requirements regarding our obligation to distribute interim reports in accordance with the requirements under Rule 13.48(1) of the Listing Rules. Pursuant to the Note to Rule 13.48(1) of the Listing Rules, we do not intend to distribute a separate interim report in respect of the six months ended 30 June 2024 under the aforementioned Rule. See "Appendix IA — Unaudited Interim Condensed Consolidated Financial Information" for details. The following is a discussion of fluctuations of selected line items.

Summary of Consolidated Statements of Profit or Loss

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated:

	For the Six Months Ended 30 June			
	2023		2024	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*
	(unaudited)			
Revenue	197,795,614	100.0	218,121,839	100.0
Cost of revenue	(148,352,436)	(75.0)	(159,630,449)	(73.2)
Gross profit	**49,443,178**	**25.0**	**58,491,390**	**26.8**
Selling and marketing expenses	(17,133,161)	(8.7)	(21,455,813)	(9.8)
General and administrative expenses	(5,904,217)	(3.0)	(6,964,685)	(3.2)
Research and development expenses	(6,613,944)	(3.3)	(7,662,534)	(3.5)
Net impairment losses on financial assets and contract assets	(219,212)	(0.1)	(35,208)	(0.1)
Other income	3,652,611	1.8	4,426,954	2.0
Other gains/(losses), net	160,218	0.1	(1,611,408)	(0.7)
Operating profit	**23,385,473**	**11.8**	**25,188,696**	**11.5**
Finance income	471,856	0.2	697,281	0.3
Finance costs	(2,097,825)	(1.0)	(866,073)	(0.4)
Finance costs, net	(1,625,969)	(0.8)	(168,792)	(0.1)
Share of profit of associates and joint ventures, net	348,545	0.2	431,939	0.3
Profit before income tax	**22,108,049**	**11.2**	**25,451,843**	**11.7**
Income tax expense	(3,578,648)	(1.8)	(4,310,369)	(2.0)
Profit for the period	**18,529,401**	**9.4**	**21,141,474**	**9.7**
Attributable to:				
Owners of the Company	18,232,839	9.3	20,804,395	9.5
Non-controlling interests	296,562	0.1	337,079	0.2

Revenue

Our revenue increased by 10.3% from RMB197.8 billion for the six months ended 30 June 2023 to RMB218.1 billion for the six months ended 30 June 2024. Specifically, our revenue from Smart Home Solutions increased by 11.4% from RMB132.4 billion for the six months ended 30 June 2023 to RMB147.6 billion for the six months ended 30 June 2024, which was due to increased sales in all main product categories under Smart Home Solutions driven by the growing consumer demand for our home appliance products, primarily as a result of enhanced product competitiveness from our continued innovation and upgrades. Our revenue from Commercial & Industrial Solutions increased by 6.3% from RMB50.3 billion for the six months ended 30 June 2023 to RMB53.4 billion for the six months ended 30 June 2024, primarily driven by the growth of our Energy Solutions & Industrial Technology business. Our revenue from others increased from RMB15.1 billion for the six months ended 30 June 2023 to RMB17.1 billion for the six months ended 30 June 2024.

Cost of revenue

Our cost of revenue increased by 7.6% from RMB148.4 billion for the six months ended 30 June 2023 to RMB159.6 billion for the six months ended 30 June 2024, primarily due to our increased raw materials and consumables used from RMB120.8 billion for the six months ended 30 June 2023 to RMB130.6 billion for the six months ended 30 June 2024, which was generally in line with our growth in revenue.

Gross profit

Our gross profit increased by 18.3% from RMB49.4 billion for the six months ended 30 June 2023 to RMB58.5 billion for the six months ended 30 June 2024, and our overall gross margin increased from 25.0% for the six months ended 30 June 2023 to 26.8% for the six months ended 30 June 2024. Specifically, our gross profit for Smart Home Solutions increased by 20.1% from RMB36.7 billion for the six months ended 30 June 2023 to RMB44.1 billion for the six months ended 30 June 2024, with gross margin increasing from 27.7% for the six months ended 30 June 2023 to 29.9% for the six months ended 30 June 2024. This increase in the gross margin of Smart Home Solutions was primarily due to the continued improvement in our overall product mix and our active and efficient management of all costs, including raw material costs. Our gross profit for Commercial & Industrial Solutions increased by 12.6% from RMB11.1 billion for the six months ended 30 June 2023 to RMB12.5 billion for the six months ended 30 June 2024, with gross margin increasing from 22.1% for the six months ended 30 June 2023 to 23.4% for the six months ended 30 June 2024. The increase in the gross margin of Commercial & Industrial Solutions was primarily due to continued product upgrades and our active and efficient management of all costs, including raw materials.

Selling and marketing expenses

Our selling and marketing expenses increased by 25.2% from RMB17.1 billion for the six months ended 30 June 2023 to RMB21.5 billion for the six months ended 30 June 2024, primarily due to (i) an increase in advertising and promotion expenses from RMB8.2 billion for the six months ended 30 June 2023 to RMB11.2 billion for the six months ended 30 June 2024 as we increased marketing efforts to promote our brand name and deepen our reach to consumers as we continued to promote the “direct to users” strategy, and (ii) an increase in employee benefit expenses from RMB2.9 billion for the six months ended 30 June 2023 to RMB3.6 billion for the six months ended 30 June 2024, driven by the expansion of our sales team and our business growth. Our selling and marketing expenses as a percentage of revenue was 8.7% and 9.8% for the six months ended 30 June 2023 and 2024, respectively.

Profit for the period

As a result of the foregoing, our profit for the period increased by 14.1% from RMB18.5 billion for the six months ended 30 June 2023 to RMB21.1 billion for the six months ended 30 June 2024.

Summary of Consolidated Statements of Financial Position

The following table sets forth summary information from our consolidated statements of financial position as at the dates indicated:

	As at 31 December	As at 30 June
	2023	**2024**
	RMB'000	*RMB'000* (*unaudited*)
Total non-current assets	204,715,035	204,842,425
Total current assets	281,320,980	301,787,598
Total assets	**486,036,015**	**506,630,023**
Total non-current liabilities	60,492,344	53,980,507
Total current liabilities	251,245,721	276,365,642
Net current assets	**30,075,259**	**25,421,956**
Total liabilities	**311,738,065**	**330,346,149**
Net assets	**174,297,950**	**176,283,874**
Share capital	7,025,769	6,980,152
Treasury shares	(12,871,738)	(6,497,464)
Reserves	32,440,770	28,162,413
Retained earnings	136,282,362	136,151,033
Equity attributable to owners of the Company	162,877,163	164,796,134
Non-controlling interests	11,420,787	11,487,740
Total equity	**174,297,950**	**176,283,874**

Our net current assets decreased from RMB30.1 billion as at 31 December 2023 to RMB25.4 billion as at 30 June 2024, mainly due to a net increase in current liabilities primarily as a result of an increase in trade and note payables primarily driven by our business growth and an increase in other payables and accruals mainly due to our enhanced promotion efforts that resulted in an increase in sales rebate, partially offset by a net increase in current assets primarily as a result of an increase in term deposits and restricted cash primarily by an increase in profit (see our consolidated statements of changes in equity included in Appendix IA to this document) and an increase in trade and note receivables at amortized cost primarily as a result of an increase in sales.

Our net assets increased from RMB174.3 billion as at 31 December 2023 to RMB176.3 billion as at 30 June 2024, mainly due to the profit of RMB21.1 billion for the six months ended 30 June 2024, partially offset by the dividends of RMB20.8 billion during the same period.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	For the Six Months Ended 30 June	
	2023	2024
	RMB'000	*RMB'000*
	(unaudited)	
Net cash generated from operating activities	29,784,674	33,488,170
Net cash used in investing activities	(27,046,688)	(20,635,554)
Net cash used in financing activities	(6,437,928)	(20,977,156)
Net decrease in cash and cash equivalents	(3,699,942)	(8,124,540)
Cash and cash equivalents at beginning of the period	**51,131,968**	**59,887,260**
Exchange gains/(losses) on cash and cash equivalents	128,769	(262,006)
Cash and cash equivalents at end of the period	**47,560,795**	**51,500,714**

We recorded net cash generated from operating activities of RMB33.5 billion for the six months ended 30 June 2024. The difference between net cash generated from operating activities and the profit before income tax of RMB25.5 billion was the result of (i) adjustments, which primarily consist of depreciation and amortization of non-current assets of RMB3.8 billion, and (ii) changes in working capital, which primarily consist of an increase in trade and note payables of RMB14.4 billion, an increase in other payables and accruals of RMB13.2 billion and a decrease in inventories of RMB6.7 billion, partially offset by an increase in trade and note receivables of RMB19.8 billion and a decrease in contract liabilities of RMB6.9 billion.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Hong Kong Listing Rules.

OUR LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, our Company was held as to approximately 31.0% by Midea Holding, which was in turn held as to 94.5% by Mr. He, the founder of our Company. Separately, Mr. He also held approximately 0.5% direct interest in our Company, and together with the Shares held by Midea Holding, Mr. He was interested in approximately 31.5% in our Company.

Immediately following the completion of the Global Offering and assuming that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing, Midea Holding will hold approximately 29.0% of the issued share capital of our Company and Mr. He will, directly and indirectly, hold approximately 29.4% of the issued share capital of our Company. Accordingly, Midea Holding and Mr. He will be our Largest Group of Shareholders immediately upon the Listing.

CLEAR BUSINESS DELINEATION

Our Business

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 nine 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 Business of our Largest Group of Shareholders

Midea Holding is an investment holding company incorporated under the laws of the PRC on 5 August 2002. Apart from the business of our Company, the Largest Group of Shareholders also control companies which engage in, amongst others, investment management, property management, hotel management, hospital management, healthcare management services and arts and cultural business.

Midea Holding and Mr. He do not currently have any interest in a business (save for the business of our Group) that competes or is likely to compete, whether directly or indirectly, with our Group's business, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETE UNDERTAKINGS

Midea Holding and Mr. He have executed certain non-competition undertakings on 28 March 2013 that, in order to avoid possible competition within the industry between Midea Holding and its controlled enterprises as well as Mr. He, his immediate family and his controlled companies (the "**Relevant Parties**") and our Company, Midea Holding and Mr. He have undertaken that:

(a) none of the Relevant Parties is or will be engaged in the same or similar business as the existing main business of our Company and its controlled companies. They are not or will not be engaged or participate in such business that competes with the existing main business of our Company and its controlled companies by controlling other economic entities, institutions or economic organisations;

(b) if our Company and its controlled entities expand their scope of business from the existing business to business where the Relevant Parties have already commenced production and operations, for so long as Midea Holding and Mr. He remain the controlling shareholder and the actual controller of our Company, they agree to resolve the potential competition within a reasonable period;

(c) if our Company and its controlled companies expand their scope of business from the existing business to business where the Relevant Parties have not commenced production or operation, for so long as Midea Holding and Mr. He remain the controlling shareholder and the actual controller of our Company, they will not engage in such new business which competes with the business of our Company and its controlled entities;

(d) for so long as Midea Holding and Mr. He remain the controlling shareholder and the actual controller of our Company pursuant to the effective PRC laws, regulation and regulatory documents, Midea Holding and Mr. He will not amend or terminate this undertaking; and

(e) Midea Holding and Mr. He shall faithfully fulfil the undertaking and assume the corresponding legal responsibilities. In the event that they fail to fulfil their obligations and responsibilities conferred by the undertaking, they will bear the corresponding legal consequences pursuant to the relevant laws, rules, regulations and regulatory documents.

INDEPENDENCE FROM OUR LARGEST GROUP OF SHAREHOLDERS

Management independence

Our business is managed and conducted by our Board and senior management. Upon listing, our Board will consist of 10 Directors, comprising five executive Directors, one non-executive Director and four independent non-executive Directors, and we also have three Supervisors and 14 senior management members (of which five are executive Directors). Each of our Directors, Supervisors and senior management possesses relevant management, financial or industry-related experience to contribute to the management of our business. For further information on the qualifications and experience of our Directors, Supervisors and senior management, see "Directors, Supervisors and Senior Management" in this document.

Save for Mr. Zhao Jun (our non-executive Director) who is also the executive president of Midea Holding and a non-executive director of Midea Real Estate and Ms. Ren Lingyan (our Supervisor) who is also the finance director of Midea Holding, none of our Directors, Supervisors and senior management has any executive position in Midea Holding or its close associates. Our Company and Midea Holding and its close associates are managed by separate management teams. Hence, we have sufficient management team members, who are independent from Midea Holding and/or its close associates and have adequate relevant experience to ensure the normal operation of the day-to-day business and management of our Group.

In addition, our Directors consider that our Board, Supervisors and senior management of our Company are capable of functioning independently of our Largest Group of Shareholders for the following reasons:

(a) save for Mr. Zhao Jun, a non-executive Director, and Ms. Ren Lingyan, a Supervisor, all of our Directors, Supervisors and senior management do not hold any position in Midea Holding or its close associates, and are capable to contribute sufficient time and efforts to manage the daily operations of our Group. In addition, the management personnel of our Company have clear reporting lines, and ultimately the management team reports to the executive Directors, who are responsible for reporting to our Board. Our Board supervises and monitors the performance of our Company's management team generally through the regular reports made by our executive Directors to our Board, regular meetings of our Board and ad hoc meetings of our Board to consider, deliberate and approve material matters which exceed the delegated authorities of management team, as well as the regular updates of operational and financial data and information that are provided to our Directors;

(b) we have appointed four independent non-executive Directors, comprising more than one-third of the total members of the Board, who have sufficient knowledge, experience and competence, so that there is a balanced composition of executive, non-executive Directors and independent non-executive Directors to ensure the independence of the Board in making decisions affecting our Company and to promote the interests of our Company and the Shareholders as a whole. In particular, the four independent non-executive Directors possess the relevant qualifications and industry experiences to safeguard the interests of the minority Shareholders of our Company by, among other things, reviewing and opining on connected transactions of our Company, including those between our Company and our Largest Group of Shareholders and/or their close associates. Please refer to the section headed "Directors, Supervisors and Senior Management" for details of the biographies of the independent non-executive Directors;

(c) each Director is aware of his/her fiduciary duties as a director which require, among others, that he/her must act for the benefit and in the interest of our Company and not allow any conflict between their duties as a Director and his/her personal interests;

(d) our Company is an A-share listed company and has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interest and shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted;

(e) each of Midea Holding and Mr. He has entered into an undertaking in favour of our Company to maintain the independence of our Company, which particularly enshrines the independence of personnel of our Company; and

(f) we have adopted other corporate governance measures to manage potential conflicts of interest, if any, between our Group and our Largest Group of Shareholders, which would enhance our independent management, as detailed in the sub-section headed "— Corporate governance measures" below.

Based on the above, our Directors believe that our business is managed independently from our Largest Group of Shareholders.

Operational independence

Our Company will continue to operate independently form our Largest Group of Shareholders after the Listing. Our Company makes and implements operational decisions independently of our Largest Group of Shareholders and has our own organisational structure with independent departments, each with specific areas of responsibility. Furthermore, we have independent production capabilities and technology relating to our Group's business and do not rely on the operations of our Largest Group of Shareholders. Our Company also maintains a set of comprehensive internal control measures to facilitate the effective operation of our business. Our Company has independent channels to access our customers and is not dependent on the Largest Group of Shareholders with respect to suppliers for our business operations. Our Company has its own employees to operate the business and can independently manage its human resources. We have obtained relevant licences, approvals and permits from relevant regulatory authorities which are material to our operations in mainland China.

We entered into certain continuing connected transactions with our connected persons. See section headed "Connected Transactions" for more details. Considering that the amounts of the relevant transactions during the Track Record Period are not significant to our Group, our Directors believe that such transactions will not have any impact on the operational independence of our Group.

Based on the above, our Directors believe that our business is operationally independent of our Largest Group of Shareholders.

Financial independence

We have adopted our own independent internal control and financial management systems and we also have an independent accounting and finance department responsible for discharging relevant financial and treasury function with relevant finance personnel. We make financial decisions and determine our use of funds according to our own business needs. We have adequate internal resources and a strong credit profile to support our daily operation. Moreover, our Board has established the Audit Committee to provide independent oversight to, among others, our accounting and financial reporting processes.

We open and manage our bank accounts independently, and have not shared any bank account with Midea Holding and Mr. He. We are also capable of obtaining financing from third parties, if necessary, without reliance on Largest Group of Shareholders. We do not expect to rely on our Largest Group of Shareholders or any of their close associates for financing after the Listing as we expect that our working capital will be primarily funded by cash generated from our business operation, and to a lesser extent, external indebtedness.

No loan or guarantee has been provided by, or granted to, Midea Holding, Mr. He or their respective associates during the Track Record Period and as of the Latest Practicable Date.

In light of the above, our Directors are of the view that we are able to maintain financial independence from our Largest Group of Shareholders.

Independence undertaking

As part of its commitment to uphold the management independence, financial independence and operational independence of our Group, Midea Holding and Mr. He have executed certain independence undertaking on 28 March 2013, pursuant to which Midea Holding and Mr. He have undertaken that:

(a) Midea Holding, Mr. He and their controlled enterprises will remain independent from our Group in respect of personnel, finance, assets, business and institutions, in accordance with relevant laws, regulations and regulatory documents; and

(b) they will faithfully fulfil the undertaking and assume the corresponding legal liability. If they fail to fulfil their obligations and responsibilities conferred by the undertaking, they will bear the corresponding legal liabilities according to the relevant laws, regulations and regulatory documents.

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance in protecting our Shareholders' interests. Our Company will comply with the provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix C1 to the Listing Rules, which set out principles of good corporate governance in relation to, among other matters, directors, the chairperson and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with Shareholders. We have adopted/will adopt the following corporate governance measures to resolve actual or potential conflict of interests between our Group and the Largest Group of Shareholders:

(a) under the Articles, where a Shareholders' meeting is held to consider proposed transactions in which Midea Holding and/or Mr. He are, under the Listing Rules, required to abstain, Midea Holding and/or Mr. He shall abstain from voting and their votes shall not be counted in respect of such transactions;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with Midea Holding, Mr. He or any of their respective associates, our Company will comply with the applicable requirements under the Listing Rules;

(c) our Board consists of a balanced composition of executive, non-executive and independent non-executive Directors, with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in the section headed "Directors, Supervisors and Senior Management", individually and collectively possess the requisite knowledge and experience to perform their roles. They will review whether there is any conflict of interests between our Group and our Largest Group of Shareholders and provide impartial and professional advice to protect the interest of our minority Shareholders;

(d) our independent non-executive Directors will continuously review the compliance of the non-competition and independence undertakings provided by the Largest Group of Shareholders;

(e) in the event that our independent non-executive Directors are requested to review any conflict of interests circumstances between our Group, on one hand, and Midea Holding, Mr. He and/or our Directors, on the other hand, Midea Holding, Mr. He and/or our Directors shall provide our independent non-executive Directors with all necessary information for consideration. Where our independent non-executive Directors reasonably request the advice of independent professionals, such as financial advisers, to help them make the judgement, the appointment of such independent professionals will be made at the expense of our Company; and

(f) we have appointed Huatai Financial Holdings (Hong Kong) Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Upon Listing, certain transactions between us and our connected persons will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

We have entered into certain transactions in the ordinary and normal course of our business with the following connected persons, which will constitute continuing connected transactions upon the Listing:

Names of our connected persons	Connected Relationship
Midea Real Estate (together with its subsidiaries, the "**Midea Real Estate Group**")	As of the Latest Practicable Date, Midea Real Estate is indirectly owned as to 79.04% by Ms. Lu Deyan. Ms. Lu Deyan and Mr. He, our founder and a member of our Largest Group of Shareholders, are parties acting-in-concert in respect of their interests in Midea Real Estate pursuant to a Deed of Acting-in-concert entered into between Ms. Lu Deyan and Mr. He dated 14 May 2018. As such, Mr. He is deemed to be interested in Ms. Lu Deyan's interest in Midea Real Estate. Furthermore, Ms. Lu Deyan is the spouse of Mr. He Jianfeng, our non-executive Director in the last 12 months before the Listing. Accordingly, Midea Real Estate is an associate of both Mr. He and Mr. He Jianfeng and constitutes a connected person of our Company under the Listing Rules.
Midea Construction (Hong Kong) Limited (美的建業(香港)有限公司) ("**Midea Construction (HK)**") . . .	Midea Construction (HK) is an indirect wholly-owned subsidiary of Midea Real Estate. As Midea Real Estate is an associate of Mr. He and Mr. He Jianfeng, Midea Construction (HK) constitutes a connected person of our Company under the Listing Rules.
Carrier Global Corporation ("**Carrier Global**")	Carrier Global, through its subsidiary Toshiba Carrier Corporation, holds 20.0% of the issued share capital of GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司), which is a significant subsidiary of the Company. Carrier Global is therefore a connected person at the subsidiary level of the Company.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Transaction	Counterparty	Category of continuing connected transaction	Applicable Listing Rule	Waiver sought	Proposed annual cap for the years ending December 31, 2024	2025	2026
					(RMB in billion)		
Trademark licensing agreement with Midea Construction (HK) and Midea Real Estate Group	Midea Real Estate and Midea Construction (HK)	Fully-exempt	Rule 14A.76(1)	N/A	N/A	N/A	N/A
Provision of Technology Products to Midea Real Estate Group	Midea Real Estate	Fully-exempt	Rule 14A.76(1)	N/A	N/A	N/A	N/A
Supply of products framework agreement with Carrier Global . .	Carrier Global	Partially-exempt	Rule 14A.35 Rule 14A.101	Announcement	5.0	5.6	6.6

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Trademark licensing agreement

Our Company has entered into a trademark licensing agreement with Midea Construction (HK) on 18 January 2018 and a supplemental trademark licensing agreement with Midea Real Estate and Midea Construction (HK) in March 2022 (collectively, the "**Trademark Licensing Agreements**"), pursuant to which we agreed to grant Midea Construction (HK) and other members of Midea Real Estate Group the right to use certain trademarks in mainland China and Hong Kong, at a total consideration of HK$10 million annually payable in RMB (collectively, the "**Trademark Licenses**") on a non-exclusive basis for an initial term of 10 years commencing from 1 January 2018. The Trademark Licensing Agreements will be renewed automatically every 10 years from the initial expiry date to the extent permissible under the Listing Rules and relevant laws and regulations.

The licensing fees have been arrived at after arm's length negotiations between our Group and Midea Real Estate and Midea Construction (HK) with reference to, among other things, the brand value and the intended use of the trademarks.

Over the years, we have developed the "Midea" (美的) brand into a well-known and famous brand in the household appliances and electronic products market in the PRC and globally. Midea Real Estate Group is a large renowned national property developer in the PRC and listed on the Hong Kong Stock Exchange (stock code: 3990). By licensing the trademark to Midea Real Estate Group, we are able to further leverage on the national footprint of Midea Real Estate Group to reach out to additional potential consumers. Our Directors are of the view that the Trademark Licensing Agreements have been arrived at after arm's length negotiations and that the terms are fair and reasonable, on normal commercial terms or better and are in the interest of our Company and Shareholders as a whole. The Joint Sponsors are of the view that it is normal business practice for the similar Trademark Licensing Agreements to be of a term greater than three years.

As the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%, the Trademark Licensing Agreements will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

2. Provision of technology products

On 28 December 2023, our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement ("**Technology Products Framework Sales Agreement**") with Midea Real Estate, pursuant to which we will supply to Midea Real Estate Group household appliances, including kitchen appliances, water heating machines, water purification equipment, washing machines and air conditioning machines, smart home products and elevator products, as well as other related ancillary products (collectively, "**Technology Products**"). Pursuant to the Technology Products Framework Sales Agreement, we will supply Technology Products to Midea Real Estate Group according to the separate agreements in respect of each of the transactions to be entered into by the relevant members of our Group with the relevant members of Midea Real Estate Group from time to time. The pricing of the Technology Products is to be determined by our Group and Midea Real Estate Group on normal commercial terms, negotiated on arm's length basis, subject to applicable laws and regulations and with reference to, among others, the costs, the quantities, quality and reliability of the Technology Products, the prevailing market conditions and the principle of fairness. The initial term of the Technology Products Framework Sales Agreement will commence on 1 January 2024 and end on 31 December 2026 (both days inclusive), subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations.

As the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%, the Technology Products Framework Sales Agreement will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

3. Supply of Products Framework Agreement

On September 3, 2024, our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement (the "**Supply of Products Framework Agreement**") with Carrier Global, for itself and on behalf of its associates, pursuant to which, our Group would supply to Carrier Global and its associates electrical appliances (including but not limited to: (i) HVAC products and dehumidifiers; (ii) multi-split outdoor air conditioner units, water heaters and water engines; and (iii) air conditioner compressors and motors), parts and components, and ancillary products and services (collectively, the "**Products**") as they may require from time to time.

The initial term of the Supply of Products Framework Agreement will commence on the Listing Date and end on December 31, 2026. Both parties or their respective subsidiaries or associates will enter into separate underlying agreements which will set out the specific terms and conditions for the supply of Products according to the principles provided in the Supply of Products Framework Agreement.

Reasons for the transaction

Carrier Global, a corporation organized and existing under the laws of the State of Delaware, is a global leader in intelligent climate and energy solutions with a focus on providing differentiated, digitally-enabled lifecycle solutions to its customers with its shares listed on the New York Stock Exchange under the symbol "CARR".

Our Group has a long-term and stable business relationship with Carrier Global. Our Group is familiar with Carrier Global's business needs, quality standards and operational requirements in respect of the Products. The supply of Products to Carrier Global and its associates helps to increase the sale scale and the sales revenue of our Group.

Consideration and pricing policies

The fees to be charged by our Group for the Products to be supplied to Carrier Global and its associates pursuant to the Supply of Products Framework Agreement shall be determined by commercial negotiation between the parties according to the principles of fairness and reasonableness, taking into account various factors including but not limited to the type of products, transaction volume and the prices for the supply of products of similar nature, type and quantity by our Group to other Independent Third Parties in the market.

Historical amounts

For the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024, the historical transaction amounts with respect to the supply of Products by our Group to Carrier Global and its associates were approximately RMB2,592.8 million, RMB2,638.3 million, RMB3,721.9 million and RMB1,606.8 million, respectively.

Annual caps

The following table sets forth the proposed annual caps for the annual transaction amounts to be paid to us by Carrier Global and its associates under the Supply of Products Framework Agreement:

	For the years ending December 31,		
	2024	**2025**	**2026**
		(RMB in billion)	
Total fees to be paid to us by Carrier Global and its associates	5.0	5.6	6.6

The proposed annual caps are determined based on:

(i) the historical amounts of the transactions between our Group and Carrier Global and its associates during the Track Record Period in respect of our supply of the Products;

(ii) the existing contract value and the projected level of supply of the Products by our Group to Carrier Global and its associates to meet the needs of their future business development; and

(iii) other factors including but not limited to the expected unit prices of our Products, taking into account the costs and expenses relating to raw materials, labour etc., exchange rate fluctuations as well as market trends.

Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Supply of Products Framework Agreement for each of the three years ending December 31, 2026 calculated for the purpose of Chapter 14A of the Listing Rules is higher than 1% but below 5% and the transactions are between our Group and a connected person at the subsidiary level, such transactions will, upon the Listing, constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules but exempt from the independent Shareholders' approval requirements under Rule 14A.36 of the Listing Rules.

INTERNAL CONTROL PROCEDURES ADOPTED BY THE COMPANY IN RESPECT OF THE IMPLEMENTATION OF CONTINUING CONNECTED TRANSACTION FRAMEWORK AGREEMENT

Our Group adopts the following internal control measures to ensure that the transactions will be carried out in accordance with the terms of the Supply of Products Framework Agreement, including the pricing policies, and in compliance with all the applicable requirements under the Listing Rules:

- we have adopted a connected transactions management policy for the purpose of ensuring that connected transactions will be conducted in a fair manner, on normal commercial terms and in the interests of our Company and our Shareholders as a whole;

- prior to the execution of the underlying agreements for the supply of Products to Carrier Global and/or its associates, the operation department of the relevant business sector of our Group will compare the terms of the proposed transactions (including pricing and other contractual terms) with those similar transactions entered with Independent Third Parties or the terms offered to Independent Third Parties (as the case may be) to ensure that the supply of Products to Carrier Global and/or its associates shall be on terms no less favourable to our Group than those offered by our Group to Independent Third Parties;

- the finance team of our Group shall regularly examine the pricing of the transactions under the Supply of Products Framework Agreement to ensure that those transactions are conducted in accordance with the pricing terms therein;

- the internal control team of our Group shall periodically review the pricing of the transactions under the Supply of Products Framework Agreement against the prices negotiated between our Group and Independent Third Parties for similar products, to ensure that the terms of the underlying agreements for supply of the Products to Carrier Global and its associates are not less favorable to our Group than terms between our Group and the Independent Third Parties;

- the finance and business teams of our Group shall periodically monitor the transaction amount under the Supply of Products Framework Agreement and, when it is expected that the transaction amount might exceed the annual cap, promptly report in accordance with our Group's connected transactions management policy to ensure that the Company complies with all the applicable requirements under the Listing Rules, including to revise the relevant annual cap when appropriate;

- the legal team of our Group has reviewed the terms of the Supply of Products Framework Agreement and shall in case of any proposed change to the major terms of the transactions, ensure that the Company complies with all the applicable requirements under the Listing Rules, including but not limited to publishing an announcement; and

- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmations in accordance with Rules 14A.55 and 14A.56 of the Listing Rules.

WAIVER

In respect of the transactions as contemplated under the Supply of Products Framework Agreement as described above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules.

DIRECTORS' CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole, and (ii) the proposed annual caps for these transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

JOINT SPONSORS' CONFIRMATION

The Joint Sponsors have (i) reviewed the relevant documents and information provided by our Company in relation to the above partially-exempt continuing connected transaction; (ii) obtained necessary representations and confirmations from our Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group.

Based on the above, the Joint Sponsors are of the view that the aforesaid partially-exempt continuing connected transaction, for which a waiver has been sought, has been entered into in the ordinary and usual course of our business on normal commercial terms or better terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of the partially-exempt continuing connected transaction are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the total issued share capital of our Company was 6,993,130,851 A Shares of nominal value of RMB1.00 each, which are all listed on the main board of the Shenzhen Stock Exchange.

Description of Shares	Number of Shares	Approximate % of issued share capital
A Shares in issue*	6,993,130,851	100.0%

Note:

* Including 28,452,226 A Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 0.41% of the total number of A Shares in issue as of the Latest Practicable Date.

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital
A Shares in issue*	6,993,130,851	93.4%
H Shares to be issued pursuant to the Global Offering	492,135,100	6.6%
Total	7,485,265,951	100.0%

Immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment Option is fully exercised but the Over-allotment option is not exercised, the share capital of our Company will be as follows.

Description of share	Number of Shares	Approximate % of the enlarged issued share capital
A Shares in issue*	6,993,130,851	92.5%
H Shares to be issued pursuant to the Global Offering	565,955,300	7.5%
Total	7,559,086,151	100.0%

Note:

* Including 28,452,226 A Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders.

Immediately following the completion of the Global Offering, assuming that the Over-allotment Option is fully exercised but the Offer Size Adjustment Option is not exercised, the share capital of our Company will be as follows.

Description of share	Number of Shares	Approximate % of the enlarged issued share capital
A Shares in issue*	6,993,130,851	92.5%
H Shares to be issued pursuant to the Global Offering	565,955,300	7.5%
Total	7,559,086,151	100.0%

Note:

* Including 28,452,226 A Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders.

Immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment Option and the Over-allotment option are fully exercised, the share capital of our Company will be as follows.

Description of share	Number of Shares	Approximate % of the enlarged issued share capital
A Shares in issue*	6,993,130,851	91.5%
H Shares to be issued pursuant to the Global Offering	650,848,500	8.5%
Total	7,643,979,351	100.0%

Note:

* Including 28,452,226 A Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders.

OUR SHARES

Our H Shares in issue upon completion of the Global Offering, and our A Shares, are ordinary Shares in our share capital and are considered as one class of Shares. Shenzhen-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be subscribed for and traded by mainland Chinese investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect. Our H Shares can be subscribed for or traded by Hong Kong and other overseas investors and qualified domestic institutional investors. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by mainland Chinese investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

RANKING

Our H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and our H Shares may be different after the Global Offering. The Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for listing and trading on the Hong Kong Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE GLOBAL OFFERING

Approval from holders of A Shares is required for our Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the shareholders' general meeting of our Company held on 11 October 2023 and is subject to the following conditions:

(i) *Size of the offer.* The proposed number of H Shares to be offered shall not exceed 10% of the total issued share capital enlarged by the H Shares to be issued pursuant to the Global Offering (before the exercise of the Over-allotment Option). The number of H Shares to be issued pursuant to the full exercise of the Over-allotment Option shall not exceed 15% of the total number of H Shares to be offered initially under the Global Offering.

(ii) *Method of offering.* The method of offering shall be by way of an international offering to institutional investors and a public offer for subscription in Hong Kong.

(iii) *Target investors.* The H Shares shall be issued to public investors in Hong Kong under the Hong Kong Public Offering and international investors, qualified domestic institutional investors in mainland China and other investors who are approved by mainland Chinese regulatory bodies to invest abroad in International Offering.

(iv) *Price determination basis.* The issue price of the H Shares will be determined, among others, after due consideration of the interests of existing shareholders of our Company, acceptance of investors and the risks related to the offering, according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(v) *Validity period.* The issue of H Shares and listing of H Shares on the Hong Kong Stock Exchange shall be completed within 18 months from the date when the shareholders' meeting was held on 11 October 2023.

There is no other approved offering plans for our Shares except the Global Offering.

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstance under which our shareholders' general meeting is required, see "Summary of Articles of Association — Shareholders and Shareholders' General Meetings" in Appendix V to this document.

SHARES SCHEMES

Certain employees of our Company and our subsidiaries are eligible to subscribe in interests of our Shares through the Share Schemes. For details, please refer to "Statutory and General Information — 4. Our Incentive Schemes" in Appendix VI to this document.

The laws and regulations in mainland China that have a significant impact on our business operations are set out below:

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT AND OVERSEAS INVESTMENT

Company Law

The PRC Company Law (《中華人民共和國公司法》) was promulgated by the Standing Committee of the National People's Congress, or the SCNPC, on 29 December 1993 and implemented on 1 July 1994, and last revised on 29 December 2023, which came into effect on 1 July 2024. Under the PRC Company Law, companies are generally classified into two categories, namely, limited liability companies and joint stock limited companies. The PRC Company Law also applies to foreign-invested enterprises. Pursuant to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail. The major amendments of the latest PRC Company Law, which came into effect on 1 July 2024, include improving the company establishment and exit regime, optimizing the organizational structures of companies, improving the capital system of companies, strengthening the responsibilities of controlling shareholder and management, and reinforcing the social responsibilities of companies, among others. We do not expect the amendments to have any material adverse effect on our operational and financial performance.

Foreign Investment

Investment activities in mainland China by foreign investors are principally governed by the Catalog of Encouraged Industries for Foreign Investment (《鼓勵外商投資產業目錄》), or the Encouraged Catalog, and the Special Administrative Measures (Negative List) for Foreign Investment Access (《外商投資准入特別管理措施(負面清單)》), or the Negative List, which are promulgated and amended from time to time by the Ministry of Commerce, or the MOFCOM, and the National Development and Reform Commission, or the NDRC, and together with the PRC Foreign Investment Law (《中華人民共和國外商投資法》), or the Foreign Investment Law, and its respective implementation rules and ancillary regulations.

The Foreign Investment Law was promulgated by NPC in March 2019 and came into effect on 1 January 2020, which replaced three then existing laws on foreign investments in mainland China, namely, the PRC Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law of PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law of PRC (《中華人民共和國外資企業法》). The Foreign Investment Law, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition. According to the Foreign Investment Law, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List, which is promulgate or approve by the State Council. To ensure the effective implementation of the Foreign Investment Law, the

Regulations on Implementing the Foreign Investment Law of PRC (《中華人民共和國外商投資法實施條例》), or the Foreign Investment Implementation Regulations, was promulgated by State Council in December 2019 and came into effect on 1 January 2020, which further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment and advances a higher-level opening.

The NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the 2021 Negative List, on 27 December 2021, to replace the previous encouraging catalog and negative list thereunder. Pursuant to the Foreign Investment Law, the Foreign Investment Implementation Regulations and the 2021 Negative List, foreign investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed "permitted" for foreign investments.

Overseas Investment

Pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) promulgated by the MOFCOM on 6 September 2014 and implemented on 6 October 2014, the MOFCOM and provincial competent commerce authorities shall carry out administration either by record-filing or approval, depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by approval. Outbound investment by enterprises that falls in any other circumstances shall be subject to administration by record-filing.

Pursuant to the Administrative Measures for Outbound Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on 26 December 2017 and implemented on 1 March 2018, a domestic enterprise, or the Investor, making an outbound investment shall obtain approval, conduct record-filing or other procedures applicable to outbound investment projects, or the Projects, report relevant information, and cooperate with the supervision and inspection. Sensitive Projects carried out by Investors directly or through overseas enterprises controlled by them shall be subject to approval; non-sensitive Projects directly carried out by Investors, namely, non-sensitive projects involving investors' direct contribution of assets or rights and interests or provision of financing or guarantee shall be subject to record-filing. The aforementioned "sensitive project" means a project involving a sensitive country or region or a sensitive industry. The NDRC shall promulgate the catalogue of sensitive industries. The currently effective sensitive industry catalogue is the Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》), effective on 1 March 2018.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

Product Quality Responsibility

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), or the Product Quality Law, which was promulgated by the SCNPC on 22 February 1993 and implemented on 1 September 1993, and last revised on 29 December 2018, the engagement in product manufacturing and sales activities within the territory of mainland China shall comply with the Product Quality Law. Producers shall be responsible for the quality of the products they produce and sell. Quality of products shall meet the following requirements: (i) the products shall be free from any unreasonable threats to personal safety or safety of property, and shall conform to national standards or trade standards for ensuring human health and personal or property safety if there are such standards; (ii) the products shall have the functions they are supposed to have, except where there are explanations about the functional defects; and (iii) the products shall meet the standards specified on the products or packages thereof and the quality condition specified by way of product instructions or samples. In case of violation of the Product Quality Law, the market regulatory authorities have the right to order producers and sellers to stop production and sales, confiscate the products which are illegally produced or sold and impose fines. In case of serious violations, the business license of a producer or seller will be revoked, and if the violation is so serious as to have constituted a crime, the producer or seller will be prosecuted for criminal liability.

Pursuant to the PRC Civil Code (《中華人民共和國民法典》), which was promulgated by the NPC on 28 May 2020 and became effective on 1 January 2021, in the event of damages caused to other party due to the defects in a product, the infringed party may seek compensation from the manufacturer or the seller of such product and shall have the right to request the manufacturer and the seller to bear tortious liabilities, such as cessation of infringement, removal of obstruction, and elimination of danger.

Consumer Protection

Pursuant to the Law of the PRC on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) which was promulgated by the SCNPC on 31 October 1993 and implemented on 1 January 1994, and last revised on 25 October 2013, the operators to provide consumers with the goods they produce or sell or to provide services shall comply with the Law on the Protection of the Rights and Interests of Consumer. Operators shall bear civil liability under the following circumstances: (i) a defect exists in a product or service; (ii) a product does not possess the functions it is supposed to possess, and no declaration thereof is made at the time of sale; (iii) the product standards indicated on a product or on the package of such product are not met; (iv) the quality condition indicated by way of product description or physical sample, etc. is not met; (v) products that have been formally declared by the state to be obsolete are produced or expired or deteriorated products are sold; (vi) the products sold are short on quantity; (vii) the contents and costs of the services are in violation of the agreement; or (viii) consumers' requests for repair, redoing, replacement, return, making up the quantity of a product, refund of payment for the products or services, or claims for compensation have been deliberately delayed or unreasonably rejected. Operators who fail to fulfil the security obligations and causes harm to consumers shall bear tort liability. If an operator's provision of goods or services violates the provisions of the Law on the Protection of the Rights and Interests of Consumer and infringes upon the legitimate rights and interests of consumers, which constitutes a crime, the operator shall be subject to criminal liability according to the law.

Laws and Regulations Relating to Production Safety

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), or the Production Safety Law, promulgated by the SCNPC on 29 June 2002 and implemented on 1 November 2002, and last revised on 10 June 2021, entities engaged in production and business activities in mainland China shall comply with the Production Safety Law and other laws and regulations related to production safety. Entities shall strengthen the management, establish and improve responsibility systems and polices, improve conditions, promote the development of production safety standards, and improve the production level to ensure their production safety. The primary persons in charge of the production and operation entities are fully responsible for the production safety of their entities. Violation of the Production Safety Law may result in imposition of fines and penalties, suspension of operation, an order to cease operation, or even criminal liability in severe cases.

LAWS AND REGULATIONS ON E-COMMERCE AND ONLINE TRANSACTION

E-Commerce

The E-commerce Law of the PRC (《中華人民共和國電子商務法》), or the E-Commerce Law, enacted by the SCNPC on 31 August 2018, and implemented from 1 January 2019, establishes fundamental guidelines for e-commerce operators engaging in commercial activities. The E-Commerce Law proposes a series of requirements on e-commerce operators, including third-party e-commerce platform operators, registered product or service providers of platforms, and online business operators operating through a self-built website or any other network.

According to the E-Commerce Law, e-commerce operators are obligated to uphold principles of voluntariness, equality, fairness, and good faith in their business dealings. They are further mandated to comply with legal provisions and business ethics, participate equitably in market competition, fulfill responsibilities pertaining to consumer rights protection, environmental preservation, intellectual property safeguarding, network security, and personal information confidentiality. E-commerce operators are also held accountable for the quality of their products and services.

In instances where e-commerce operators fail to meet their contractual obligations, breach agreed-upon terms, or cause harm to others, they are liable for civil consequences as stipulated by the law. Moreover, e-commerce entities conducting business activities without obtaining required administrative permits, offering goods or services prohibited by laws or administrative regulations, or neglecting their obligations to provide necessary information, may incur penalties imposed by the market supervision and management authorities, in accordance with pertinent laws and administrative regulations.

Online Transaction

The Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》), or the SAMR, enacted by the State Administration for Market Regulation on 15 March 2021, and implemented from 1 May 2021, to regulate all business activities involving sales of commodities or provision of services through the internet and other information networks as well as the supervision and administration thereof by market regulatory departments within the territory of mainland China. No online transaction business may engage in business operations without a license or permit in violation of any law, regulation or decision of the State Council. Except under the circumstances where registration is not required as prescribed in Article 10 of the E-Commerce Law, an online transaction business shall undergo market entity registration in accordance with the law. In addition, an online transaction business shall disclose commodity or service information in a comprehensive, truthful, accurate and timely manner, and protect consumers' right to know and right to choose.

Online Live-Streaming Marketing

The Administrative Provisions on Online Live- Streaming Services (《互聯網直播服務管理規定》) was enacted by the Cyberspace Administration of China, or the CAC, on 4 November 2016, and implemented starting from 1 December 2016. Pursuant to the Administrative Provisions on Online Live- Streaming Services, "online live streaming" refers to the activities of continuously releasing real-time information to the public based on the internet in forms such as video, audio, images and texts.

On 5 November 2020, the SAMR promulgated the Guiding Opinions of the State Administration for Market Regulation on Strengthening the Regulation of Online Live-streaming Marketing Activities (《市場監管總局關於加強網絡直播營銷活動監管的指導意見》), or the Guiding Opinions. According to the Guiding Opinions, commodity operators selling commodities or providing services through online live-streaming shall abide by the relevant laws and regulations, and establish and implement system for inspection and acceptance of purchased goods. Pursuant to the Guiding Opinions, it is not allowed to use online live-streaming to sell goods or services whose production or sale is prohibited by laws and regulations; it is not allowed to use online live-streaming to release commercial advertisements whose publication in mass media is prohibited by laws and regulations; and it is not allowed to use online live-streaming to sell goods or services whose trading is prohibited on the Internet.

On 23 April 2021, the CAC and other six PRC regulatory authorities jointly issued the Administrative Measures for Online Live-Streaming Marketing (Trial Implementation) (《網絡直播營銷管理辦法(試行)》), or the Measures for Online Live-Streaming Marketing, which became effective on 25 May 2021. According to the Measures for Online Live-Streaming Marketing, live-streaming studio operators refer to individuals, legal persons, and other organizations that establish live-streaming studios to engage in online marketing activities by registering accounts on a live-streaming marketing platform or through self-built websites or other network services. Live-streaming marketing personnel refer to individuals that directly engage in marketing to the public in online live-streaming marketing. Operators of live studios and live-streaming marketing personnel engaging in online live-streaming marketing activities shall comply with laws and regulations, follow public order and good customs, and truthfully, accurately and comprehensively release information on goods or services, and shall not commit acts such as publicizing false or misleading information, marketing counterfeit or shoddy goods and fabricating or tampering with data traffic including transactions, attention, number of views, number of comments.

LAWS AND REGULATIONS IN RELATION TO EXPORTATION OF GOODS

Import and Export Management

According to the Regulations of the PRC on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on 10 December 2001 which came into effect on 1 January 2002 and was last amended on 10 March 2024, with the latest amendment being effective on 1 May 2024, the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on 12 May 1994 which came into effect on 1 July 1994 and last amended on 30 December 2022, the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on 22 January 1987 which came into effect on 1 July 1987 and last amended on 29 April 2021, the Measures for Record Filing and Registration by Foreign Trade Dealer (《對外貿易經營者備案登記辦法》) promulgated by MOFCOM on 25 June 2004, which came into effect on 1 July 2004 and last amended on 10 May 2021 and the Administrative Provisions of the Customs of the People's Republic of China on Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the PRC on 19 November 2021 which came into effect on 1 January 2022, foreign trade business operators engaging in the import or export of goods or technology must go through the record filing and registration formalities with the MOFCOM or the agency entrusted by the MOFCOM. Unless otherwise provided, the declaration of import or export goods and the payment of duties may be made by the consignees or consignors themselves, or by entrusted customs brokers. Customs declaration entities refer to consignees or consignors of imported or exported goods or customs brokers that have filed for record with Customs. Customs declaration entities may conduct customs declaration business within the customs territory of the PRC.

Imported and Exported Commodities Inspection

According to the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) which was promulgated by the SCNPC on 21 February 1989 and implemented on 1 August 1989, and last revised on 29 April 2021, and the Regulations for the Implementation of the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) which was promulgated by the State Council on 31 August 2005 and implemented on 1 December 2005, and last revised on 29 March 2022, the General Administration of Customs is responsible for inspection of import and export commodities. The entry- exit inspection and quarantine authorities shall conduct inspection on the import and export commodities listed in the catalogue and other import and export commodities that shall be subject to the inspection of the entry-exit inspection organs as prescribed by laws and administrative regulations. For the import and export commodities other than those that are subject to statutory inspection by the entry-exit inspection and quarantine authorities as mentioned above, the entry-exit inspection and quarantine authorities may conduct random inspection in accordance with state regulations. No import commodity subject to statutory inspection that has not been inspected could be sold or used. No export commodity subject to statutory inspection that has not been inspected or fails to pass the inspection could be exported.

LAWS AND REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION

Anti-Monopoly Law

According to the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》), or the Anti-Monopoly Law, which was promulgated by the SCNPC on 30 August 2007 and implemented on 1 August 2008, and last revised on 24 June 2022, the Anti-Monopoly Law applies to the monopolistic practices in domestic economic activities in mainland China as well as the monopolistic practices outside mainland China which have exclusion or restriction effects on domestic market competitions. The monopolistic practices under the Anti-Monopoly Law include any monopoly agreement reached by any operators, abuse of market-dominating position by any operators and any concentration of operators which has eliminated or limited or may eliminate or limit the market competition. The antimonopoly law enforcement agencies designated by the State Council are responsible for enforcement of the Anti-Monopoly Law in accordance with the provisions of the Anti-Monopoly Law. The antimonopoly law enforcement agencies of the State Council may, according to the needs of their work, authorise the corresponding agencies of the people's governments of provinces, autonomous regions, and municipalities to be responsible for enforcement of the Anti-Monopoly Law. Operators who violate the provisions of the Anti-Monopoly Law will be ordered by the anti-monopoly law enforcement agencies to stop the illegal act and be imposed a fine.

Anti-Unfair Competition Law

According to the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), or the Anti-unfair Competition Law, which was promulgated by the SCNPC on 2 September 1993 and implemented on 1 December 1993, and last revised on 23 April 2019, operators shall comply with the principle of voluntariness, equality, impartiality, integrity and abide by laws and business ethics in market transactions. Under the Anti-unfair Competition Law, unfair competition refers to an operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Operators who violate of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal responsibilities depending on the specific circumstances.

LAWS AND REGULATIONS RELATING TO ENVIRONMENT PROTECTION

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on 26 December 1989 and implemented on the same date, and subsequently revised on 24 April 2014, enterprises, public institutions and other producers and operators shall prevent and reduce environmental pollution and ecological damage, and shall take the liabilities for the damages caused according to the laws. The state adopts the pollution discharge permit management system. Enterprises, public institutions and other producers and operators which are subject to the pollution discharge permit management shall discharge pollutants according to the requirements of the pollution discharge permit; and those that fail to obtain the pollution discharge permit shall not discharge pollutants.

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on 28 October 2002 and implemented on 1 September 2003, and last revised on 29 December 2018, and the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998 and implemented on the same date, and subsequently revised on 16 July 2017, the state implements a system to assess the environment impact of construction projects. If the construction project may result in a material impact on the environment, a thorough environmental impact report on the potential environmental impact is required; if the construction project may result in only slight impact on the environment, an environmental impact statement of analysing or special evaluation will be required; if the construction project may only result in very little impact on the environment and no environmental impact appraisal is required, a registration form of environmental impact shall be filed. Construction projects without undergoing assessment for environmental impact according to the laws cannot commence construction. After the completion of the construction projects for which environment effect report and environment effect statement was prepared, a construction unit shall, according to the standards and procedures formulated by the competent administrative department for environment protection under the State Council, conduct inspection and acceptance of supplementary environment protection facilities, and prepare inspection and acceptance report. No supplementary facilities of such projects may be put into production or use until such facilities pass inspection and acceptance; no supplementary facilities that failed to undergo or pass the inspection and acceptance procedure may be put into production or use.

If an enterprise violates the provisions of the aforesaid laws and regulations, the environmental protection administrative departments at the county level or above may order it to stop production or construction, impose a fine and order it to conduct rehabilitation; if the violation constitutes a crime, the enterprise may be held criminally liable according to law.

LAWS AND REGULATIONS RELATING TO LARGE-SCALE EQUIPMENT RENEWALS AND TRADE-IN

According to the Action Plan for Promoting Large-scale Equipment Renewals and Trade-ins of Consumer Goods (《推動大規模設備更新和消費品以舊換新行動方案》), or the Action Plan, which was promulgated by the State Council on 7 March 2024, measures including equipment renewal, trade-ins of consumer goods, recycling, and utilization, improving standards, and strengthening policy guarantee will be taken to promote investment and consumption. In the field of trade-in of household appliances, the Action Plan supports household appliance sales enterprises to carry out trade-in promotional activities with production enterprises and recycling enterprises, to set up online and offline home appliance trade-in zones, and give preferential treatment to consumers who exchange old household appliances for energy-saving household appliances. The Action Plan encourages subsidized consumers to purchase green smart home appliances and accelerates the implementation of after-sales service improvement actions for household appliances.

According to the Several Measures on Supporting Large-scale Equipment Renewals and Trade-ins of Consumer Goods (《關於加力支持大規模設備更新和消費品以舊換新的若干措施》), which was promulgated by the NDRC and the Ministry of Finance on 24 July 2024, approximately RMB300 billion in ultra-long special treasury bonds will be earmarked to boost large-scale equipment renewals and replace old consumer goods with new ones. Individual consumers will enjoy trade-in subsidies for 8 types of household appliances such as refrigerators, washing machines, televisions, air conditioners, computers, water heaters, household stoves, and range hoods with energy efficiency or water efficiency standards of level 2 or above. The subsidy standard is 15% of the product's sales price, and an additional 5% subsidy will be given to purchase products with energy efficiency or water efficiency standards of level 1 and above. Each consumer can subsidize 1 piece of each type of product, and the subsidy for each piece does not exceed RMB2,000.

LAWS AND REGULATIONS RELATING TO TAXATION

Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, promulgated by the SCNPC on 16 March 2007 and implemented on 1 January 2008 and last revised on 29 December 2018 and the Implementation Rules of the EIT Law (《企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008 and revised on 23 April 2019, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country or region but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. Key high-tech enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

Value-Added Tax

According to the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993 and last revised on 19 November 2017, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance on 25 December 1993 and last amended on 28 October 2011, entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of mainland China are taxpayers of value-added tax, or the VAT, and shall pay VAT in accordance with law. Unless otherwise stipulated, the VAT rate is 17% for taxpayers selling goods, labour services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovables, transferring land use rights, or selling or importing specific goods; unless otherwise stipulated, 6% for taxpayers selling services or intangible assets.

According to the Circular of the MOF and the SAT on Adjusting Value-added Tax Rate (《財政部、稅務總局關於調整增值稅稅率的通知》), which was promulgated by the MOF and the SAT on 4 April 2018 and became effective on 1 May 2018, the tax rates for the taxable sales or goods import activity, which were subject to the tax rates of 17% and 11% respectively, were adjusted to 16% and 10% respectively.

According to the Circular on Policies in Relation to the Deepening of Value-added Tax Reforms (《關於深化增值稅改革有關政策的公告》), which was jointly promulgated by the MOF, the SAT and the General Administration of Customs on 20 March 2019, the tax rate of 16% and 10% originally applicable to general VAT taxpayers' VAT taxable sales or goods import shall be adjusted to 13% and 9%, respectively.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL SECURITY

Labor Law and Labor Contract Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on 5 July 1994, came into effect on 1 January 1995 and last revised on 29 December 2018, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated on 29 June 2007, revised on 28 December 2012 and came into effect on 1 July 2013, written labor contracts shall be executed between an entity and its employees if an employment relationship is established. Employers are required to inform their employees about their job responsibilities, working conditions, occupational hazards, remuneration and other matters with which the employees may be concerned. Employers shall pay remuneration to employees on time and in full in accordance with the commitments set forth in their employment contracts and the relevant PRC laws and regulations.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010, came into effect on 1 July 2011 and last revised on 29 December 2018, the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was implemented on 22 January 1999 and revised on 24 March 2019, the Trial Measures for Enterprise Staff Maternity Insurance (《企業職工生育保險試行辦法》), which was implemented on 1 January 1995, the Regulations on Work-Related Injury Insurance (《工傷保險條例》), which was implemented on 1 January 2004, amended on 20 December 2010 and came into effect on 1 January 2011, and the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which was promulgated on 3 April 1999 and last revised on 24 March 2019, employers in mainland China shall provide their employees with welfare schemes covering basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing provident fund. Employers who fail to contribute to the above social insurance and housing provident funds may be subject to a fine and ordered to make full payment within a prescribed time period. If an employing entity fails to make the payment towards the social insurance and housing provident funds within a prescribed time limit, an application may be made to a people's court for enforcement.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the SCNPC on 12 March 1984 and implemented on 1 April 1985, and last revised on 17 October 2020 and came into effect on 1 June 2021, and the Implementation Regulations of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), which was promulgated by the State Council on 15 June 2001, implemented on 1 July 2001 and last amended on 11 December 2023, with the latest amendment being effective on 20 January 2024, patents in mainland China are divided into invention patent, utility patent and design patent. Invention patent shall be valid for 20 years from the date of application, while utility patent shall be valid for 10 years and design patent shall be valid for 15 years from the date of application respectively. The patent right entitled to its owner shall be protected by the laws. Any person shall be licensed or authorized by the patent owner before using such patent. Otherwise, the use constitutes an infringement of the patent right.

Trademark

According to the Trademark Law of the PRC, or the Trademark Law, was promulgated by the Standing Committee on 23 August 1982 and became effective on 1 March 1983 and last revised on 23 April 2019 and implemented on 1 November 2019 and the Implementation Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on 3 August 2002 and implemented on 15 September 2002, and amended on 29 April 2014, a trademark registered by the Trademark Office is a registered trademark, including the commodity trademark, service trademark, collective trademark and certification trademark. The valid period of a registered trademark shall be 10 years, commencing from the date of approval of the registration. The trademark registrant shall apply for renewal within 12 months before the expiry date for further use of the registered trademark. The valid period for each renewal of registration is 10 years, counted from the next day of the expiration day of the last term.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), or the Copyright Law, promulgated by the SCNPC on 7 September 1990 and implemented on 1 June 1991, and last revised on 11 November 2020 and came into effect on 1 June 2021, Chinese citizens, legal persons or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

Pursuant to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on 20 February 2002 and the Regulation on Computers Software Protection (《計算機軟件保護條例》) amended by the State Council on 30 January 2013 and came into effect on 1 March 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in mainland China and recognizes the China Copyright Protection Centre as the software registration organization. The China Copyright Protection Centre shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Domain Names

Domain names are protected under the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) which was promulgated by the Ministry of Industry and Information Technology of the PRC on 24 August 2017 and came into effect on 1 November 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

LAWS AND REGULATIONS ON SECURITIES AND OVERSEAS LISTINGS

Securities Laws and Regulations

The Securities Law of the People's Republic of China (《中華人民共和國證券法》), which was promulgated by the SCNPC on 29 December 1998, and was latest amended on 28 December 2019 and took effect on 1 March 2020, comprehensively regulating activities in the mainland China securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listings

On 17 February 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), or the Overseas Listing Trial Measures, together with several supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the "Overseas Listing Regulations"). Under Overseas Listing Regulations, mainland China domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

The Overseas Listing Regulations provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Overseas Listing Regulations stipulates that after an issuer has offering and listing securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of (i) a change of control thereof, (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities, (iii) changes of listing status or transfers of listing segment, and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security.

On 24 February 2023, the CSRC and three other relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》). Pursuant to the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of mainland China by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of mainland China. Cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing, the following persons will have an interest or short position (as applicable) in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group:

Substantial shareholders of our Company

				Assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised		Assuming that the Offer Size Adjustment Option and the Over-allotment Option are fully exercised	
Shareholder	Nature of interest	Description of Shares	Number of Shares directly or indirectly held	Approximate % of shareholding in our A Shares immediately after the Global Offering	Approximate % of shareholding in the total share capital of our Company immediately after the Global Offering	Approximate % of shareholding in our A Shares immediately after the Global Offering	Approximate % of shareholding in the total share capital of our Company immediately after the Global Offering
Midea Holding	Beneficial owner	A Shares	2,169,178,713	31.0%	29.0%	31.0%	28.4%
Mr. He[(1)]	Interest in controlled corporation	A Shares	2,169,178,713	31.0%	29.0%	31.0%	28.4%
	Beneficial owner	A Shares	31,909,643	0.5%	0.4%	0.5%	0.4%

Note:

(1) Mr. He is interested in approximately 94.5% of Midea Holding and is deemed to be interested in all the A Shares held by Midea Holding.

For further information on any other person who will be, immediately following completion of the Global Offering, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, see section headed "Statutory and General Information — 3. Further Information About Our Directors and Supervisors — C. Disclosure of Interests — (iii) Interests of Substantial Shareholders in Members of Our Group (excluding our Company)" in Appendix VI to this document.

OVERVIEW

Upon Listing, our Board will consist of 10 Directors, comprising five executive Directors, one non-executive Director and four independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

The PRC Company Law requires a joint stock company to establish a board of supervisors that is primarily responsible for supervising the performance of the Board and senior management and the financial operations, internal control and risk management. Our Supervisory Committee consists of three Supervisors including one employee representative Supervisor. Our Supervisors are elected for a term of three years and may be subject to re-election.

DIRECTORS

The following table provides information about our Directors:

Name	Age	Positions	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. Fang Hongbo (方洪波先生) . .	57	Executive Director, Chairman of the Board and Chief Executive Officer	November 1992	August 2012	Overall strategic planning, business development and management of our Group.
Mr. Zhao Jun (趙軍先生). .	48	Non-executive Director	March 2000	July 2024	Providing advice on the operation and management of our Group.
Mr. Wang Jianguo (王建國先生) . .	47	Executive Director and Vice President	July 1999	September 2021	Overall strategic planning and management of our Group.
Mr. Fu Yongjun (伏擁軍先生) . .	55	Executive Director and Vice President	October 1999	July 2023	Overall strategic planning and management of our Group.

Name	Age	Positions	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Dr. Gu Yanmin (顧炎民博士)	60	Executive Director and Vice President	June 2000	April 2014	Overall strategic planning and management of our Group.
Mr. Guan Jinwei (管金偉先生). . . .	45	Executive Director and Vice President	July 2002	July 2024	Responsible for the overall strategy and operations of Intelligent Building Technology.
Dr. Xiao Geng (肖耿博士). .	61	Independent non-executive Director	July 2024	July 2024	Supervising and providing independent opinion and judgment to the Board.
Dr. Xu Dingbo (許定波博士)	61	Independent non-executive Director	July 2024	July 2024	Supervising and providing independent opinion and judgment to the Board.
Dr. Liu Qiao (劉俏博士). .	54	Independent non-executive Director	July 2024	July 2024	Supervising and providing independent opinion and judgment to the Board.
Dr. Qiu Lili (邱鋰力博士)	49	Independent non-executive Director	July 2024	July 2024	Supervising and providing independent opinion and judgment to the Board.

None of our Directors, Supervisors and members of senior management is related to other Directors, Supervisors or members of senior management. Save as disclosed in this section, (i) none of our Directors held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document; (ii) to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Directors

Mr. Fang Hongbo (方洪波先生), aged 57, is our Director, chairman of the Board and the chief executive officer. Mr. Fang is responsible for the overall strategic planning, business development and management of our Group, and serving as the chairman of the Strategy Committee.

Mr. Fang joined our Group in November 1992 and held several positions in our Group, including the general manager of our air-conditioning division, the president of our refrigeration and electrical appliances group, and the chairman of the board and chief executive officer of Midea Electric. Mr. Fang received his doctoral degree in Corporation Management from Nanjing University (南京大學) in 2009, his MBA degree from National University of Singapore in 2002 and his bachelor's degree in history from East China Normal University (華東師範大學) in 1987.

In February 2019, Mr. Fang received a warning letter from the CSRC Guangdong Regulatory Bureau (the "**Warning Letter**") in relation to an incident involving his oversight in inadvertently mentioning the Company's estimated profit before tax for 2018 during a forum event prior to the official announcement of the Company's profit estimate for 2018. Our PRC Legal Adviser has advised that the Warning Letter is a non-punitive regulatory measure implemented by the CSRC, which does not constitute an administrative penalty or public censure under PRC laws, regulations or rules. Furthermore, given that this incident took place before the Track Record Period and Mr. Fang has not experienced any similar incident since then, our Directors are of the view that the above incident does not impugn the integrity or suitability of Mr. Fang to serve as a director of our Company.

Mr. Zhao Jun (趙軍先生), aged 48, has been our Director since July 2024 and is primarily responsible for providing advice on the operation and management of our Group.

Mr. Zhao joined our Group in March 2000. Mr. Zhao has served as a director of Guangzhou SiE Consulting Co., Ltd. (廣州賽意信息科技股份有限公司) (SZSE: 300687) since December 2015. He has also served as the executive president of Midea Holding since March 2020, a non-executive director of Midea Real Estate (HKEX: 3990) since May 2018, and the vice chairman of Midea Real Estate November 2012. He also assumed multiple directorship in subsidiaries of Midea Real Estate, including Midea Construction (Hong Kong) Limited (美的

建業(香港)有限公司). From July 2004 to September 2012, Mr. Zhao held several positions in Midea Electric, including the head of finance and accounting department. Mr. Zhao is a certified public accountant conferred by the Treasury Certified Public Accountants Examination Committee (財政部註冊會計師考試委員會). Mr. Zhao received his master's degree in accounting from the Chinese University of Hong Kong in Hong Kong in 2008 and his another master's degree business administration from China Europe International Business School (中歐國際工商學院) in 2013, and received his bachelor's degree in accounting from Northeastern University at Qinhuangdao (東北大學秦皇島分校) in 1997.

Mr. Wang Jianguo (王建國先生), aged 47, has been our Director since September 2021 and our vice president since December 2017. Mr. Wang also serves as the president of our Smart Home Solutions and the president of our international business. He is also in charge of the legal affairs of our Group.

Mr. Wang joined our Group in July 1999 and held several positions in our Group, including the head of supply chain management department of our residential air-conditioning division, the head of our administration and human resources department, and the general manager of our refrigerator division. Mr. Wang received his EMBA degree from China Europe International Business School (中歐國際工商學院) in 2008 and his bachelor's degree in accounting from Zhengzhou University of Light Industry (鄭州輕工業大學) in 1999.

Mr. Fu Yongjun (伏擁軍先生), aged 55, has been our Director since July 2023 and our vice president since September 2021. Mr. Fu also serves as the president of our industrial technology business.

Mr. Fu joined our Group in October 1999 and held several positions in our Group, including the general manager of our environmental electrical appliances division, the general manager of our components division, and the president of our electromechanical devices division. Prior to joining our Group, Mr. Fu served as the head of manufacturing of assembly workshops at Macro Toshiba A/C's compressor factory (東芝萬家樂) from June 1991 to February 1998. Mr. Fu received his EMBA from Tsinghua University (清華大學) in 2010 and his bachelor's degree in engineering from Huazhong University of Science and Technology (華中科技大學) in 1991.

Dr. Gu Yanmin (顧炎民博士), aged 60, has been our Director and vice president since April 2014. Dr. Gu also serves as the president of our Robotics & Automation business and the chairman of the supervisory board of KUKA Group.

Dr. Gu joined our Group in June 2000 and held several positions in our Group, including the head of our planning and investment department, the head of overseas strategy and development department of our refrigeration and electrical appliances group, the vice president of our refrigeration and electrical appliances group, the marketing head of our overseas business and the head of our overseas strategy department. Dr. Gu received his doctoral degree in sociology from Cornell University in the United States in 1998 after he graduated from Hangzhou University (杭州大學) in 1983.

Mr. Guan Jinwei (管金偉先生), aged 45, has been our Director since July 2024 and our vice president since September 2021. He is also the president of our Intelligent Building Technology. Mr. Guan is primarily responsible for the overall strategy and operations of Intelligent Building Technology.

Mr. Guan joined our Group in July 2002. He previously served as the deputy general manager of our central air-conditioning division as well as the general manager of our overseas sales & marketing company, and the president of our international business as well as the general manager of our ASEAN business. Mr. Guan received his EMBA degree from Peking University (北京大學) in 2022, his master's degree in business administration from Nanjing University (南京大學) in 2013 and his bachelor's degree in mechanical engineering and automation from Kunming University of Science and Technology (昆明理工大學) in 2002.

Dr. Xiao Geng (肖耿博士), aged 61, has been our independent Director since July 2024, primarily responsible for supervising and providing independent opinion and judgment to the Board and serving as the chairman of the Remuneration and Evaluation Committee and a member of the Audit Committee, the Nomination Committee and the Strategy Committee of the Board.

Dr. Xiao has served as an independent director at Tsingtao Brewery Company Limited (青島啤酒股份有限公司) (HKEX: 00168; SSE: 600600) since June 2020 and an independent director at Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司) (HKEX: 00416) since January 2020. Since August 2021, Dr. Xiao has served as a professor of practice at the Chinese University of Hong Kong, Shenzhen and the director of the Institute of Policy and Practice at Shenzhen Finance Institute (深圳高等金融研究院). From August 2018 to July 2021, Dr. Xiao served as a professor and a director at Peking University HSBC Business School (北大滙豐商學院). From August 2011 to July 2015, he served as the vice president of the Fung Global Institute (經綸國際經濟研究院). Prior to that, Dr. Xiao served as a director at Columbia University Global Center in Beijing (哥倫比亞大學北京全球中心) from July 2010 to July 2011 and a director at Brookings-Tsinghua Center for Public Policy (清華-布魯金斯公共政策研究中心). Dr. Xiao was a professor at the University of Hong Kong from July 2015 to June 2018.

Dr. Xiao received his doctoral degree in economics in 1991 and his master's degree in economics in 1987, both from University of California at Los Angeles in the United States. He received his bachelor's degree in systems science and management science from the University of Science and Technology of China (中國科學技術大學) in 1985.

Dr. Xu Dingbo (許定波博士), aged 61, has been our independent Director since July 2024. Dr. Xu is primarily responsible for supervising and providing independent opinion and judgment to the Board and serving as the chairman of the Audit Committee and a member of the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy Committee of the Board.

Dr. Xu has served as a faculty member and professor in highly-respected universities for more than two decades and has extensive knowledge of and experience in accounting and finance. He is currently Essilor Chair Professor in accounting and associate dean at China Europe International Business School (中歐國際工商學院). Previously, he was a part-time professor at Peking University (北京大學) from 1999 to 2009, an assistant professor at the Hong Kong University of Science and Technology from September 1996 to December 2003. In addition to his academic positions, Dr. Xu is the vice president of the China Association of Chief Financial Officers (中國總會計師協會). He has served as an independent director, a member of audit committee and the chairman of nomination committee of JD.com, Inc. (NASDAQ: JD; HKEX: 9618) since May 2018. In addition to that, he previously served as an independent director on the board and the audit committee of various public companies, including Kweichow Moutai Co. Ltd. (貴州茅台酒股份有限公司) (SSE: 600519) from September 2016 to September 2022, China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (HKEX: 1359) from June 2013 to September 2019, Sany Heavy Industry Co., Ltd. (三一重工股份有限公司) (SSE: 600031) from January 2013 to August 2019, Shanghai Shyndec Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司) (SSE: 600420) from December 2012 to February 2019, The People's Insurance Company of China Limited (中國人民保險集團股份有限公司) (HKEX: 1339; SSE: 601319) from September 2009 to May 2018, Dong Yi Ri Sheng Home Decoration Group Co., Ltd. (東易日盛家居裝飾集團股份有限公司) (SZSE: 002713) from December 2010 to July 2017, and Sanjiang Shopping Club Co., Ltd. (三江購物俱樂部股份有限公司) (SSE: 601116) from December 2009 to November 2011. Among these public companies, Dr. Xu served as the chair of audit committees of multiple of them, such as Kweichow Moutai Co. Ltd., China Cinda Asset Management Co., Ltd., Sany Heavy Industry Co., Ltd., Shanghai Shyndec Pharmaceutical Co., Ltd., The People's Insurance Company of China Limited and Sanjiang Shopping Club Co., Ltd. He has also served as an independent director of China Trust Protection Fund Co., Ltd. (中國信託業保障基金有限責任公司) since September 2022. From January 2016 to March 2023, Dr. Xu was an independent director of Societe Generale (China) Limited (法國興業銀行(中國)有限公司).

Dr. Xu went through doctoral studies in accounting received his doctoral degree of philosophy in business administration from the University of Minnesota in the United States in 1996. He received his master's degree in business administration in 1986 and his bachelor's degree in mathematics in 1983, both from Wuhan University (武漢大學).

Dr. Liu Qiao (**劉俏博士**), aged 54, has been our independent Director since July 2024. Dr. Liu is primarily responsible for supervising and providing independent opinion and judgment to the Board and serving as the chairman of the Nomination Committee and a member of the Audit Committee, the Remuneration and Evaluation Committee and the Strategy Committee of the Board.

Dr. Liu has an extensive academic background. With over two decades of experience, he has held key roles at prestigious universities. Currently, Dr. Liu is a professor at Peking University Guanghua School of Management (北京大學光華管理學院) and has served as the Dean of the school since January 2017. Since September 2000 to December 2001, and again from July 2003, Dr. Liu has been a faculty member of School of Business and Economics of the University of Hong Kong, where he currently holds the position of a visiting professor. From September 2000 to December 2001, Dr. Liu was an assistant professor at School of Economics and Finance of the University of Hong Kong. Dr. Liu has served as an independent non-executive director at China Merchants Bank Co., Ltd. (招商銀行股份有限公司) (HKEX: 3968; SSE: 600036) since November 2018. He served as an independent non-executive director on the board of multiple companies, including Beijing Capital Eco-Environment Protection Group Co., Ltd. (北京首創生態環保集團股份有限公司) (previously known as Beijing Capital Co., Ltd., SSE: 600008) from December 2017 to February 2024, CSC Financial Co., Ltd. (中信建投證券股份有限公司) (HKEX: 6066; SSE: 601066) from September 2016 to September 2022, and Zensun Enterprises Limited (正商實業有限公司) (previously known as ZH International Holdings Limited, HKEX: 0185) from July 2015 to October 2021.

Dr. Liu received his doctoral degree in economics from University of California at Los Angeles in the United States in 2000, a master's degree in international finance from the Graduate School of the People's Bank of China in 1994 and a bachelor's degree in economics and applied mathematics from Renmin University of China (中國人民大學) in 1991.

Dr. Qiu Lili (邱鋰力博士), aged 49, has been our independent Director since July 2024. Dr. Qiu is primarily responsible for supervising and providing independent opinion and judgment to the Board and serving as a member of the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy Committee of the Board.

Dr. Qiu has served as the assistant managing director of Microsoft Research Asia since January 2022 and is mainly responsible for overseeing the research, as well as the collaboration with industries, universities, and research institutes, at Microsoft Research Asia — Shanghai. She is a professor in computer science at the University of Texas at Austin in the United States. She served as a researcher in the systems and networking group at Microsoft Research Redmond from 2001 to 2004. Dr. Qiu has been recognized as one of the NAI Fellows by the National Academy of Inventors (NAI) in 2022, one of the ACM Fellows by the Association for Computing Machinery (ACM) in 2018, and one of the IEEE Fellows by the Institute of Electrical and Electronics Engineers (IEEE) in 2017.

Dr. Qiu received her doctoral degree in 2001 and master's degree in 1999, both in computer science from Cornell University in the United States. She received her bachelor's degree in computer science and physics from University of Bridgeport in the United States in 1996.

SUPERVISORS

The following table provides information about our Supervisors:

Name	Age	Position	Date of joining our Group	Roles and responsibilities
Mr. Dong Wentao (董文濤先生)	39	Chairman of the Supervisory Committee	January 2016	Supervise the finances of our Group and exercise supervision over the directors and senior management.
Ms. Ren Lingyan (任淩艷女士) . . .	40	Supervisor	July 2006	Supervise the finances of our Group and exercise supervision over the directors and senior management.
Ms. Liang Huiming (梁惠銘女士)	41	Employee Supervisor	July 2007	Supervise the finances of our Group and exercise supervision over the Directors and senior management.

Mr. Dong Wentao (董文濤先生), aged 39, is the chairman of our Supervisory Committee. He was appointed as a Supervisor in October 2020 and is primarily responsible for supervision of the finances of our Group and supervision over the Directors and senior management.

Mr. Dong has extensive experience in legal affairs, risk control, market value management and capital operations. He joined our Group in January 2016. He has served as a director of our subsidiary Annto Smart Logistics since August 2023 and a director of our subsidiary Midea Lighting since September 2020. He has also served in the investor relations department of our Group since April 2018. Prior to that, Mr. Dong worked in the legal department of our Group from January 2016 to April 2018. Prior to joining our Group, Mr. Dong worked at China International Marine Containers (Group) Co., Ltd. (中國國際海運集裝箱(集團)股份有限公司) (HKEX: 2039; SZSE: 000039) responsible for intellectual property protection and advocacy from January 2011 to June 2014 and served as an intellectual property lawyer in ZTE Corporation (中興通訊股份有限公司) (HKEX: 763; SZSE: 000063) from July 2014 to January 2016. Mr. Dong received his master's degree in law from Xiamen University (廈門大學) in 2011 and his bachelor's degree in mechanical engineering and automation from Nanjing University of Science and Technology (南京理工大學) in 2008.

Ms. Ren Lingyan (任凌艷女士), age 40, is our Supervisor. She was appointed as a Supervisor in July 2024 and is primarily responsible for supervision of the finances of our Group and supervision over the Directors and senior management.

Ms. Ren joined our Group in July 2006 and held several positions in the finance departments of our Group, including the finance manager of our Group. Since April 2012, Ms. Ren has served several positions in the finance department of Midea Holding, including the head of finance department. She was certified as an intermediate accountant by the Department of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳) in 2016. Ms. Ren received her master's degree in accounting from The Chinese University of Hong Kong in 2020 and her bachelor's degree in accounting from Xiangtan University in 2006.

Ms. Liang Huiming (梁惠銘女士), aged 41, is our Employee Supervisor. She was appointed as an Employee Supervisor in March 2017 and is primarily responsible for supervision of the finances of our Group and supervision over the Directors and senior management on behalf of our employees. She is also in charge of the property rights management of our Group.

Ms. Liang joined our Group in July 2007 and previously served as the chief business administration commissioner in our Group's administration and human resources department. Ms. Liang received her bachelor's degree in business administration from Wuhan University of Science and Technology (武漢科技大學) in 2007.

SENIOR MANAGEMENT

The following table provides information about members of the senior management of our Company (other than our executive Directors):

Name	Age	Positions	Date of joining our Group	Roles and responsibilities
Mr. Bai Lin (柏林先生) . . .	42	Vice President	July 2003	Responsible for the domestic sales of our Smart Home Solutions.
Mr. Zhao Lei (趙磊先生) . . .	39	Vice President	July 2018	Responsible for the overall strategy and operations of our residential air-conditioning division.

Name	Age	Positions	Date of joining our Group	Roles and responsibilities
Ms. Zhong Zheng (鐘錚女士) . . .	42	Vice President, Chief Financial Officer and Finance Director	July 2002	Responsible for the overall finance strategy, accounting, tax, treasury related matters and finance business of our Group.
Mr. Zhang Xiaoyi (張小懿先生) . .	51	Vice President and Chief Digital Officer	August 2010	Responsible for digital transformation and system development of our Group.
Mr. Li Guolin (李國林先生) . .	47	Vice President and Chairperson of the ESG Committee	July 1998	Responsible for intelligent manufacturing and quality control of our Group.
Mr. Wang Jinliang (王金亮先生).	57	Vice President	October 1995	Responsible for brand communication and public relations of our Group.
Dr. Wei Chang (衛昶博士) . . .	60	Vice President and Chief Technology Officer	August 2022	Responsible for technology strategy and technical operations of our Group.
Ms. Zhao Wenxin (趙文心女士) . .	41	Chief People Officer	July 2004	Responsible for the overall strategy and management of human resources of our Group.
Mr. Jiang Peng (江鵬先生) . . .	50	Board Secretary	October 2007	Responsible for Board related matters, capital markets, and corporate governance of our Group.

Mr. Bai Lin (柏林先生), aged 42, is our vice president. He is primarily responsible for the domestic sales of our Smart Home Solutions. Mr. Bai joined our Group in July 2003. He previously served as the Asia Pacific general manager of our refrigeration group, the general manager of sales & marketing of our refrigerators division, and the president of our refrigerators division. Mr. Bai received his bachelor's degree in international economics and trade from Huazhong University of Science and Technology (華中科技大學) in 2003.

Mr. Zhao Lei (趙磊先生), aged 39, is our vice president. He also serves as the president of our residential air-conditioning division. He is primarily responsible for the overall strategy and operations of our residential air-conditioning division. Mr. Zhao joined our Group in July 2018. He held several positions in our Group, including the director of domestic retail sales, the general manager of domestic sales & marketing of our washing machines division, and the president of our washing machines division. Mr. Zhao received his master's degree in enterprise management in 2011 and his bachelor's degree in international economics and trade in 2006, both from Xi'an University of Technology.

Ms. Zhong Zheng (鐘錚女士), aged 42, is our vice president, chief financial officer and finance director of our Group. She is primarily responsible for overall finance strategy, accounting, tax, treasury related matters and finance business of our Group. Ms. Zhong joined our Group in July 2002. She previously served as a director of finance of our financial centre and components division and the audit director of our Group. Ms. Zhong received her MBA degree from Nanjing University (南京大學) in 2015 and her bachelor's degree in accounting from Harbin Institute of Technology (哈爾濱工業大學) in 2002.

Mr. Zhang Xiaoyi (張小懿先生), aged 51, is our vice president and the chief digital officer. He is primarily responsible for the digital transformation and system development of our Group. Mr. Zhang joined our Group in August 2010. He previously served as the head of our overseas IT department, the head of our supply chain system department, and a director of our information technology department. Prior to joining our Group, Mr. Zhang served as an executive director of the IT department at Lenovo from July 2007 to August 2010. Prior to that, he worked at Dell from April 1998 to July 2007. Mr. Zhang received his MBA from University of Wales, New Port in the United Kingdom in 2007 and his bachelor's degree in mechanical manufacturing process and equipment from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in 1993.

Mr. Li Guolin (李國林先生), aged 47, is our vice president. He also serves as the director of quality control, intelligent manufacturing and supply chain management of our Group and the chairman of our ESG Committee. Mr. Li joined our Group in July 1998. He previously served as the vice president of our residential air-conditioning division and the president of our lifestyle electrical appliances. Mr. Li received his EMBA degree from Peking University (北京大學) in 2007, his master's degree in engineering from Xi'an Jiaotong University (西安交通大學) in 2006 and his bachelor's degree in heating ventilation and air conditioning from Xiangtan Engineering College (湘潭工學院) in 1998.

Mr. Wang Jinliang (王金亮先生), aged 57, is our vice president. He is primarily responsible for brand communication and public relations of our Group. Mr. Wang joined our Group in October 1995 and held several positions in our Group, including the vice president of domestic sales department and the vice president and head of marketing department in Midea Electric. Mr. Wang received his EMBA degree from National University of Singapore in 2005.

Dr. Wei Chang (衛昶博士), aged 60, is our vice president and chief technology officer. He is primarily responsible for the technology strategy and technical operations of our Group. Dr. Wei joined our Group in August 2022. Prior to joining our Group, Dr. Wei served as the president of the National Institute of Clean-and-Low-Carbon Energy, a research and development institute affiliated to China Energy Investment Corporation Ltd. (國家能源集團北京低碳清潔能源研究院) from April 2014 to August 2022. Prior to that, Dr. Wei held several positions at General Electric Company (NYSE: GE) from 1995 to April 2014, such as the product manager of GE Water & Process Technologies for greater China and business program manager of GE Global Research. Dr. Wei received his doctoral degree in science in 1990 and his bachelor's degree in chemistry in 1984, both from Fudan University (復旦大學).

Ms. Zhao Wenxin (趙文心女士), aged 41, is our chief people officer. She is also the director of human resources of our Group. She is primarily responsible for the overall strategy and management of human resources of our Group. Ms. Zhao joined our Group in July 2004. She previously served as a deputy general manager of our residential air-conditioning division as well as the general manager of our overseas sales & marketing business and a vice president for our international business. Ms. Zhao received her MBA degree from Carlson Management School, University of Minnesota in the United States in 2015 and her bachelor's degree in German from Yanbian University (延邊大學) in 2004.

Mr. Jiang Peng (江鵬先生), aged 50, is our Board secretary. He has also served as the director of investor relations department since 2013. He joined our Group in October 2007. Mr. Jiang previously served as the representative for securities affairs and the board secretary for Midea Electric from 2007 to 2013. Prior to joining our Group, Mr. Jiang served as the board secretary at Star Lake Bioscience Co, Inc. Zhaoqing Guangdong (廣東肇慶星湖生物科技股份有限公司) from April 2005 to October 2007. Mr. Jiang received his master's degree in accounting from The Chinese University of Hong Kong in 2015 and his bachelor's degree in investment economics administration from Shanxi University of Finance and Economy (山西財經大學) in 1997.

For the biographies of our executive Directors, including Mr. Fang Hongbo, Dr. Gu Yanmin, Mr. Wang Jianguo and Mr. Fu Yongjun, see the section headed "Directors — Executive Directors" above.

JOINT COMPANY SECRETARIES

Mr. Jiang Peng (江鵬先生) has been appointed as our joint company secretary. See "— Senior Management" above for Mr. Jiang's biography.

Ms. Lai Siu Kuen (黎少娟女士) has been appointed as our joint company secretary. Ms. Lai is a director of Company Secretarial Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. She has over 25 years of experience in the corporate secretarial field. Ms. Lai is currently the company secretary of several companies listed on the Hong Kong Stock Exchange, including CGN Mining Company Limited (中廣核礦業有限公司) (HKEX: 1164), Shanghai Junshi Biosciences Co., Ltd. (上海君實生物醫藥科技股份有限公司) (HKEX: 1877) and Yangtze Optical Fiber and Cable Joint Stock Limited Company (長飛光纖光纜股份有限公司) (HKEX: 6869). Ms. Lai is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Lai holds a bachelor's degree in accounting.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in October 2023, June 2024 and July 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his/her appointments.

DISCLOSURE UNDER RULE 8.10(2) OF THE LISTING RULES

As of the Latest Practicable Date, none of our Directors had interests in any business, which competes directly or indirectly with our business for the purpose of Rule 8.10(2) of the Hong Kong Listing Rules.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

We have established four Board Committees in accordance with the relevant laws and regulations in mainland China, the Articles and the code of corporate governance practices under the Listing Rules, namely the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy Committee. The functions of the four committees are summarized as follows:

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee comprises four members, namely Dr. Xu Dingbo, Dr. Xiao Geng, Dr. Liu Qiao and Dr. Qiu Lili as the members of the Audit Committee, with Dr. Xu Dingbo as the chairperson of the Audit Committee and is the director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Evaluation Committee

We have established the Remuneration and Evaluation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Evaluation Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration and Evaluation Committee comprises four members, namely Dr. Xiao Geng, Dr. Xu Dingbo, Dr. Liu Qiao and Dr. Qiu Lili, with Dr. Xiao Geng as the chairperson of the Remuneration and Evaluation Committee.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Code on Corporate Governance in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee comprises four members, namely Dr. Liu Qiao, Dr. Xiao Geng, Dr. Xu Dingbo and Dr. Qiu Lili, with Dr. Liu Qiao as the chairperson of the Nomination Committee.

Strategy Committee

We have established a Strategy Committee with written terms of reference. The primary duties of the Strategy Committee are to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company. The Strategy Committee comprises five members, namely Mr. Fang Hongbo, Dr. Xiao Geng, Dr. Xu Dingbo, Dr. Liu Qiao and Dr. Qiu Lili, with Mr. Fang Hongbo as the chairperson of the Strategy Committee.

Corporate Governance Code

We aim to implement a high standard of corporate governance, which we believe is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 of the Listing Rules after the Listing, save that Mr. Fang Hongbo will serve as both our chairman and chief executive officer as discussed below.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Hong Kong Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Fang currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired, and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of our Company if and when it is appropriate taking into account the circumstances of our Group as a whole.

Board diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of our Company, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. In particular, our Company currently has one female Director in the Board and will continue to work towards enhancing the gender diversity of the Board. Our Directors have a balanced mix of knowledge and skills, and we have five non-executive Directors, including four independent non-executive Directors, with different industry backgrounds. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy. Pursuant to the board diversity policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

Management presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules" for further details.

REMUNERATION

Our Directors, Supervisors and senior management receive their remuneration in the form of basic annual payments and performance-related annual payments, including fees, salaries, share-based compensation, pension schemes contribution and other benefits in kind.

For the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024, the total remuneration paid to our Directors amounted to RMB114.9 million, RMB107.1 million, RMB113.4 million and RMB34.4 million, respectively.

For the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024, the total remuneration paid to our Supervisors amounted to RMB1.1 million, RMB1.0 million, RMB1.4 million and RMB0.2 million, respectively.

For the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024, the total emoluments paid to the five highest paid individuals (including Directors) by us amounted to RMB158.9 million, RMB146.9 million, RMB160.5 million and RMB40.8 million, respectively.

For the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024, no payment was made by us to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. Our Supervisors receive remuneration from our Company. None of the Directors or Supervisors waived their remuneration during the relevant period.

The remuneration of our Directors, Supervisors and senior management is determined with reference to factors including the responsibility, risk and commitment of our Directors, Supervisors and senior management, the completion rate of our corporate profit, the assessment result of our target responsibility system, the performance evaluation structure of each of our corporate departments and the salaries paid by comparable companies.

Save as disclosed above and in "Financial Information," "Accountant's Report" and "Statutory and General Information," no other payments have been paid or are payable in respect of the Track Record Period to our Directors, Supervisors and senior management by our Group. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors and Supervisors for the year ending 31 December 2024 to be approximately RMB124 million.

See the Accountant's Report in Appendix I for details on remuneration paid to our Directors, Supervisors and senior management and, on an aggregate basis, the five highest paid individuals of our Group during the Track Record Period, and paragraphs headed "Statutory and General Information — 4. Our Incentive Schemes" in Appendix VI for details regarding the incentive plans for our Directors, Supervisors and senior management.

COMPLIANCE ADVISER

We have appointed Huatai Financial Holdings (Hong Kong) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased for an aggregate amount of approximately US$1,255.65 million (or approximately HK$9,790.05 million, calculated based on an exchange rate of US$1.00 to HK$7.7968) (assuming an Offer Price of HK$53.40 per H Share (being the mid-point of the Offer Price range) and exclusive of brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee) (the "**Cornerstone Placing**").

Based on the Offer Price of HK$54.80 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 179,032,700. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

<table>
<tr><th colspan="4">Assuming the Offer Size Adjustment Option is not exercised</th><th colspan="4">Assuming the Offer Size Adjustment Option is exercised in full</th></tr>
<tr><th colspan="2">Assuming the Over-allotment Option is not exercised</th><th colspan="2">Assuming the Over-allotment Option is exercised in full</th><th colspan="2">Assuming the Over-allotment Option is not exercised</th><th colspan="2">Assuming the Over-allotment Option is exercised in full</th></tr>
<tr><th>Approximate % of the Offer Shares</th><th>Approximate % of the total issued share capital</th><th>Approximate % of the Offer Shares</th><th>Approximate % of the total issued share capital</th><th>Approximate % of the Offer Shares</th><th>Approximate % of the total issued share capital</th><th>Approximate % of the Offer Shares</th><th>Approximate % of the total issued share capital</th></tr>
<tr><td>36.45%</td><td>2.40%</td><td>31.70%</td><td>2.37%</td><td>31.70%</td><td>2.37%</td><td>27.56%</td><td>2.35%</td></tr>
</table>

Based on the Offer Price of HK$53.40 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 183,333,100. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

<table>
<tr><th colspan="4">Assuming the Offer Size Adjustment Option is not exercised</th><th colspan="4">Assuming the Offer Size Adjustment Option is exercised in full</th></tr>
<tr><th colspan="2">Assuming the Over-allotment Option is not exercised</th><th colspan="2">Assuming the Over-allotment Option is exercised in full</th><th colspan="2">Assuming the Over-allotment Option is not exercised</th><th colspan="2">Assuming the Over-allotment Option is exercised in full</th></tr>
<tr><th>Approximate % of the Offer Shares</th><th>Approximate % of the total issued share capital</th><th>Approximate % of the Offer Shares</th><th>Approximate % of the total issued share capital</th><th>Approximate % of the Offer Shares</th><th>Approximate % of the total issued share capital</th><th>Approximate % of the Offer Shares</th><th>Approximate % of the total issued share capital</th></tr>
<tr><td>37.25%</td><td>2.45%</td><td>32.39%</td><td>2.43%</td><td>32.39%</td><td>2.43%</td><td>28.17%</td><td>2.40%</td></tr>
</table>

Based on the Offer Price of HK$52.00 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 187,865,500. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital
38.17%	2.51%	33.19%	2.49%	33.19%	2.49%	28.86%	2.46%

We believe that the Cornerstone Placing demonstrates our Cornerstone Investors' confidence in our Company and its business prospect, and that the Cornerstone Placing will help to raise the profile of our Company. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the Group's business network or through introduction by the Company's business partners/the Overall Coordinators in the Global Offering.

The Cornerstone Placing will form part of the International Offering, and, save as otherwise obtained consent from the Stock Exchange, the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through qualified domestic institutional investor ("**QDII**"), the QDIIs) and their respective close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through QDII, the QDIIs) will rank *pari passu* in all respects with the fully paid H Shares in issue following the Global Offering of the Company and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company; and none of the Cornerstone Investors and their close associates will become a substantial Shareholder of our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights under each of their respective Cornerstone Investment Agreements, as compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Listing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

Among the Cornerstone Investors, Foresight Funds, UBS AM Singapore, Dajia Life, Enreal AM and Jump Trading are existing minority Shareholders of the Company or their close associates. The Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix F1 to the Listing Rules to permit H Shares in the International Offering to be placed to certain existing minority Shareholders. For further details, please refer to the section headed "Waivers and Exemptions — Subscription for H Shares by Existing Shareholders and Their Close Associates". Save as otherwise disclosed, to the best knowledge of our Company, each of the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through a QDII, each of such QDIIs) is (i) not accustomed to take instructions from our Company or any of our Directors, Supervisors, chief executive, our Largest Group of Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them; (ii) not financed by our Company or any of our Directors, Supervisors, chief executive of our Company, our Largest Group of Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and (iii) independent of the other Cornerstone Investors, our Group, our connected persons and their respective associates, and is not an existing Shareholder or a close associate of our Group. In addition, to the best knowledge of our Company, each of the Cornerstone Investors is independent from each other and makes independent investment decisions.

To the best knowledge of the Overall Coordinators and based on the indicative interest of investment of the Cornerstone Investors and/or their close associates as of the date of this prospectus, certain Cornerstone Investors (including UBS AM Singapore, Splendor Achieve, HCEP, CPE Investment, Dajia Life, Enreal AM, Jump Trading, MY Asian Opportunities, Athos Capital and Pamalican) and/or their close associates may participate in the International Offering as placees and subscribe for further Offer Shares in the Global Offering. The Company will seek the Stock Exchange's consent and/or waiver to allow the Cornerstone Investors and/or their close associates to participate in the International Offering as placees pursuant to Chapter 4.15 of the Guide for New Listing Applicants. Whether such Cornerstone Investors and/or their associates will place orders in the International Offering and the allocation to such investors as placees in the International Offering are uncertain and will be subject to the final investment decisions of such investors and the terms and conditions of the Global Offering.

As confirmed by each of the Cornerstone Investors, its subscription under the Cornerstone Placing would be financed by its own internal financial resources, financial resources of its shareholders or the assets managed for its investors (in the case of Cornerstone Investors which are funds or investment managers) and it has sufficient funds to settle its respective investment under the Cornerstone Placing. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the relevant Cornerstone Placing.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's H Shares commence on the Stock Exchange. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares before the Listing.

The total number of Offer Shares to be subscribed by the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through QDII, the QDIIs) may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering. If the total demand for H shares in the Hong Kong Public Offering falls within the circumstance as set out in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus, our Company and the Overall Coordinators have the absolute discretion, but not obliged, to deduct the number of Offer Shares to be subscribed by the Cornerstone Investors on a *pro rata* basis under the Hong Kong Public Offering pursuant to Practice Note 18 of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around Monday, 16 September 2024.

THE CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

			Assuming an Offer Price of HK$52.00 per H Share (being the low-end of the Offer Price range)							
			Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Cornerstone Investor	Subscription amount	Number of Offer Shares[1]	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital
	(USD in millions)									
COSCO SHIPPING Holdings (Hong Kong) Limited ("**COSCO SHIPPING Holdings (Hong Kong)**")	281.20[2]	42,162,500	8.57%	0.56%	7.45%	0.56%	7.45%	0.56%	6.48%	0.55%
UBS Asset Management (Singapore) Ltd. ("**UBS AM Singapore**") . . .	100.00	14,993,800	3.05%	0.20%	2.65%	0.20%	2.65%	0.20%	2.30%	0.20%

Cornerstone Investor	Subscription amount	Number of Offer Shares(1)	Assuming an Offer Price of HK$52.00 per H Share (being the low-end of the Offer Price range)							
			Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital
	(USD in millions)									
China Structural Reform Fund II Corporation Limited* (中國國有企業結構調整基金二期股份有限公司,"**China Structural Reform Fund II**")	96.19(2)	14,423,000	2.93%	0.19%	2.55%	0.19%	2.55%	0.19%	2.22%	0.19%
Golden Link Worldwide Limited ("**Golden Link**")	99.00	14,844,100	3.02%	0.20%	2.62%	0.20%	2.62%	0.20%	2.28%	0.19%
Splendor Achieve Limited ("**Splendor Achieve**")	100.04(3)	15,000,000	3.05%	0.20%	2.65%	0.20%	2.65%	0.20%	2.30%	0.20%
Supercluster Universe Limited ("**Supercluster Universe**")	100.00	14,993,800	3.05%	0.20%	2.65%	0.20%	2.65%	0.20%	2.30%	0.20%
HCEP Master Fund ("**HCEP**")	50.00	7,496,900	1.52%	0.10%	1.32%	0.10%	1.32%	0.10%	1.15%	0.10%
Foresight Global Superior Choice SPC — Global Superior Choice Series Fund 1 SP ("**GSC Fund 1**") and Foresight Global Superior Choice SPC — Vision Fund 1 SP ("**Vision Fund 1**", together "**Foresight Funds**")	50.02(2)	7,500,000	1.52%	0.10%	1.33%	0.10%	1.33%	0.10%	1.15%	0.10%
CPE Investment XVI Limited ("**CPE Investment**")	50.00	7,496,900	1.52%	0.10%	1.32%	0.10%	1.32%	0.10%	1.15%	0.10%
Dajia Life Insurance Co., Ltd ("**Dajia Life**")	50.00	7,496,900	1.52%	0.10%	1.32%	0.10%	1.32%	0.10%	1.15%	0.10%

			Assuming an Offer Price of HK$52.00 per H Share (being the low-end of the Offer Price range)							
			Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Cornerstone Investor	Subscription amount	Number of Offer Shares[(1)]	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital
	(USD in millions)									
Metazone Link (HK) Limited ("**Metazone**")	50.00	7,496,900	1.52%	0.10%	1.32%	0.10%	1.32%	0.10%	1.15%	0.10%
Enreal Asset Management Limited ("**Enreal AM**")	35.00	5,247,800	1.07%	0.07%	0.93%	0.07%	0.93%	0.07%	0.81%	0.07%
Vanguard Focus Limited ("**Vanguard Focus**")	15.00	2,249,000	0.46%	0.03%	0.40%	0.03%	0.40%	0.03%	0.35%	0.03%
PSBC Wealth Management ("**PSBC Wealth**")	28.50	4,273,200	0.87%	0.06%	0.76%	0.06%	0.76%	0.06%	0.66%	0.06%
Jump Trading Pacific Pte. Ltd. ("**Jump Trading**")	50.00	7,496,900	1.52%	0.10%	1.32%	0.10%	1.32%	0.10%	1.15%	0.10%
MY Asian Opportunities Master Fund, L.P. ("**MY Asian Opportunities Fund**")	38.00	5,697,600	1.16%	0.08%	1.01%	0.08%	1.01%	0.08%	0.88%	0.07%
Athos Capital Limited ("**Athos Capital**")	30.00	4,498,100	0.91%	0.06%	0.79%	0.06%	0.79%	0.06%	0.69%	0.06%
Pamalican Fund Ltd ("**Pamalican**")	30.00	4,498,100	0.91%	0.06%	0.79%	0.06%	0.79%	0.06%	0.69%	0.06%
Total	1,252.95	187,865,500	38.17%	2.51%	33.19%	2.49%	33.19%	2.49%	28.86%	2.46%

			Assuming an Offer Price of HK$53.40 per H Share (being the mid-point of the Offer Price range)							
			Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Cornerstone Investor	Subscription amount	Number of Offer Shares[1]	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital
	(USD in millions)									
COSCO SHIPPING Holdings (Hong Kong)	281.20[2]	41,057,100	8.34%	0.55%	7.25%	0.54%	7.25%	0.54%	6.31%	0.54%
UBS AM Singapore	100.00	14,600,700	2.97%	0.20%	2.58%	0.19%	2.58%	0.19%	2.24%	0.19%
China Structural Reform Fund II	96.19[2]	14,044,900	2.85%	0.19%	2.48%	0.19%	2.48%	0.19%	2.16%	0.18%
Golden Link	99.00	14,454,900	2.94%	0.19%	2.55%	0.19%	2.55%	0.19%	2.22%	0.19%
Splendor Achieve	102.73[3]	15,000,000	3.05%	0.20%	2.65%	0.20%	2.65%	0.20%	2.30%	0.20%
Supercluster Universe	100.00	14,600,700	2.97%	0.20%	2.58%	0.19%	2.58%	0.19%	2.24%	0.19%
HCEP	50.00	7,300,300	1.48%	0.10%	1.29%	0.10%	1.29%	0.10%	1.12%	0.10%
Foresight Funds	50.02[2]	7,303,300	1.48%	0.10%	1.29%	0.10%	1.29%	0.10%	1.12%	0.10%
CPE Investment	50.00	7,300,300	1.48%	0.10%	1.29%	0.10%	1.29%	0.10%	1.12%	0.10%
Dajia Life	50.00	7,300,300	1.48%	0.10%	1.29%	0.10%	1.29%	0.10%	1.12%	0.10%
Metazone	50.00	7,300,300	1.48%	0.10%	1.29%	0.10%	1.29%	0.10%	1.12%	0.10%
Enreal AM	35.00	5,110,200	1.04%	0.07%	0.90%	0.07%	0.90%	0.07%	0.79%	0.07%
Vanguard Focus	15.00	2,190,100	0.45%	0.03%	0.39%	0.03%	0.39%	0.03%	0.34%	0.03%
PSBC Wealth	28.50	4,161,100	0.85%	0.06%	0.74%	0.06%	0.74%	0.06%	0.64%	0.05%
Jump Trading	50.00	7,300,300	1.48%	0.10%	1.29%	0.10%	1.29%	0.10%	1.12%	0.10%
MY Asian Opportunities Fund	38.00	5,548,200	1.13%	0.07%	0.98%	0.07%	0.98%	0.07%	0.85%	0.07%
Athos Capital	30.00	4,380,200	0.89%	0.06%	0.77%	0.06%	0.77%	0.06%	0.67%	0.06%
Pamalican	30.00	4,380,200	0.89%	0.06%	0.77%	0.06%	0.77%	0.06%	0.67%	0.06%
Total	1,255.65	183,333,100	37.25%	2.45%	32.39%	2.43%	32.39%	2.43%	28.17%	2.40%

			Assuming an Offer Price of HK$54.80 per H Share (being the high-end of the Offer Price range)							
			Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Cornerstone Investor	Subscription amount	Number of Offer Shares[(1)]	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital
	(USD in millions)									
COSCO SHIPPING Holdings (Hong Kong)	281.20[(2)]	40,008,200	8.13%	0.53%	7.07%	0.53%	7.07%	0.53%	6.15%	0.52%
UBS AM Singapore	100.00	14,227,700	2.89%	0.19%	2.51%	0.19%	2.51%	0.19%	2.19%	0.19%
China Structural Reform Fund II	96.19[(2)]	13,686,100	2.78%	0.18%	2.42%	0.18%	2.42%	0.18%	2.10%	0.18%
Golden Link	99.00	14,085,600	2.86%	0.19%	2.49%	0.19%	2.49%	0.19%	2.16%	0.18%
Splendor Achieve	105.43[(3)]	15,000,000	3.05%	0.20%	2.65%	0.20%	2.65%	0.20%	2.30%	0.20%
Supercluster Universe	100.00	14,227,700	2.89%	0.19%	2.51%	0.19%	2.51%	0.19%	2.19%	0.19%
HCEP	50.00	7,113,800	1.45%	0.10%	1.26%	0.09%	1.26%	0.09%	1.09%	0.09%
Foresight Funds	50.02[(2)]	7,116,700	1.45%	0.10%	1.26%	0.09%	1.26%	0.09%	1.09%	0.09%
CPE Investment	50.00	7,113,800	1.45%	0.10%	1.26%	0.09%	1.26%	0.09%	1.09%	0.09%
Dajia Life	50.00	7,113,800	1.45%	0.10%	1.26%	0.09%	1.26%	0.09%	1.09%	0.09%
Metazone	50.00	7,113,800	1.45%	0.10%	1.26%	0.09%	1.26%	0.09%	1.09%	0.09%
Enreal AM	35.00	4,979,700	1.01%	0.07%	0.88%	0.07%	0.88%	0.07%	0.77%	0.07%
Vanguard Focus	15.00	2,134,100	0.43%	0.03%	0.38%	0.03%	0.38%	0.03%	0.33%	0.03%
PSBC Wealth	28.50	4,054,800	0.82%	0.05%	0.72%	0.05%	0.72%	0.05%	0.62%	0.05%
Jump Trading	50.00	7,113,800	1.45%	0.10%	1.26%	0.09%	1.26%	0.09%	1.09%	0.09%
MY Asian Opportunities Fund	38.00	5,406,500	1.10%	0.07%	0.96%	0.07%	0.96%	0.07%	0.83%	0.07%
Athos Capital	30.00	4,268,300	0.87%	0.06%	0.75%	0.06%	0.75%	0.06%	0.66%	0.06%
Pamalican	30.00	4,268,300	0.87%	0.06%	0.75%	0.06%	0.75%	0.06%	0.66%	0.06%
Total	1,258.34	179,032,700	36.45%	2.40%	31.70%	2.37%	31.70%	2.37%	27.56%	2.35%

Notes:

(1) Subject to rounding down to the nearest whole board lot of 100 Offer Shares. Calculated based on the exchange rate set out in the section headed "Information about this document and the Global Offering — Currency Translations".

(2) Calculated based on an exchange rate of US$1.0000: HK$7.7968. The actual investment amount is denominated in Hong Kong dollars.

(3) Splendor Achieve has agreed to subscribe for 15,000,000 H Shares, and the investment amount shall be calculated based on the Offer Price accordingly. Save for Splendor Achieve, the subscription amount for investments from other Cornerstone Investors are fixed.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

COSCO SHIPPING Holdings (Hong Kong)

COSCO SHIPPING Holdings (Hong Kong) is a wholly-owned subsidiary of COSCO SHIPPING Holdings Co., Ltd ("**COSCO SHIPPING Holdings**") which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council. COSCO SHIPPING Holdings is listed on the Hong Kong Stock Exchange (stock code: 1919) and the Shanghai Stock Exchange (stock code: 601919). COSCO SHIPPING Holdings is currently positioned as a global digital supply chain operation and investment platform with container shipping as the core. It is the core company which undertakes the vision of China COSCO SHIPPING Corporation Limited and its subsidiaries to "accelerate creation of a world-class shipping technology enterprise", and is committed to providing customers with a full-link solution of "container shipping + port + related logistics services".

UBS AM Singapore

UBS AM Singapore, a company incorporated in Singapore in December 1993, has entered into a cornerstone investment agreement with the Company and the Joint Sponsors, in its capacity as the delegate of the investment manager for and on behalf of the following fund(s): (i) UBS (LUX) EQUITY FUND — GREATER CHINA (USD); (ii) UBS (LUX) EQUITY FUND — CHINA OPPORTUNITY (USD); (iii) UBS (HK) FUND SERIES — CHINA OPPORTUNITY EQUITY (USD); (iv) UBS (LUX) EQUITY SICAV — ALL CHINA (USD); (v) UBS (LUX) KEY SELECTION SICAV — CHINA ALLOCATION OPPORTUNITY (USD). No single ultimate beneficial owner holds 30% or more interests in those funds.

UBS AM Singapore is a wholly owned subsidiary of UBS Asset Management AG ("**UBS Asset Management**"), an investment management company, which is wholly ultimately owned by UBS Group AG, which is a company organized under Swiss law as a corporation that has issued shares of common stock to investors. UBS Group AG's shares are listed on the SIX Swiss Exchange (stock code: UBSG) and the New York Stock Exchange (stock code: UBS). UBS Asset Management is a business division of UBS Group AG and is operated as a dedicated asset management business with independence in all investment decision making. UBS Asset Management is a global large-scale and diversified asset manager, with a presence in 23 markets. UBS Asset Management offers investment capabilities and styles across all major traditional and alternative asset classes as well as advisory support to institutions, wholesale intermediaries and its global wealth management clients. As at June 30, 2024, invested assets under management of UBS Asset Management globally totalled USD1.7 trillion. UBS AM Singapore's shareholders' and New York Stock Exchange's approval are not required for UBS AM Singapore's subscription for the Investor Shares.

China Structural Reform Fund II

China Structural Reform Fund II, a company incorporated in the People's Republic of China, is indirectly and ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**"). China Chengtong Holdings Group Ltd. (中國誠通控股集團有限公司), a company controlled by SASAC, holds approximately 35.29% equity interest of China Structural Reform Fund II. CCT Fund Management Co., Ltd. (誠通基金管理有限公司), a wholly-owned subsidiary of China Chengtong Holdings Group Ltd., is the manager of China Structural Reform Fund II and is responsible for its fund management and general affairs. China Structural Reform Fund II is engaged in equity investment, investment management and asset management and other businesses with private equity funds, with a registered capital of RMB62.7 billion.

China Structural Reform Fund II's investment into the Company would be completed through QDII programs in the PRC.

Golden Link

Golden Link is a limited liability company registered in the British Virgin Islands, with its shares wholly-owned by BYD (H.K.) Co., Limited which is in turn a wholly-owned subsidiary of BYD Company Limited (比亞迪股份有限公司, "**BYD**"). BYD is a company based in Shenzhen which is principally engaged in automotive business, mainly focused on new energy vehicles, mobile phone parts and assembly business, rechargeable batteries and photovoltaic business. BYD is a listed company on the Shenzhen Stock Exchange (stock code: 002594) and the Hong Kong Stock Exchange (stock code: 1211). Midea Group and BYD have established business cooperation relationship, with Midea Group providing central air conditioner, KUKA robot products and other products to BYD, and BYD providing IGBT and other products to Midea Group. No single ultimate beneficial owner holds 30% or more interests in Golden Link.

Splendor Achieve

Splendor Achieve is indirectly wholly-owned by Mr. Yang Shaopeng. As at the Latest Practicable Date, Mr. Yang Shaopeng is the controlling shareholder and honorary life chairman of SITC International Holdings Company Limited ("**SITC**") and was previously its executive director and chairman of its board of directors up to his retirement in March 2024. SITC is listed on the Hong Kong Stock Exchange (stock code: 1308), mainly engaged in shipping and integrated logistics business. SITC ranks the 13th among international container shipping companies in terms of shipping capacity, its trade lanes and land-based integrated logistics business network covered 84 major ports in various countries and regions in Asia. SITC is committed to build an integrated sea-land service value chain and strive for the goal in becoming a world-class integrated logistics service solution provider.

Supercluster Universe

Supercluster Universe Limited is an exempted company incorporated under the laws of the Cayman Islands and a controlled subsidiary of Boyu Capital Opportunities Master Fund. Boyu Capital Opportunities Master Fund is an exempted company incorporated under the laws of the Cayman Island and an investment fund managed by Boyu Capital Management (Singapore) Pte. Ltd., a member of Boyu group. Boyu provides growth and transformational capital for leading businesses and entrepreneurs in areas that include technology, healthcare, consumer and business services. There is no single investor holding 30% or more interest in Supercluster Universe Limited.

HCEP

HCEP is an exempted company with limited liability incorporated under the laws of the Cayman Islands. The investment manager of HCEP is HCEP Management Limited, which is in turn wholly-owned by HCEP Management Holding Limited. HCEP is an investment fund whose primary purpose is to make China-related equity investments. HCEP Management Limited was incorporated under the laws of Hong Kong in 2020. There is no participating shareholder holding 30% or more shares in HCEP.

Foresight Funds

GSC Fund 1 and Vision Fund 1, together the Foresight Funds, are both sub funds of Foresight Global Superior Choice SPC, which was incorporated in the Cayman Islands on October 17, 2016. The Foresight Funds are currently managed in full discretion by Foresight Fund (Hong Kong) Limited ("Foresight HK"), a wholly owned subsidiary of Foresight Fund Management Company. Foresight HK was incorporated in Hong Kong in April 26, 2022, and has been a licensed corporation as defined under the SFO for Type 4 (Advising on Securities) and Type 9 (Asset management) since March 24, 2023. Foresight Fund Management Company is the investment advisor of the Foresight Funds and is a Shanghai-based asset management company and was founded by Mr. Chen Guangming. No ultimate beneficial owner of any limited partner or general partner holds more than 30% interests in Foresight Funds.

CPE Investment

CPE Investment is a business company incorporated under the laws of the BVI and its primary business activity is investment holding. It is wholly owned by CPE Global Opportunities Fund II, L.P. ("**CPE GOF II**"), an exempted limited partnership formed under the laws of the Cayman Islands. The general partner of CPE GOF II is CPE GOF GP Limited, a company incorporated in the Cayman Islands with limited liability. CPE GOF GP Limited is directly and wholly owned by CPE Management International Limited, which is in turn wholly owned by CPE Management International II Limited, both of which are companies incorporated in the Cayman Islands with limited liability. CPE Management International II Limited is owned by a number of shareholders that are natural persons, none of whom controls CPE Management International II Limited. CPE GOF II's investor base comprises both corporate and entrepreneurial investors. No ultimate beneficial owner of any limited partner or general partner holds more than 30% interests in CPE Investment.

Dajia Life

Dajia Life is a professional life insurance company which is a subsidiary of Dajia Insurance Group which is ultimately controlled by China Insurance Security Fund Company Limited. It was established in June 2010 and headquartered in Beijing. It is a limited liability company with a registered capital of RMB30.79 billion. Dajia Life mainly engages in various personal insurance businesses such as life insurance, health insurance, accident insurance, reinsurance business of the above-mentioned businesses, and other businesses approved by the National Financial Regulatory Administration. Currently, Dajia Life has a total of 19 provincial-level branches in operation.

Metazone

Metazone is a wholly owned subsidiary of TCL Industries Holdings Co., Ltd. TCL Industries Holdings Co., Ltd is a company established under the laws of the PRC, and it is one of the major home appliance and consumer electronics conglomerates with a global presence. Mr. Li Dongsheng is the Chairman and the ultimate beneficial owner of TCL Industries Holdings Co., Ltd.

Enreal AM

Enreal AM is a licensed corporation established in Hong Kong to carry out type 9 regulated activities under the SFO in Hong Kong and serves as investment manager to Enreal China Master Fund and Forreal China Value Fund. These two funds are focused on investing in technology-driven opportunities in China. Specifically, they invest in the Hong Kong/mainland China equity market as well as ADRs, and mainly covers sectors including TMT, Advanced Manufacturing, Consumer and Healthcare etc. The ultimate beneficial owner of Enreal China Master Fund and Forreal China Value Fund holding 30% or more of its interest is a global institutional investor not an individual investor.

Vanguard Focus

Vanguard Focus is a business company incorporated in the British Virgin Islands on June 8, 2020. It is an investment holding company of IDG Capital. Vanguard Focus is wholly-owned by a senior executive of IDG Capital, who is independent from the Company. Founded in 1992, IDG Capital is a pioneer in introducing foreign venture capital into China. During its over 30 years of operation, IDG Capital brings a strong combination of global perspective and local experience to investment management, and its highly skilled team has an in-depth understanding of the China market with close relationships with many accomplished entrepreneurs and influential business leaders.

PSBC Wealth

PSBC Wealth was established on December 18, 2019, with a registered capital of RMB8.0 billion, in which Postal Savings Bank of China Co., Ltd. (stock code: 1658) holds a 100% stake and is ultimately controlled by China Post Group Corporation Limited. Its business scope is public issuance of wealth management products to the general public, investment and management of entrusted assets for investors; non-public issuance of wealth management products to eligible investors, investment and management of entrusted assets for investors; financial advisory and consulting services, etc. PSBC Wealth remained firmly committed to balanced development of scale, quality and profitability, aimed at fostering core competitiveness, deepened investment analysis, marketing, internal control, operational reforms and digital transformation, and continued to improve the rule-based, specialized and market-oriented development of wealth management business.

PSBC Wealth's investment in the total amount of US$28.5 million into the Company would be completed through QDII programs in the PRC, of which it has engaged Industrial Securities Assets Management Co., Ltd. (興證證券資產管理有限公司), an asset manager that is a QDII, to subscribe for such Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$7.5 million on behalf of PSBC Wealth, and the remaining investment in the amount of US$21 million would be completed through separate QDII program in the PRC.

Jump Trading

Jump Trading is a member of the Jump Trading Group. Founded in 1999, Jump Trading Group is one of the largest global financial trading groups. Jump Trading Group is headquartered in Chicago and has offices in Chicago, New York, London, Hong Kong, Shanghai, Singapore in addition to other major financial centers. As part of its investment activities, the capital markets investment team of Jump Trading Group engages and invests in high-quality companies through equity raisings, and relies on the firm's best-in-class execution and strong corporate governance to make strategic investments. The capital markets investments team is based in Hong Kong and consists of seasoned investment professionals with strong focus and understanding of company fundamentals. The team focusses and invests extensively across the Asia Pacific region. No ultimate beneficial owner of any limited partner or general partner holds more than 30% interests in Jump Trading.

MY Asian Opportunities Fund

MY Asian Opportunities Fund is a fund established in the Cayman Islands and managed by MY.Alpha Management HK Advisors Limited ("**MY.Alpha**"). MY.Alpha is headquartered in Hong Kong and manages assets on behalf of institutions, endowments, foundations, funds of funds, wealthy individuals and their families. The fund's investment strategy is to invest in Asian companies using a catalyst-driven, fundamental value approach and to provide consistent, superior risk-adjusted investment returns relatively independent of the overall market. There is no single investor who holds 30% or more in MY Asian Opportunities Fund from a beneficial ownership perspective.

Athos Capital

Athos Capital serves as the investment manager of each of Athos Asia Event Driven Master Fund, New Holland Tactical Alpha Fund LP and BlueHarbour MAP I LP. Athos Capital manages assets on behalf of a global institutional investor base, including sovereign wealth funds, university endowments, foundations and family offices. Founded in 2011, Athos Capital pursues a variety of investment strategies with a view to providing superior and sustainable long term returns for its clients. Athos Capital is wholly-owned by Mr. Matthew Love Moskey and Mr. Friedrich Bela Schulte-Hillen, who also serve as the two responsible officers of Athos Capital.

Pamalican

Pamalican Asset Management Limited serves as the investment manager of Pamalican with a team of 13 professionals across investing and operations. Pamalican is an exempted company incorporated with limited liability in the Cayman Islands. Pamalican Asset Management Limited manages gross assets of approximately US$1 billion on behalf of a global institutional investor base, and pursues a variety of investment strategies with a view to providing superior and sustainable long term returns for its clients. Pamalican Asset Management Limited is licensed by the SFC for the regulated activity of asset management (CE: BUT781) and is a US Securities and Exchange Commission Exempt Reporting Advisor (CRD: 331819). No ultimate beneficial owner holds more than 30% interests in Pamalican.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor or each QDII (as applicable) to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(a) the Underwriting Agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid Underwriting Agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Overall Coordinators (for themselves and on behalf of the underwriters of the Global Offering);

(c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective acknowledgements, representations, warranties, undertakings and confirmations of relevant Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months from (and inclusive of) the Listing Date (the "**Lock-up Period**"), dispose of, in any way, any of the Offer Shares or any interest in any company or entity holding such Offer Shares that they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

FUTURE PLANS

See "Business — Our Strategies" in this document for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering that we will receive, after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering if there is no exercise of the Over-allotment Option at all, will be:

Net proceeds if no exercise of the Over-allotment Option at all:

	Net proceeds (in HK$ million)	
	(a) Assuming the Offer Size Adjustment Option is not exercised at all	**(b) Assuming the Offer Size Adjustment Option is exercised in full**
Assuming an Offer Price of HK$52.00 per H Share (being the minimum Offer Price)	25,289	29,096
Assuming an Offer Price of HK$53.40 per H Share (being the mid-point of the Offer Price range)	25,972	29,882
Assuming an Offer Price of HK$54.80 per H Share (being the maximum Offer Price)	26,656	30,701

If the Over-allotment Option is exercised in full, after deducting the relevant underwriting commissions, the additional net proceeds which we will receive from such exercise of the Over-allotment Option will be:

Additional net proceeds from the Over-allotment Option, if exercised in full:

	Additional net proceeds (in HK$ million) from the exercise of the Over-allotment Option in full:	
	(a) Assuming the Offer Size Adjustment Option is not exercised at all	**(b) Assuming the Offer Size Adjustment Option is exercised in full**
Assuming an Offer Price of HK$52.00 per H Share (being the minimum Offer Price)	3,808	4,379
Assuming an Offer Price of HK$53.40 per H Share (being the mid-point of the Offer Price range)	3,910	4,497
Assuming an Offer Price of HK$54.80 per H Share (being the maximum Offer Price)	4,013	4,582

Assuming an Offer Price of HK$53.40 per H Share (being the mid-point of the Offer Price range of between HK$52.00 and HK$54.80 per H Share) and that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, in line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

	For the period from the Latest Practicable Date to 31 December 2024	For the period from 1 January 2025 to 31 December 2025	For the period from 1 January 2026 to 31 December 2026	After 1 January 2027	Total (HK$ million)	Approximate % of the total
Worldwide research and development efforts	30%	30%	40%	–	5,194	20%
Upgrading our intelligent manufacturing system and supply chain management	25%	20%	25%	30%	9,090	35%
Enhancing our distribution channels and sales network around the world and increasing our overseas sales under our own brands	23%	30%	30%	17%	9,090	35%
Working capital and general corporate purposes	20%	25%	25%	30%	2,597	10%
Total	25%	26%	30%	19%	25,972	100%

- approximately 20% of the net proceeds, or approximately HK$5,194 million, is expected to be used for our worldwide research and development efforts in the following one to three years, including (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. We will expand our research and development team around the world, attracting and retaining R&D talents with relevant academic backgrounds and industry experience by offering competitive compensation packages. We plan to recruit 1,000 to 1,500 R&D talents globally, out of which 900 to 1,350 are expected to have master's or above degrees and/or qualification and 150 to 225 will be recruited overseas. Major relevant research fields of these talents include fluid and solid mechanics, thermodynamics, material sciences, healthcare, noise technology and electromagnetic technology. We will also further expand the footprints of our global research centres to enhance our ability to localize our product portfolio. Specifically, we will primarily deploy the R&D funds in the following fields:

- approximately 10% of the net proceeds, or approximately HK$2,597 million, is expected to be used for the research and development of new products and the continual upgrading of our existing products:

  - Our R&D efforts in Smart Home Solutions will primarily focus on developing more intelligent, premium and environmentally-friendly products, including but not limited to: (i) improving the sensing capability of our full-suite home appliances in measuring vision, sound, temperature, force, and other modalities and the analytics capability, so that the appliances can perform their functions (e.g. temperature adjustment, cleaning, cooking, etc.) more automatically and intelligently with high efficiency and effectiveness; (ii) improving our proprietary smart home control systems with the goal to deepen the integration of various appliances at home; (iii) improving our AI-powered interactive technologies to optimize the user experience with our Smart Home Solutions; and (iv) improving energy efficiency, reducing emission, and adopting more environmentally-friendly materials to achieve the overall goal of decarbonization. The research and development of the above technologies will help us provide smarter, more integrated and more energy-saving home appliances so as to improve our product competitiveness and realize a more premium product matrix, which will further increase our market share and revenue.

  - Our R&D efforts in Commercial & Industrial Solutions primarily include expanding our research initiatives on core cutting-edge technologies, enhancing our product matrix, and improving the performance of our products by continually upgrading both the underlying hardware and software control systems:

    - We will upgrade features and functionalities of the hardware. To illustrate with our Intelligent Building technology, we will continue to develop central air conditioners, elevators, and energy management systems with higher energy efficiency, better performance, and enhanced reliability to further expand our product offerings and ensure their global-leading functionality and quality. We will also continue to ride on the industry trend towards carbon neutrality to earn recognition from a larger number of commercial and industrial customers, with a goal to further increase our market share and revenue.

      - We will continue to upgrade our digital software platforms. For example, we will continue to upgrade the iBUILDING digital platform to connect with a broader array of appliances and devices, enhance the corresponding control over the building, and better realize a one-stop management solution. We will also continue to upgrade our industrial internet platform, M IoT, which integrates our various capabilities across KUKA Group and intelligent building and industrial technologies, among others. Our M IoT empowers the digital transformation of our industrial customers spanning their whole value chain. The research and development of the above softwares and platforms will help us achieve higher added values associated with our products and thereby enhance our profitability. The interconnectivity among different business units that are accessible on a single digital platform could also provide cross-selling opportunities to further accelerate the revenue growth.

  - approximately 10% of the net proceeds, or approximately HK$2,597 million, is expected to be used for middle-to-long-term research and development efforts, including: (i) fundamental research, 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 to build our long-term technical reserves for potentially future game-changing products, and ensure our leading position.

- approximately 35% of the net proceeds, or approximately HK$9,090 million, is expected to be used for continual investment in upgrading our intelligent manufacturing system and supply chain management in the following one to four years:

  - approximately 20% of the net proceeds, or approximately HK$5,194 million is expected to be used for expanding our manufacturing capacity overseas:

    - Specifically, we will expand our capacity in large home appliance markets or markets with high growth potential such as Europe, Latin America, Africa, India, and Southeast Asia, through a combination of our own capital expenditure, joint venture investment, and acquisitions, to enhance the scale and quality of our overseas production and meet the demand of local customers for our Smart Home Solutions and Commercial & Industrial Solutions.

- The following table summarizes a non-exhaustive list detailing our key planned manufacturing bases:

Expected Time for Commencement of Commercial Production	Geographic Location	Key Products
Smart Home Solutions		
2024	India	Kitchen appliance
2024	Indonesia	Residential AC
2024	Brazil	Refrigerator, washing machine
2025	Indonesia	Refrigerator, washing machine
2025	Thailand	Refrigerator
2026	Egypt	Washing machine
Commercial & Industrial Solutions		
2024	Italy	Heat pump
2025	Thailand	Commercial AC

- These manufacturing bases for Smart Home Solutions and Commercial & Industrial Solutions are expected to have an annual production value of around RMB12.0 billion in aggregate, when the capacity is fully ramped up.

▪ Along with expanding our capacity for manufacturing products, we will also expand our component manufacturing centres, raw material procurement centres and others to increase the proportion of local supply in overseas markets, thus enhancing the stability and efficiency of our supply chain.

○ approximately 15% of the net proceeds, or approximately HK$3,896 million is expected to be used for enhancing the level of digitalization and intelligence for our manufacturing infrastructure and supply chain:

▪ approximately 10% of the net proceeds, or approximately HK$2,597 million is expected to be used for enhancing our manufacturing infrastructure. The ultimate goal is to realize full-fledged automation, digitalization, and intelligentization of industrial design, manufacturing, and quality assurance. To achieve this goal, we will continue to digitalize more manufacturing processes so that they can be brought online for real-time monitoring and analysis. With such data insights, we strive to constantly optimize the manufacturing flow and model to enhance efficiency. Besides, we aim to improve the automation rate of our production lines for higher productivity and better profitability in the long term. Overall, we will use our "Lighthouse Factories" as the benchmark to continually upgrade our production plants. We will invest in enhancing our flexible and lean manufacturing system to quickly respond to the evolving customer demand with high flexibility.

- approximately 5% of the net proceeds, or approximately HK$1,299 million is expected to be used for improving our digital and intelligent supply chain management. We will continue to promote the use of our ISC management system to more suppliers and expand the raw materials categories for centralized procurement, so as to further enhance supply efficiency and reduce procurement costs.

- approximately 35% of the net proceeds, or approximately HK$9,090 million, is expected to be used for enhancing our distribution channels and sales network around the world and increasing our overseas sales under our own brands in the following one to five years:

  - approximately 20% of the net proceeds, or approximately HK$5,194 million is expected to be used for building and strengthening our brand and product portfolio in overseas markets:

    - approximately 8% of the net proceeds, or approximately HK$2,078 million is expected to be used for increasing the promotion and advertisement of our own brands and products on social media, and collaborating more broadly with globally well-known KOLs.

    - approximately 12% of the net proceeds, or approximately HK$3,117 million is expected to be used for investing in or acquiring targets, if available, related to our Smart Home Solutions and Commercial & Industrial Solutions that have (i) strong brand value, such as mid-to-high-end home appliance and commercial air conditioner brands overseas, especially in Europe and the United States, (ii) complementary product offerings, such as western kitchenware for Smart Home Solutions and elevators and heating equipment for Commercial & Industrial Solutions, and (iii) extensive sales channel and high-quality customer base in overseas markets. Regarding the size of the potential targets, we typically aim to acquire targets with an annual revenue exceeding US$100.0 million. At the same time, potential targets are expected to have solid track record of operations and financials and maintain a good internal control mechanism and compliance history, with an operating history of over 5 years. According to Frost & Sullivan, in 2023, there were over 500 of such potential targets globally. We will continue to source potential acquisition targets that may fit our criteria.

- approximately 15% of the net proceeds, or approximately HK$3,896 million is expected to be used for expanding and upgrading our sales network around the world:

  - approximately 5% of the net proceeds, or approximately HK$1,299 million is expected to be used for upgrading our Midea Cloud Sales platform to accurately and efficiently track product sales of our distributors and retailers. We will also provide distributors and retailers with more advanced digital toolkits for their efficient store operation and target marketing.

  - approximately 10% of the net proceeds, or approximately HK$2,597 million is expected to be used for expanding and upgrading our sales network in overseas markets. The initiatives will include building a larger overseas sales team, expanding the dedicated sales and distribution channel for premium brands, establishing more experience stores in overseas markets, and building and improving our self-operated e-commerce channels.

- approximately 10% of the net proceeds, or approximately HK$2,597 million, is expected to be used for working capital and general corporate purposes.

In the event that the Offer Price is set at the maximum offer price or the minimum offer price of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK$683 million, respectively. If we make an upward or downward offer price adjustment to set the final Offer Price to be above or below the mid-point of the Offer Price range, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro rata basis.

The additional net proceeds that we would receive if the Offer Size Adjustment Option and the Over-allotment Option were exercised in full would be (i) HK$8,627 million (assuming an Offer Price of HK$54.80 per H Share, being the maximum Offer Price), (ii) HK$8,407 million (assuming an Offer Price of HK$53.40 per H Share, being the mid-point of the Offer Price range) and (iii) HK$8,186 million (assuming an Offer Price of HK$52.00 per H Share, being the minimum Offer Price).

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Offer Size Adjustment Option and the Over-allotment Option) are either more or less than expected, we may adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

We will only place the net proceeds of the Global Offering that are not immediately required for the above purposes in short-term interest-bearing accounts at licensed commercial banks and/or authorised financial institutions as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Merrill Lynch (Asia Pacific) Limited
UBS AG Hong Kong Branch
CLSA Limited
Goldman Sachs (Asia) L.L.C.
Huatai Financial Holdings (Hong Kong) Limited
GF Securities (Hong Kong) Brokerage Limited
CMB International Capital Limited
BNP Paribas Securities (Asia) Limited
Futu Securities International (Hong Kong) Limited

UNDERWRITING

This document is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. Our Company expects the International Offering to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 24,606,800 Hong Kong Offer Shares and the International Offering of initially 467,528,300 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" in this document as well as to the Offer Size Adjustment Option and the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this document and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option), on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this document and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion, shall have the right by giving a notice to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, economic sanctions, strikes, labour disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, rebellion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or delay in transportation) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Singapore, Germany, Netherlands, Japan or any other jurisdiction relevant to the Group (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**");

(ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange or the Singapore Stock Exchange;

(iv) any general moratorium on commercial banking activities in the PRC (imposed by the People's Bank of China), Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by any relevant competent authority) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any other competent governmental authority in or affecting any of the Relevant Jurisdictions;

(vi) the imposition of comprehensive sanctions under any sanctions laws or regulations, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by or for any of the Relevant Jurisdictions or relevant to the business operations of the Company or any member of the Group;

(vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the United States dollar, the Hong Kong dollar or RMB against any foreign currencies or a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;

(viii) other than with the prior written consent of the Joint Sponsors and the Overall Coordinators, the issue or requirement to issue by the Company of a supplement or an amendment to this prospectus, the offering circular, the filings to the CSRC or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (WUMP) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange, the CSRC and/or the SFC;

(ix) any demand by creditors for repayment of indebtedness or an order or petition for the winding up or liquidation of any major subsidiary of the Group or any composition or arrangement made by any major subsidiary of the Group with its creditors or a scheme of arrangement entered into by any major subsidiary of the Group or any resolution for the winding-up of any major subsidiary of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any major subsidiary of the Group or anything analogous thereto occurring in respect of any major subsidiary of the Group;

(x) any chief executive officer, chief financial officer, any Director, Supervisors or any member of the senior management of the Company is vacating his or her office;

(xi) any litigation, dispute, proceeding, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of the Group, any Director, Supervisor or any member of the senior management of the Company;

(xii) any contravention by any member of the Group or any Director or any member of the senior management of the Company of any applicable laws and regulations, including the Listing Rules, the Companies Ordinance, the Companies (WUMP) Ordinance and the PRC Company Law; or

(xiii) any non-compliance of this prospectus or the filings to the CSRC (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares or any aspect of the Global Offering) with the Listing Rules or any other applicable laws and regulations (including, without limitation, the Listing Rules, the Companies Ordinance, the Companies (WUMP) Ordinance and the relevant rules of the CSRC);

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(1) has or will have or is likely to have a material adverse effect or any development involving a prospective material adverse effect, on or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, earnings, solvency, liquidity position, funding, results of operations, position or condition, financial, operational or otherwise, or performance of the Group, taken as a whole;

(2) has or will have or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications for or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;

(3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offer Related Documents (as defined below); or

(4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting the Hong Kong Public Offering) incapable or impracticable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Sponsors and/or the Overall Coordinators that:

(i) any statement contained in any of this prospectus, the post-hearing information pack and the formal notice of the Company, the filings to the CSRC and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto but excluding names and addresses of the

Underwriters) (the "**Offer Related Documents**") was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable grounds or, where appropriate, based on reasonable assumptions with reference to the facts and circumstances then subsisting;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in, or omission from any of the Offer Related Documents;

(iii) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the representations or warranties given by the Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(iv) there is a material breach of any of the obligations imposed upon the Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(v) there is an event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(vi) there is any material adverse effect or any development involving a prospective material adverse effect, on or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, earnings, solvency, liquidity position, funding, results of operations, position or condition, financial, operational or otherwise, or performance of the Group, taken as a whole;

(vii) the approval of the Stock Exchange of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including pursuant to any exercise of the Offer Size Adjustment Option and the Over-allotment Option), other than subject to any applicable conditions, is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by any applicable conditions), revoked or withheld;

(viii) the notice of acceptance of the filings to the CSRC issued by the CSRC and/or the results of the filings to the CSRC published on the website of the CSRC is rejected, withdrawn, revoked or invalidated;

(ix) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(x) the Company withdraws this prospectus (and/or any other documents issued or used in connection with Global Offering) or the Global Offering;

(xi) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including pursuant to any exercise of the Offer Size Adjustment Option and the Over-Allotment Option) pursuant to the terms of the Global Offering;

(xii) any Director, Supervisor or member of senior management of the Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking a directorship of a company, or there is a commencement by any governmental, political or regulatory body of any investigation or other action against any Director, Supervisor or member of senior management of the Company in his or her capacity as such or any member of the Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or

(xiii) there is an order or petition for the winding-up of any major subsidiary of the Group or any composition or arrangement made by any major subsidiary of the Group with its creditors or a scheme of arrangement entered into by any major subsidiary of the Group or any resolution for the winding-up of any major subsidiary of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any major subsidiary of the Group or anything analogous thereto occurring in respect of any major subsidiary of the Group.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including the Offer Size Adjustment Option and the Over-allotment Option); or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Largest Group of Shareholders

In accordance with Rule 10.07(1) of the Listing Rules and Paragraph 7 of Chapter 4.13 of the Guide to New Listing Applicants, the Largest Group of Shareholders have undertaken to our Company and the Stock Exchange that, they shall not and shall procure that the registered holders controlled by the Largest Group of Shareholders shall not, in the period commencing on the date by reference to which disclosure of their shareholdings are made in this prospectus and ending on the date which is six (6) months from the Listing Date (the "**First Six-month Period**"), either directly or indirectly, dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities of our Company in respect of which they are shown in this prospectus to be the beneficial owner(s) (the "**Relevant Securities**") (save for a pledge or charge of any Relevant Securities as security in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan in accordance with Note (2) to Rule 10.07(2) of the Listing Rules, or a share lending arrangement entered into by them pursuant to Rule 10.07(3) of the Listing Rules).

In addition, in accordance with Note 3 to Rule 10.07(2) of the Listing Rules, the Largest Group of Shareholders have undertaken to our Company and the Stock Exchange that, during the First Six-month Period, they will and will procure that the relevant registered holder(s) will:

(1) when any of them pledges or charges any Relevant Securities in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan in accordance with Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of the Relevant Securities so pledged or charged; and

(2) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (1) and (2) above (if any) by any of the Largest Group of Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, save for the issue, offer or sale of the Offer Shares by our Company pursuant to the Global Offering (including pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the "**First Six-Month Period**"), our Company has undertaken to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries not to, without the prior written consent of the Joint Sponsors and the the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Hong Kong Listing Rules:

(i) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant, agree to grant or sell any option, warrant, right or contract or right to subscribe for or purchase, grant, agree to grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in any H Shares or other securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of the Company or any interest in any of the foregoing), or deposit any H Shares or other securities of the Company, with a depositary in connection with the issue of depositary receipts;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any H Shares or other securities of the Company, or any interest therein, or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of the Company or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to announce, or publicly disclose that our Company will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of any H Shares or other securities of our Company or, in cash or otherwise (whether or not the issue of such H Shares or other securities will be completed within the First Six-Month Period). For the avoidance of doubt, paragraph (i) above shall not apply to any issue of debt securities by our Company which are not convertible into equity securities of our Company or of any other member of our Group.

In the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period and ending on and including the date that is six months from the last day of the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any such transactions or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions described in paragraphs (i), (ii) or (iii) above, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the H Shares or other securities of our Company.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any H Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any H Shares or any securities of any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our Company's H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement and subject to the Offer Size Adjustment Option and the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See "Structure of the Global Offering — The International Offering."

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Overall Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an aggregate of 73,820,200 H Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option is not exercised at all) or up to an aggregate of 84,893,200 H Shares, representing not more than 15% of the number of Offer Shares available under the Global Offering (assuming the Offer Size Adjustment Option is exercised in full), at the Offer Price, to cover over-allocations in the International Offering, if any. We will delay delivery of the Offer Shares allocated to certain investors under the International Offering in order to cover over-allocation of the Offer Shares before exercise of the Over-allotment Option. See "Structure of the Global Offering — Over-allotment Option."

Offer Size Adjustment Option

The Company has an Offer Size Adjustment Option under the Hong Kong Underwriting Agreement, exercisable by the Company with the prior written agreement between the Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before the time of execution of the Price Determination Agreement and will lapse immediately thereafter. Upon the exercise of the Offer Size Adjustment Option, the Company may issue up to 73,820,200 additional Offer Shares (being 15.0% of the Offer Shares initially available under the Global Offering) at the Offer Price. The Offer Size Adjustment Option provides flexibility to increase the number of Offer Shares available for purchase under the Global Offering to cover additional market demand.

The exercise of the Offer Size Adjustment Option is also subject to the reallocation arrangement as described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation."

Under the Offer Size Adjustment Option, the Company may issue and allot such number of H Shares up to an aggregate of 73,820,200 additional Offer Shares (being 15.0% of the Offer Shares initially available under the Global Offering) at the Offer Price. See "Structure of the Global Offering — Offer Size Adjustment Option."

Commissions and Expenses

The Capital Market Intermediaries will receive an underwriting commission of 0.6% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Capital Market Intermediaries may receive a discretionary incentive fee of up to 0.2% of the aggregate Offer Price of all the Offer Shares to be issued by our Company under the Global Offering (including any Offer Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

Assuming full payment of the discretionary incentive fee, the fixed fees and the discretionary fees payable to the Underwriters represent approximately 37.5% and 62.5%, respectively, of the aggregate fees payable to the Capital Market Intermediaries in total in connection with the Global Offering.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Capital Market Intermediaries in relation to the Global Offering (assuming (i) an indicative offer price of HK$53.40 per Offer Share (which is the mid-point of the Offer Price range), (ii) the full payment of the discretionary incentive fee, (iii) the Offer Size Adjustment Option is not exercised at all and (iv) the exercise of the Over-allotment Option in full) will be approximately HK$241.8 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$339.7 million (assuming (i) an indicative offer price of HK$53.40 per Offer Share (which is the mid-point of the Offer Price range), (ii) the full payment of the discretionary incentive fee, (iii) the Offer Size Adjustment Option is not exercised at all and (iv) the exercise of the Over-allotment Option in full) and will be paid by our Company.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, loan financing, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of members of our Group and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering." Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, loan financing and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of the Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of the H Shares on the Main Board of the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued as mentioned in this document.

492,135,100 Offer Shares will initially be made available under the Global Offering comprising:

- the Hong Kong Public Offering of initially 24,606,800 Offer Shares (subject to reallocation and the Offer Size Adjustment Option) in Hong Kong as described in "— The Hong Kong Public Offering" below; and

- the International Offering of initially 467,528,300 Offer Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in "— The International Offering" below.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 6.6% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 7.5% of the enlarged issued share capital of our Company (assuming the Offer Size Adjustment Option is not exercised at all) or approximately 8.5% of the enlarged issued share capital of our Company (assuming the Offer Size Adjustment Option is exercised in full) immediately following the completion of the Global Offering.

References in this document to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 24,606,800 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and the Offer Size Adjustment Option, will represent approximately 0.3% of the enlarged issued share capital our Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B (with any odd lot being allocated to pool A). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 12,303,400 Hong Kong Offer Shares (being approximately 50% of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering assuming the Offer Size Adjustment Option is not exercised) is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

We have applied for, and the Stock Exchange has granted us, a waiver from stock compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules to the effect as further described below.

24,606,800 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 5.0% of the Offer Shares initially available for subscription under the Global Offering. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 9 times or more but less than 18 times, (b) 18 times or more but less than 36 times and (c) 36 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 29,528,200 Offer Shares (in the case of (a)), 34,449,500 Offer Shares (in the case of (b)) and 39,370,900 Offer Shares (in the case of (c)), representing approximately 6.0%, 7.0% and 8.0% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

In addition, the Overall Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as they deem appropriate.

The Overall Coordinators may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering in accordance with Chapter 4.14 of the Guide for New Listing Applicants. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 9 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, and provided that the Offer Price would be set at HK$52.00 (low-end of the Offer Price range), up to 24,606,800 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to up to 49,213,600 Offer Shares, representing approximately twice the number of the Offer Shares initially available under the Hong Kong Public Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option).

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application (subject to application channel), the maximum Offer Price in addition to the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable on each Offer Share, amounting to a total of HK$5,535.27 for one board lot of 100 Offer Shares. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" below, is less than the maximum Offer Price, appropriate refund payments (including the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 467,528,300 Offer Shares offered by our Company (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option), representing approximately 95.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 6.2% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the subsection headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares and/or hold or sell its H Shares after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and the Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Offer Size Adjustment Option and the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OFFER SIZE ADJUSTMENT OPTION

In order to provide the Company with the flexibility to increase the number of Offer Shares available under the Global Offering to cover additional demand, the Company has an Offer Size Adjustment Option which will allow the Company to issue up to 73,820,200 additional Offer Shares (representing 15.0% of the Offer Shares initially being offered under the Global Offering) (the "**Offer Size Adjustment Option Shares**") at the Offer Price.

The Offer Size Adjustment Option is contained in the Hong Kong Underwriting Agreement and is exercisable by the Company with the prior written agreement between the Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before the time of the execution of the Price Determination Agreement. If it is not exercised by such time, then the Offer Size Adjustment Option will lapse.

In considering whether to exercise the Offer Size Adjustment Option, the Company and the Overall Coordinators will take into account a number of factors, including, among other things:

(i) whether the level of interest expressed by prospective professional and institutional investors during the book-building process under the International Offering is sufficient to cover:

  (a) the total number of Offer Shares, which represents the aggregate of the Offer Shares initially available under the Global Offering and the additional Offer Shares upon any exercise of the Offer Size Adjustment Option; and

  (b) the corresponding number of H Shares under the Over-allotment Option;

(ii) the prices at which prospective professional and institutional investors have indicated they would be prepared to acquire the Offer Shares in the course of the book-building process;

(iii) the quality of investors, with a view to establishing a solid professional institutional and investor shareholder base to the benefit of the Company and its Shareholders as a whole;

(iv) the level of subscriptions by the valid applications in the Hong Kong Public Offering; and

(v) general market conditions.

These Offer Size Adjustment Option Shares, if any, will be allocated in such manner as closely as practicable to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above and the Overall Coordinators shall allocate additional H Shares to be offered by our Company pursuant to the International Offering to the Hong Kong Public Offering in order to maintain such proportionality and the relevant number of Offer Size Adjustment Option Shares shall be allocated to the International Offering to maintain such proportionality, i.e., the initial proportion of 5.0%:95.0% between the Hong Kong Public Offering and the International Offering, except for the scenario where excess additional Offer Shares are not taken up by retail investors under the Hong Kong Public Offering and will then be reallocated to International Offering to satisfy excess demand in the International Offering as described in details below, in which case the final allocation of Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares in the Global Offering after the exercise of the Offer Size Adjustment Option.

Furthermore, the Company and the Overall Coordinators will only exercise the Offer Size Adjustment Option to the extent that the Offer Size Adjustment Option Shares to be allocated to the International Offering in order to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above will be fully subscribed to ensure no Offer Size Adjustment Option Shares allocated to the International Offering will be reallocated to the Hong Kong Public Offering.

In the event that the Offer Size Adjustment Option is exercised in full,

(a) if the Hong Kong Public Offering is oversubscribed by at least 0.15 time (being the percentage which the additional Offer Shares issued pursuant to the Offer Size Adjustment Option represent as a percentage to the number of the initial Offer Shares), the additional Offer Shares will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Offering as determined after the application of the clawback arrangements described in "— The Hong Kong Public Offering — Reallocation" above;

(b) if the Hong Kong Public Offering is oversubscribed by less than 0.15 time, the additional Offer Shares will first be allocated to maintain, to the extent possible, the initial proportion of 5.0%:95.0% between the Hong Kong Public Offering (5.0%) and the International Offering (95.0%). Any excess additional Offer Shares not taken up by retail investors under the Hong Kong Public Offering will then be reallocated to International Offering to satisfy excess demand in the International Offering. In such a case, the final allocation of Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares in the Global Offering after the exercise of the Offer Size Adjustment Option.

In the event that the Offer Size Adjustment Option is exercised in part,

(a) if the Hong Kong Public Offering is oversubscribed by at least the relevant multiple (being the percentage which the additional Offer Shares issued pursuant to the Offer Size Adjustment Option represent as a percentage to the number of the initial Offer Shares), the additional Offer Shares will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Offering as determined after the application of the clawback arrangements described in "— The Hong Kong Public Offering — Reallocation" above;

(b) if the Hong Kong Public Offering is oversubscribed by less than the relevant multiple (being the percentage which the additional Offer Shares issued pursuant to the Offer Size Adjustment Option represent as a percentage to the number of the initial Offer Shares), the additional Offer Shares will first be allocated to maintain, to the extent possible, the initial proportion of 5.0%:95.0% between the Hong Kong Public Offering (5.0%) and the International Offering (95.0%). Any excess additional Offer Shares not taken up by retail investors under the Hong Kong Public Offering will then be reallocated to International Offering to satisfy excess demand in the International Offering. In such a case, the final allocation of Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares in the Global Offering after the exercise of the Offer Size Adjustment Option.

In the event that the Hong Kong Public Offering is undersubscribed, all the additional Offer Shares will be allocated to the International Offering. In such a case, the final allocation of Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares in the Global Offering after the exercise of the Offer Size Adjustment Option.

The table below sets out the final allocation of Offer Shares between the Hong Kong Public Offering and the International Offering for illustration purpose only. The actual final allocation will depend on the actual additional number of Offer Shares to be issued upon the exercise of the Offer Size Adjustment Option.

In the event that the Offer Size Adjustment Option is exercised in full, so that 73,820,200 additional Offer Shares (representing in aggregate up to 15.0% of the initial number of Offer Shares available for subscription under the Global Offering) will be issued at the Offer Price[(2)]

If the Hong Kong Public Offering is oversubscribed by	At least 9 times	At least 0.15[(1)] time but less than 9 times	Less than 0.15[(1)] time	The Hong Kong Public Offering is undersubscribed
Final allocation of Offer Shares between International Offering and Hong Kong Public Offering	If the oversubscription is at least 9 times, the clawback arrangement will be triggered. The additional Offer Shares to be issued pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the applicable clawback ratio (94:6 or 93:7 or 92:8) as described in the "— The Hong Kong Public Offering — Reallocation."	If the oversubscription is less than 9 times, no clawback arrangement will be triggered. The additional Offer Shares pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the 95:5 ratio.[(3)]	If the oversubscription is less than 0.15 times, no clawback arrangement will be triggered. The additional Offer Shares pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the 95:5 ratio. However, as the demand in the Hong Kong Public Offering is insufficient to take up all the additional Offer Shares, the excess additional Offer Shares will be reallocated to the International Offering only. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares. If the Hong Kong Public Offering is fully subscribed with no over-subscription, the additional Offer Shares pursuant to the Offer Size Adjustment Option will all be allocated to the International offering due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be approximately 4.3% of the total number of Offer Shares.	The unsubscribed Offer Shares under the Hong Kong Public Offering will be reallocated to the International Offering. The additional Offer Shares to be issued pursuant to the Offer Size Adjustment Option will be allocated to the International Offering only due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares.

In the event that the Offer Size Adjustment Option is exercised in half, so that 36,910,100 additional Offer Shares (representing in aggregate up to 7.5% of the initial number of Offer Shares available for subscription under the Global Offering) will be issued at the Offer Price(2)

If the Hong Kong Public Offering is oversubscribed by	At least 9 times	At least 0.075(1) time but less than 9 times	Less than 0.075(1) time	The Hong Kong Public Offering is undersubscribed
Final allocation of Offer Shares between International Offering and Hong Kong Public Offering	If the oversubscription is at least 9 times, the clawback arrangement will be triggered. The additional Offer Shares to be issued pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the applicable clawback ratio (94:6 or 93:7 or 92:8) as described in the "— The Hong Kong Public Offering — Reallocation."	If the oversubscription is less than 9 times, no clawback arrangement will be triggered. The additional Offer Shares pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the 95:5 ratio.(3)	If the oversubscription is less than 0.075 times, no clawback arrangement will be triggered. The additional Offer Shares pursuant to the Offer Size Adjustment Option will be allocated between the International Offering and the Hong Kong Public Offering according to the 95:5 ratio. However, as the demand in the Hong Kong Public Offering is insufficient to take up all the additional Offer Shares, the excess additional Offer Shares will be reallocated to the International Offering only. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares. If the Hong Kong Public Offering is fully subscribed with no over-subscription, the additional Offer Shares pursuant to the Offer Size Adjustment Option will all be allocated to the International offering due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be approximately 4.7% of the total number of Offer Shares.	The unsubscribed Offer Shares under the Hong Kong Public Offering will be reallocated to the International Offering. The additional Offer Shares to be issued pursuant to the Offer Size Adjustment Option will be allocated to the International Offering only due to insufficient demand in the Hong Kong Public Offering. As a result, the final allocation of the Offer Shares to the Hong Kong Public Offering will be less than 5.0% of the total number of Offer Shares.

Notes:

(1) being the percentage which the additional Offer Shares issued pursuant to the Offer Size Adjustment Option represent as a percentage to the number of the initial Offer Shares.

(2) assuming the Over-allotment Option is not exercised.

(3) assuming the reallocation pursuant to Chapter 4.14 of the Guide for New Listing Applicants as described in "— The Hong Kong Public Offering — Reallocation" is not exercised.

If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.0% of our enlarged issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). The dilution effect of the Offer Size Adjustment Option (assuming the Over-allotment Option is not exercised) is set out below:

Number of H Shares issued under the Global Offering before the exercise of the Offer Size Adjustment Option (the "Original Subscribers")	Approximate percentage of total issued share capital held by the Original Subscribers before the exercise of the Offer Size Adjustment Option	Number of H Shares issued under the Global Offering after the exercise of the Offer Size Adjustment Option in full	Approximate percentage of total issued share capital held by the Original Subscribers after the exercise of the Offer Size Adjustment Option in full
492,135,100	6.6	565,955,300	6.5

The Offer Size Adjustment Option will not be used for price stabilization purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). The Offer Size Adjustment Option will be in addition to the Over-allotment Option.

The Company will disclose in its allotment results announcement if and to what extent the Offer Size Adjustment Option has been exercised, the final allocation of Offer Shares between the Hong Kong Public Offering and the International Offering and the use of the additional proceeds received, or will confirm that if the Offer Size Adjustment Option has not been exercised by the Price Determination Date, it will lapse and cannot be exercised at any future date.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Overall Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 73,820,200 additional H Shares (assuming the Offer Size Adjustment Option is not exercised) or an aggregate of 84,893,200 additional H Shares (assuming the Offer Size Adjustment Option is exercised in full), representing not more than 15% of the total number of Offer Shares available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any. We will delay delivery of the Offer Shares allocated to certain investors under the International Offering in order to cover over-allocation of the Offer Shares before exercise of the Over-allotment Option.

If the Offer Size Adjustment Option is not exercised and the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.0% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering. If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the additional Offer Shares to be issued pursuant to the Over-allotment Option will represent approximately 1.1% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

EMPLOYEE PREFERENTIAL OFFERING

Of the 467,528,300 Offer Shares initially being offered under the International Offering, no more than 46,752,800 Offer Shares, representing approximately 10% of the Offer Shares initially available for subscription under the International Offering, are available for subscription as Employee Reserved Shares by the Eligible Employees on a preferential basis under the Employee Preferential Offering according to Rule 10.01 of the Listing Rules.

The Employee Reserved Shares are being offered out of the International Offer Shares but will not be subject to the clawback mechanism as set out in "— The Hong Kong Public Offering — Reallocation."

The Eligible Employees are selected by the Company by taking into consideration, among others, their seniority, current position as well as contribution made to the Group. Since all the Eligible Employees will be PRC residents and could not directly participate in the Employee Preferential Offering according to relevant applicable PRC laws and regulations, it is currently expected that the Company will engage relevant third-party intermediaries to facilitate the Eligible Employees to participate in the Employee Preferential Offering.

The Eligible Employees will subscribe to set up trusts managed by a licensed and independent financial institution, i.e. the Huaneng Guicheng Trust — Meicheng No. 1 Trust Fund (華能信託—美誠1號服務信託), the Huaneng Guicheng Trust — Meicheng No. 2 Trust Fund (華能信託—美誠2號服務信託) and the Huaneng Guicheng Trust — Meicheng No. 3 Trust Fund (華能信託—美誠3號服務信託) (collectively, the "**Trust**"), which will in turn invest in a QDII fund (the "**QDII Fund**") managed by an independent and qualified domestic institutional investor, i.e., GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理(廣東)有限公司). The QDII Fund will then subscribe to and invest in structured notes (the "**Structured Notes**") to be issued by Platinum Sunflower Limited (the "**Structured Notes Issuer**"), an independent third party of the Company. The Employee Reserved Shares will be allocated to the Structured Notes Issuer, as a placee in the International Offering, to facilitate the Eligible Employees in participating in the economic exposure to the initial public offering of the Company's H Shares under the Employee Preferential Offering. In the event that the subscription by the Eligible Employees raises more funds than the amount required to subscribe for the total number of Employee Reserved Shares, all Employee Reserved Shares will be allocated to the Structured Notes Issuer. The Structured Notes Issuer will hold the legal interest in the Employee Reserved Shares for and on behalf of the Eligible Employees while the economic risks and returns of the underlying H Shares will be borne by the relevant Eligible Employees, subject to customary fees and commissions in accordance with applicable laws and regulations.

Although the Structured Notes Issuer will hold the title of the Employee Reserved Shares by itself, it will not exercise the voting right of the Employee Reserved Shares during the terms of the Structured Notes, which are currently expected to be two years and subject to extension. At the termination of the Structured Notes, the investment returns from the purchase of the Company's Offer Shares in the Global Offering will be passed through to the Eligible Employees.

The maximum subscription amount of H Shares that any individual Eligible Employee may indirectly apply for under the Employee Preferential Offering will be limited to RMB4.00 million (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), representing approximately 0.17% of the Offer Shares available for subscription under the Employee Preferential Offering and approximately 0.02% of the Offer Shares initially available for subscription under the Global Offering (based on the mid-point of the Offer Price range of HK$53.40 per Offer Share and assuming neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised). Such measures will help to ensure that no single Eligible Employee would hold an excessively large number of H Shares under the Employee Preferential Offering to the disadvantage of the other Eligible Employees.

Each Eligible Employee will also confirm that he/she:

(a) is and remains an employee as of the date of this prospectus;

(b) is not a core connected person of the Company (other than by nature of being a director, supervisor or chief executive of a subsidiary of the Company, where applicable);

(c) is not any person whose acquisition of securities will be financed directly or indirectly by a core connected person (other than by himself/herself where he/she is a director, supervisor or chief executive of a subsidiary of the Company);

(d) is not any person who is accustomed to take instructions from a core connected person (other than from himself/herself where he/she is a director, supervisor or chief executive of a subsidiary of the Company, where applicable) in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in his/her name or otherwise held by him/her;

(e) is outside the U.S. and not a U.S. person (as defined in Rule 902 of Regulation S); and

(f) will only participate in the Global Offering through the subscription of the Employee Reserved Shares under the Employee Preferential Offering and will not subscribe for the Company's H Shares in the Global Offering through any other channels.

Any Employee Reserved Shares not subscribed for by the Eligible Employees will be available for subscription by other investors in the International Offering after the reallocation as described in "— The Hong Kong Public Offering" in this prospectus.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing

Manager (or any person acting for it) reasonably regards as the best interest of our Company, (b) may be discontinued at any time, and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (c) purchasing, or agreeing to purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (e) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in clauses (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the H Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the H Shares;

- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Saturday, 12 October 2024, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part, using H Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

PRICING AND ALLOCATION

Determining the Pricing of the Offer Shares

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be determined on the Price Determination Date, which is expected to be on or before Friday, 13 September 2024 and, in any event, no later than 12:00 noon on Friday, 13 September 2024, by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$54.80 per Offer Share and is expected to be not less than HK$52.00 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering are required to pay, on application (subject to application channel), the maximum Offer Price plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, amounting to a total of HK$5,535.27 for one board lot of 100 Offer Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this document.**

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the prior consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price range as stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at

www.midea.com.cn and **www.hkexnews.hk**, respectively, notices of the reduction. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this document, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this document.

Announcement of Final Pricing of the Offer Shares

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares — B. Publication of Results."

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued (including any H Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

- the Offer Price having been agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company;

- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this document.

If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on Friday, 13 September 2024, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at **www.midea.com.cn** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on Tuesday, 17 September 2024, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 17 September 2024, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 17 September 2024.

The H Shares will be traded in board lots of 100 H Shares each and the stock code of the H Shares will be 0300.

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES
FULLY ELECTRONIC APPLICATION PROCESS

Our Company has adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This document is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our Company's website at www.midea.com.cn.

The contents of this document are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older;
- have a Hong Kong address *(for the* ***White Form eIPO*** *Service only)*; and
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S.

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to our Company, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder of our Company;
- are a Director, Supervisor or chief executive of our Company and/or a director, supervisor or chief executive of any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above persons;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon the completion of the Global Offering; or
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Monday, 9 September 2024 and end at 12:00 noon on Thursday, 12 September 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	**www.eipo.com.hk**	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Monday, 9 September 2024 until 11:30 a.m. on Thursday, 12 September 2024 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 12 September 2024, the last day for applications, or such later time as described in "— E. Severe Weather Arrangements" below.

Application Channel	Platform	Target Investors	Application Time
HKSCC EIPO channel	Your **broker** or **custodian** who is a HKSCC Participant will submit **electronic application instructions** on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your **broker** or **custodian** for the earliest and latest time for giving such instructions, as this may vary by **broker** or **custodian**.

The **White Form eIPO** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this document, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this document and any supplement to it.

For those applying through the HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this document.

3. Information Required to Apply

You <u>must</u> provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
    - i. HKID card; or
    - ii. National identification document; or
    - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
    - i. LEI registration document; or
    - ii. Certificate of incorporation; or
    - iii. Business registration certificate; or
    - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint applicants on FINI is capped at 4 in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii) the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;

   - control more than half of the voting power of the company; or

   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through the HKSCC EIPO channel, and making an application under a power of attorney, the Company and the Overall Coordinators, as the Company's agent, have discretion to consider whether to accept it on any conditions the Company thinks fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	100 H Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK$54.80 per H Share.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your **broker** or **custodian**.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Amount payable[(2)] on application	No. of Hong Kong Offer Shares applied for	Amount payable[(2)] on application	No. of Hong Kong Offer Shares applied for	Amount payable[(2)] on application	No. of Hong Kong Offer Shares applied for	Amount payable[(2)] on application
	HK$		*HK$*		*HK$*		*HK$*
100	5,535.27	4,000	221,410.63	70,000	3,874,686.05	3,000,000	166,057,974.00
200	11,070.54	5,000	276,763.29	80,000	4,428,212.65	3,500,000	193,734,303.00
300	16,605.79	6,000	332,115.95	90,000	4,981,739.22	4,000,000	221,410,632.00
400	22,141.06	7,000	387,468.61	100,000	5,535,265.80	4,500,000	249,086,961.00
500	27,676.33	8,000	442,821.27	200,000	11,070,531.60	5,000,000	276,763,290.00
600	33,211.60	9,000	498,173.93	300,000	16,605,797.40	6,000,000	332,115,948.00
700	38,746.87	10,000	553,526.58	400,000	22,141,063.20	7,000,000	387,468,606.00
800	44,282.13	20,000	1,107,053.15	500,000	27,676,329.00	8,000,000	442,821,264.00
900	49,817.39	30,000	1,660,579.75	1,000,000	55,352,658.00	9,000,000	498,173,922.00
1,000	55,352.66	40,000	2,214,106.32	1,500,000	83,028,987.00	10,000,000	553,526,580.00
2,000	110,705.31	50,000	2,767,632.90	2,000,000	110,705,316.00	12,303,400[(1)]	681,025,892.44
3,000	166,057.98	60,000	3,321,159.48	2,500,000	138,381,645.00		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Overall Coordinators, as the Company's agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this document and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your **broker** or **custodian**), and agree to be bound by them;

(iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your **broker** or **custodian** and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of H Shares set out in this document and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this document and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this document and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to the Company, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "— G. Personal Data — 3. Purposes" and "— 4. Transfer of personal data" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "— B. Publication of Results" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "— C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither the Company nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this document;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, supervisors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, supervisors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that the Company and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

	Platform	Date/Time
Applying through **White Form eIPO** service or **HKSCC EIPO channel**:		
Website	The designated results of allocation website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function.	24 hours, from 11:00 p.m. on Monday, 16 September 2024 to 12:00 midnight on Sunday, 22 September 2024 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**).	
	The Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.midea.com.cn** which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Monday, 16 September 2024 (Hong Kong time)
Telephone	+852 2862 8555 — the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m. on Tuesday, 17 September 2024, Thursday, 19 September 2024, Friday, 20 September 2024 and Monday, 23 September 2024

For those applying through the HKSCC EIPO channel, you may also check with your **broker** or **custodian** from 6:00 p.m. on Friday, 13 September 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Friday, 13 September 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

The Company expects to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.midea.com.cn** by no later than 11:00 p.m. on Monday, 16 September 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If the Company or its agents exercise their discretion to reject your application:

The Company, the Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "— A. Application for Hong Kong Offer Shares — 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Overall Coordinators believe that by accepting your application, it or the Company would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Offer Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the receiving bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted Offer Shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the **broker** or **custodian** may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of the Company, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on Tuesday, 17 September 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	White Form eIPO service	**HKSCC EIPO channel**
Despatch/collection of H Share certificate[1]		
For physical share certificates of 1,000,000 or more Offer Shares issued under your own name	Collection in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account
	Time: from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 September 2024 (Hong Kong time), or any other place or date notified by the Company	No action by you is required
	If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.	

	White Form eIPO service	**HKSCC EIPO channel**
	Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. **Note:** If you do not collect Your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk	
For physical share certificates of less than 1,000,000 Offer Shares issued under your own name	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk **Time**: Monday, 16 September 2024	

Refund mechanism for surplus application monies paid by you

Date	Tuesday, 17 September 2024	Subject to the arrangement between you and your **broker** or **custodian**
Responsible party	H Share Registrar	Your **broker** or **custodian**
Application monies paid through single bank account	White Form e-Refund payment instructions to your designated bank account	Your **broker** or **custodian** will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund check(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

Note:

1. Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an Extreme Conditions issued after a super typhoon in force in Hong Kong in the morning on Monday, 16 September 2024 rendering it impossible for the relevant H Share certificates to be despatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— E. Severe Weather Arrangements" in this section.

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Thursday, 12 September 2024 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- an Extreme Condition,

(collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 12 September 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the Listing Date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this document, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.midea.com.cn** of the revised timetable.

If a **Severe** Weather Signal is hoisted on Monday, 16 September 2024, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository's service counter so that they would be available for trading on Tuesday, 17 September 2024.

If a **Severe** Weather Signal is hoisted on Monday, 16 September 2024:

- for physical H Share certificates of less than 1,000,000 Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Monday, 16 September 2024 or on Tuesday, 17 September 2024).

If a **Severe** Weather Signal is hoisted on Tuesday, 17 September 2024:

- for physical H Share certificates of 1,000,000 or more Offer Shares issued under your own name, you may pick them up from the H Share Registrar's office after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, 17 September 2024 or on Thursday, 19 September 2024).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional adviser for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check and White Form e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this document and announcing results of allocation of Hong Kong Offer Shares;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;

- maintaining or updating the register of members of the Company;

- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;

- facilitating Hong Kong Offer Shares balloting;

- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;

- distributing communications from the Company and its subsidiaries;

- compiling statistical information and profiles of the holder of the H Shares;

- disclosing relevant information to facilitate claims on entitlements; and

- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;

- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and

- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this document or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MIDEA GROUP CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND MERRILL LYNCH (ASIA PACIFIC) LIMITED

Introduction

We report on the historical financial information of Midea Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-135, which comprises the consolidated statements of financial position as at 31 December 2021, 2022 and 2023 and 30 April 2024, the Company statements of financial position as at 31 December 2021, 2022 and 2023 and 30 April 2024, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-135 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 9 September 2024 (the "Prospectus") in connection with the initial listing of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 April 2024 and the consolidated financial position of the Group as at 31 December 2021, 2022 and 2023 and 30 April 2024 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2023 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the

Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
9 September 2024

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the historical financial information as at 31 December 2021, 2022 and 2023 and 30 April 2024 and for the years/periods then ended (the "Track Record Period") (the "Historical Financial Information") which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by IAASB ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Four months ended 30 April	
	Note	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	*5*	343,360,825	345,708,706	373,709,804	131,381,082	145,779,559
Cost of revenue	*8*	(266,450,882)	(262,321,797)	(275,320,160)	(99,348,589)	(106,469,785)
Gross profit		76,909,943	83,386,909	98,389,644	32,032,493	39,309,774
Selling and marketing expenses	*8*	(28,646,188)	(28,715,439)	(34,880,794)	(11,248,192)	(14,624,289)
General and administrative expenses	*8*	(10,742,475)	(12,023,970)	(13,975,965)	(3,911,452)	(4,630,693)
Research and development expenses	*8*	(12,014,891)	(12,667,099)	(14,586,346)	(4,327,729)	(4,960,679)
Net impairment losses on financial assets and contract assets	*3.1(b)*	(384,501)	(538,108)	(235,002)	(179,526)	(56,212)
Other income	*6*	6,177,047	7,088,757	8,120,251	2,370,278	2,862,663
Other gains/(losses), net	*7*	2,777,178	(1,065,436)	(945,664)	271,205	(2,012,940)
Operating profit		34,076,113	35,465,614	41,886,124	15,007,077	15,887,624
Finance income	*10*	401,501	793,175	1,085,256	275,801	590,833
Finance costs	*10*	(1,299,556)	(1,902,422)	(3,372,815)	(1,151,972)	(485,846)
Finance (costs)/income, net		(898,055)	(1,109,247)	(2,287,559)	(876,171)	104,987
Share of profit of associates and joint ventures, net	*21*	560,679	608,278	680,759	224,055	239,455
Impairment provision for investments in associates and joint ventures		–	(6,179)	–	–	–
Profit before income tax		33,738,737	34,958,466	40,279,324	14,354,961	16,232,066
Income tax expense	*11*	(4,707,309)	(5,146,341)	(6,532,371)	(2,229,553)	(2,585,791)
Profit for the year/period		29,031,428	29,812,125	33,746,953	12,125,408	13,646,275
Attributable to:						
Owners of the Company		28,586,980	29,553,342	33,721,536	11,995,920	13,461,205
Non-controlling interests		444,448	258,783	25,417	129,488	185,070
		29,031,428	29,812,125	33,746,953	12,125,408	13,646,275
Earnings per share for profit attributable to owners of the Company:	*13*					
– Basic (RMB per share)		4.17	4.34	4.93	1.77	1.94
– Diluted (RMB per share)		4.14	4.33	4.92	1.76	1.94

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit for the year/period	29,031,428	29,812,125	33,746,953	12,125,408	13,646,275
Other comprehensive (loss)/income:					
Items that may be reclassified to profit or loss, net of tax					
– Other comprehensive (loss)/income that will be transferred subsequently to profit or loss under the equity method, net of tax	(3,032)	17,391	7,751	17,318	12,450
– Cash flow hedging reserves, net of tax	(3,370)	365,978	(139,710)	(144,837)	233,822
– Currency translation differences of foreign operations	(231,698)	1,222,797	(53,552)	(478,016)	(488,725)
– Others, net of tax	–	69,882	25,033	(25,450)	(5,315)
Items that will not be reclassified to profit or loss, net of tax					
– Changes arising from remeasurement of defined benefit plan, net of tax	(1,029)	219,408	(88,017)	(5,539)	12,860
– Changes in fair value of investments in other equity instruments, net of tax	2,238	(2,458)	(1,025)	–	98
Other comprehensive (loss)/income for the year/period, net of tax	(236,891)	1,892,998	(249,520)	(636,524)	(234,810)
Attributable to:					
Owners of the Company	(206,664)	1,865,962	(272,554)	(562,696)	(41,328)
Non-controlling interests	(30,227)	27,036	23,034	(73,828)	(193,482)
Total comprehensive income for the year/period	28,794,537	31,705,123	33,497,433	11,488,884	13,411,465
Attributable to:					
Owners of the Company	28,380,316	31,419,304	33,448,982	11,433,224	13,419,877
Non-controlling interests	414,221	285,819	48,451	55,660	(8,412)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at 30 April
		2021	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	14	25,996,426	30,516,233	36,382,765	36,562,524
Right-of-use assets	15	10,264,315	10,485,657	11,501,892	11,239,167
Investment properties		859,195	809,936	1,293,629	1,263,150
Intangible assets	16	37,073,861	37,307,434	40,860,697	39,485,598
Deferred tax assets	17	8,192,309	10,244,296	12,771,150	13,633,849
Prepayments, other receivables and other assets	18	2,701,909	2,412,405	2,705,275	2,715,755
Investments in associates and joint ventures	21	3,796,705	5,188,817	4,976,109	5,053,245
Loan receivables	20	851,927	693,294	975,272	518,630
Derivative financial instruments	25	–	4,276,688	2,082,347	3,105,590
Other financial assets at amortized cost	23	35,485,395	42,032,707	79,121,387	79,926,465
Other financial assets at fair value through other comprehensive income	24	7,939,682	11,135,618	6,356,921	6,235,029
Other financial assets at fair value through profit or loss	24	5,912,873	6,348,556	5,687,591	5,402,552
Total non-current assets		139,074,597	161,451,641	204,715,035	205,141,554
Current assets					
Inventories	26	45,924,439	46,044,897	47,339,255	41,117,853
Contract assets	27	3,823,476	4,498,956	4,045,925	3,937,221
Trade and note receivables at amortized cost	28	29,421,354	32,996,102	38,406,699	47,982,254
Trade and note receivables at fair value through other comprehensive income	19	10,273,552	13,526,540	13,330,008	21,385,125
Prepayments, other receivables and other assets	18	16,424,299	14,181,573	14,796,946	14,736,706
Loan receivables	20	20,656,600	14,138,756	14,296,958	14,916,523
Derivative financial instruments	25	1,298,815	752,451	1,670,754	2,602,799
Other financial assets at amortized cost	23	23,696,825	69,873,261	59,275,572	53,671,064
Other financial assets at fair value through other comprehensive income	24	19,590,387	6,532,043	4,694,429	1,282,936
Other financial assets at fair value through profit or loss	24	5,879,202	3,284,593	1,790,588	1,585,485
Term deposits and restricted cash	29	31,325,517	4,138,131	21,786,586	36,545,868
Cash and cash equivalents	29	40,550,039	51,131,968	59,887,260	64,252,371
Total current assets		248,864,505	261,099,271	281,320,980	304,016,205
Total assets		387,939,102	422,550,912	486,036,015	509,157,759

	Note	As at 31 December			As at 30 April
		2021	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Borrowings	*30*	19,734,020	53,849,564	49,356,705	50,008,478
Lease liabilities	*15*	1,533,552	1,507,480	2,047,319	2,007,395
Deferred tax liabilities	*17*	4,948,450	4,646,555	5,097,810	4,919,505
Other payables and accruals	*33*	2,823,276	2,563,915	2,253,296	2,382,391
Deferred income	*35*	1,228,459	1,721,092	1,734,932	1,696,417
Derivative financial instruments	*25*	–	–	2,282	20,573
Total non-current liabilities		30,267,757	64,288,606	60,492,344	61,034,759
Current liabilities					
Trade and note payables	*31*	98,735,566	89,805,646	94,238,073	106,294,118
Contract liabilities	*32*	23,916,595	27,960,038	41,765,475	35,510,113
Borrowings	*30*	33,647,538	11,417,964	22,109,985	17,891,000
Lease liabilities	*15*	860,503	992,142	1,166,901	1,149,267
Customer deposits		78,180	77,469	88,960	77,200
Derivative financial instruments	*25*	166,649	314,539	413,222	636,508
Other financial liabilities at fair value through profit or loss	*34*	–	1,580,771	1,346,674	1,174,016
Current tax liabilities		2,972,040	2,813,522	3,477,253	3,712,902
Other payables and accruals	*33*	62,474,405	71,379,650	86,639,178	113,288,284
Total current liabilities		222,851,476	206,341,741	251,245,721	279,733,408
Total liabilities		253,119,233	270,630,347	311,738,065	340,768,167
EQUITY					
Share capital	*36*	6,986,564	6,997,273	7,025,769	6,974,933
Treasury shares	*37*	(14,044,550)	(14,933,944)	(12,871,738)	(7,651,734)
Reserves	*39*	28,943,657	31,193,091	32,440,770	28,766,505
Retained earnings	*38*	102,979,342	119,675,616	136,282,362	128,872,334
Equity attributable to owners of the Company		124,865,013	142,932,036	162,877,163	156,962,038
Non-controlling interests		9,954,856	8,988,529	11,420,787	11,427,554
Total equity		134,819,869	151,920,565	174,297,950	168,389,592
Total equity and liabilities		387,939,102	422,550,912	486,036,015	509,157,759

COMPANY STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at 30 April
		2021	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	14	1,461,935	1,728,310	2,050,932	2,161,643
Right-of-use assets		671,703	661,360	585,397	582,684
Investment properties		428,460	386,435	393,988	380,346
Deferred tax assets		272,946	327,251	289,426	302,820
Prepayments, other receivables and other assets	18	83,722	85,154	324,180	419,233
Investments in associates and joint ventures	21	2,428,841	3,398,523	3,559,731	3,530,962
Investments in subsidiaries	49	64,376,850	69,705,046	72,398,113	72,065,685
Other financial assets at amortized cost	23	33,019,381	35,423,894	70,880,635	69,067,190
Other financial assets at fair value through other comprehensive income	24	6,034,563	7,215,301	3,334,059	3,178,619
Other financial assets at fair value through profit or loss	24	537,214	347,698	285,170	245,918
Total non-current assets		109,315,615	119,278,972	154,101,631	151,935,100
Current assets					
Prepayments, other receivables and other assets	18	31,845,837	26,500,974	20,019,238	23,272,250
Derivative financial instruments		157,501	–	–	–
Other financial assets at amortized cost	23	11,422,032	61,117,250	48,703,727	42,508,511
Other financial assets at fair value through other comprehensive income	24	19,095,262	5,236,623	4,049,224	630,279
Other financial assets at fair value through profit or loss	24	3,442,317	274,120	299,001	239,514
Term deposits and restricted cash	29	26,196,955	588,172	977,444	1,384,242
Cash and cash equivalents	29	21,957,042	27,904,229	29,283,158	32,932,756
Total current assets		114,116,946	121,621,368	103,331,792	100,967,552
Total assets		223,432,561	240,900,340	257,433,423	252,902,652

	Note	As at 31 December			As at 30 April
		2021	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Borrowings	*30*	12,509,900	15,619,900	16,600,000	14,600,000
Lease liabilities		–	2,350	–	2,240
Deferred income		154,015	152,548	157,917	163,917
Total non-current liabilities		12,663,915	15,774,798	16,757,917	14,766,157
Current liabilities					
Borrowings	*30*	90,000	5,890,000	7,019,900	2,419,900
Lease liabilities		2,647	6,701	2,010	1,408
Other payables and accruals	*33*	153,091,836	160,922,422	171,422,566	192,325,864
Total current liabilities		153,184,483	166,819,123	178,444,476	194,747,172
Total liabilities		165,848,398	182,593,921	195,202,393	209,513,329
EQUITY					
Share capital	*36*	6,986,564	6,997,273	7,025,769	6,974,933
Treasury shares	*37*	(14,044,550)	(14,933,944)	(12,871,738)	(7,651,734)
Reserves	*39*	36,547,759	38,523,457	40,175,469	36,460,731
Retained earnings	*38*	28,094,390	27,719,633	27,901,530	7,605,393
Total equity		57,584,163	58,306,419	62,231,030	43,389,323
Total equity and liabilities		223,432,561	240,900,340	257,433,423	252,902,652

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 36)	*(Note 37)*	*(Note 39)*	*(Note 38)*			
Balance at 1 January 2021	7,029,976	(6,094,347)	29,506,073	87,057,702	117,499,404	6,716,022	124,215,426
Comprehensive income:							
Profit for the year	–	–	–	28,586,980	28,586,980	444,448	29,031,428
Other comprehensive loss	–	–	(206,664)	–	(206,664)	(30,227)	(236,891)
Total comprehensive (loss)/income	–	–	(206,664)	28,586,980	28,380,316	414,221	28,794,537
Transactions with owners							
Capital injection *(Note 36, Note 39)*	34,437	–	1,169,089	–	1,203,526	587,480	1,791,006
Non-controlling interests arising from business combinations *(Note 42)*	–	–	–	–	–	3,189,892	3,189,892
Share-based compensation expenses *(Note 40(iv))*	–	–	1,516,039	–	1,516,039	62,031	1,578,070
Appropriation to general reserves	–	–	131,938	(131,938)	–	–	–
Profit appropriations to statutory reserves	–	–	1,483,539	(1,483,539)	–	–	–
Dividends *(Note 12)*	–	–	–	(11,052,729)	(11,052,729)	(401,397)	(11,454,126)
Appropriation to special reserves	–	–	2,812	–	2,812	703	3,515
Exercise or lapse (repurchases and cancellation) of other share schemes *(Note 36, Note 37, Note 39)*	(5,873)	714,945	(250,110)	–	458,962	–	458,962
Repurchase of shares *(Note 37)*	–	(13,665,744)	–	–	(13,665,744)	–	(13,665,744)
Cancellation of shares *(Note 36, Note 37, Note 39)*	(71,976)	5,000,596	(4,928,620)	–	–	–	–
Transaction with NCI	–	–	100,012	–	100,012	(449,682)	(349,670)
Others	–	–	419,549	2,866	422,415	(164,414)	258,001
Balance at 31 December 2021	6,986,564	(14,044,550)	28,943,657	102,979,342	124,865,013	9,954,856	134,819,869

	Attributable to owners of the Company						
	Share capital	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 36)	*(Note 37)*	*(Note 39)*	*(Note 38)*			
Balance at 1 January 2022	6,986,564	(14,044,550)	28,943,657	102,979,342	124,865,013	9,954,856	134,819,869
Comprehensive income:							
Profit for the year	–	–	–	29,553,342	29,553,342	258,783	29,812,125
Other comprehensive income	–	–	1,865,962	–	1,865,962	27,036	1,892,998
Total comprehensive income	–	–	1,865,962	29,553,342	31,419,304	285,819	31,705,123
Transactions with owners							
Capital injection *(Note 36, Note 39)*	18,602	–	906,196	–	924,798	26,815	951,613
Non-controlling interests arising from business combinations *(Note 42)*	–	–	–	–	–	89,520	89,520
Share-based compensation expenses *(Note 40(iv))*	–	–	983,367	–	983,367	45,583	1,028,950
Reversal of general reserves	–	–	(47,923)	47,923	–	–	–
Profit appropriations to statutory reserves	–	–	1,253,027	(1,253,027)	–	–	–
Dividends *(Note 12)*	–	–	–	(11,652,025)	(11,652,025)	(291,638)	(11,943,663)
Appropriation to special reserves	–	–	3,313	–	3,313	828	4,141
Special reserves utilization	–	–	(2,505)	–	(2,505)	(626)	(3,131)
Exercise or lapse (repurchases and cancellation) of other share schemes *(Note 36, Note 37, Note 39)*	(7,893)	1,747,627	(1,209,146)	–	530,588	–	530,588
Repurchase of shares *(Note 37)*	–	(2,637,021)	–	–	(2,637,021)	–	(2,637,021)
Transaction with NCI	–	–	(1,513,804)	–	(1,513,804)	(1,131,616)	(2,645,420)
Others	–	–	10,947	61	11,008	8,988	19,996
Balance at 31 December 2022	6,997,273	(14,933,944)	31,193,091	119,675,616	142,932,036	8,988,529	151,920,565

	Attributable to owners of the Company						
	Share capital	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 36)	*(Note 37)*	*(Note 39)*	*(Note 38)*			
Balance at 1 January 2023	6,997,273	(14,933,944)	31,193,091	119,675,616	142,932,036	8,988,529	151,920,565
Comprehensive income:							
Profit for the year	–	–	–	33,721,536	33,721,536	25,417	33,746,953
Other comprehensive (loss)/income	–	–	(272,554)	–	(272,554)	23,034	(249,520)
Total comprehensive (loss)/income	–	–	(272,554)	33,721,536	33,448,982	48,451	33,497,433
Transactions with owners							
Capital injection *(Note 36, Note 39)*	38,490	–	1,781,144	–	1,819,634	45,581	1,865,215
Non-controlling interests arising from business combinations *(Note 42)*	–	–	–	–	–	2,563,374	2,563,374
Share-based compensation expenses *(Note 40(iv))*	–	–	1,208,095	–	1,208,095	37,361	1,245,456
Appropriation to general reserves	–	–	19,678	(19,678)	–	–	–
Reversal of general reserves	–	–	(49,152)	49,152	–	–	–
Dividends *(Note 12)*	–	–	–	(17,144,264)	(17,144,264)	(349,745)	(17,494,009)
Appropriation to special reserves	–	–	7,227	–	7,227	11,500	18,727
Special reserves utilization	–	–	(7,537)	–	(7,537)	(11,464)	(19,001)
Exercise or lapse (repurchases and cancellation) of other share schemes *(Note 36, Note 37, Note 39)*	(9,994)	2,062,206	(1,373,096)	–	679,116	–	679,116
Transaction with NCI	–	–	(54,307)	–	(54,307)	12,666	(41,641)
Others	–	–	(11,819)	–	(11,819)	74,534	62,715
Balance at 31 December 2023	7,025,769	(12,871,738)	32,440,770	136,282,362	162,877,163	11,420,787	174,297,950

	Attributable to owners of the Company						
	Share capital	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 *(Note 36)*	*RMB'000* *(Note 37)*	*RMB'000* *(Note 39)*	*RMB'000* *(Note 38)*	*RMB'000*	*RMB'000*	*RMB'000*
Four months ended 30 April 2023 (unaudited)							
Balance at 1 January 2023	6,997,273	(14,933,944)	31,193,091	119,675,616	142,932,036	8,988,529	151,920,565
Comprehensive income:							
Profit for the period	–	–	–	11,995,920	11,995,920	129,488	12,125,408
Other comprehensive loss	–	–	(562,696)	–	(562,696)	(73,828)	(636,524)
Total comprehensive income	–	–	(562,696)	11,995,920	11,433,224	55,660	11,488,884
Transactions with owners							
Capital injection *(Note 36, Note 39)*	26,924	–	1,266,034	–	1,292,958	11,015	1,303,973
Share-based compensation expenses *(Note 40(iv))*	–	–	486,402	–	486,402	13,259	499,661
Reversal of general reserves	–	–	(9,699)	9,699	–	–	–
Dividends	–	–	–	7,242	7,242	(173)	7,069
Appropriation to special reserves	–	–	929	–	929	232	1,161
Special reserves utilization	–	–	(497)	–	(497)	(124)	(621)
Exercise or lapse (repurchases and cancellation) of other share schemes *(Note 36, Note 37, Note 39)*	(2,498)	148,456	(89,058)	–	56,900	–	56,900
Transaction with NCI	–	–	(57,475)	–	(57,475)	–	(57,475)
Others	–	–	(133)	–	(133)	59,638	59,505
Balance at 30 April 2023	7,021,699	(14,785,488)	32,226,898	131,688,477	156,151,586	9,128,036	165,279,622

	Attributable to owners of the Company						
	Share capital	Treasury shares	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 *(Note 36)*	*RMB'000* *(Note 37)*	*RMB'000* *(Note 39)*	*RMB'000* *(Note 38)*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2024	7,025,769	(12,871,738)	32,440,770	136,282,362	162,877,163	11,420,787	174,297,950
Comprehensive income:							
Profit for the period	–	–	–	13,461,205	13,461,205	185,070	13,646,275
Other comprehensive income/(loss)	–	–	(41,328)	–	(41,328)	(193,482)	(234,810)
Total comprehensive income	–	–	(41,328)	13,461,205	13,419,877	(8,412)	13,411,465
Transactions with owners							
Capital injection *(Note 36, Note 39)*	19,893	–	884,540	–	904,433	–	904,433
Share-based compensation expenses *(Note 40(iv))*	–	–	539,944	–	539,944	16,376	556,320
Appropriation to general reserves	–	–	98,266	(98,266)	–	–	–
Reversal of general reserves	–	–	(3,385)	3,385	–	–	–
Cancellation of shares *(Note 36, Note 37, Note 39)*	(69,808)	5,159,408	(5,089,600)	–	–	–	–
Dividends *(Note 12)*	–	–	–	(20,776,352)	(20,776,352)	(1,893)	(20,778,245)
Appropriation to special reserves	–	–	1,602	–	1,602	486	2,088
Special reserves utilization	–	–	(758)	–	(758)	(250)	(1,008)
Exercise or lapse (repurchases and cancellation) of other share schemes *(Note 36, Note 37, Note 39)*	(921)	60,596	(63,601)	–	(3,926)	–	(3,926)
Others	–	–	55	–	55	460	515
Balance at 30 April 2024	6,974,933	(7,651,734)	28,766,505	128,872,334	156,962,038	11,427,554	168,389,592

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Four months ended 30 April	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash flows from operating activities						
Cash generated from operations	*41(a)*	40,548,210	41,456,166	64,551,866	14,165,565	19,706,052
Interest received		401,501	756,341	974,378	239,504	553,972
Income tax paid		(5,500,758)	(7,554,679)	(7,623,633)	(2,584,799)	(3,343,330)
Net cash generated from operating activities		35,448,953	34,657,828	57,902,611	11,820,270	16,916,694
Cash flows from investing activities:						
Proceeds from/(payments for) disposal of subsidiaries, net of cash acquired/(disposed)		188,490	14,829	(83,019)	(1)	–
(Payments for)/proceeds from acquisition of subsidiaries, net of cash (disposed)/acquired		(2,028,912)	209,888	373,104	–	–
Proceeds from disposal of investments in associates and joint ventures		37,646	3,151	97,579	–	25,419
Payments for purchase of investments in associates and joint ventures		(46,446)	(837,048)	(6,348)	–	–
Proceeds from disposal of financial assets		121,590,502	98,561,565	115,977,114	33,136,808	46,437,564
Payments for purchase of financial assets		(105,300,800)	(108,149,101)	(146,991,826)	(61,061,461)	(54,270,954)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets		336,186	239,226	391,359	47,032	276,702
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		(6,825,357)	(7,352,115)	(6,314,051)	(1,885,027)	(2,248,169)
Interest received and others		5,361,610	3,450,802	4,975,483	1,787,288	1,064,659
Dividends received from associates	*21*	286,667	349,293	360,750	132,968	136,910
Net cash generated from/(used in) investing activities		13,599,586	(13,509,510)	(31,219,855)	(27,842,393)	(8,577,869)

	Note	Year ended 31 December			Four months ended 30 April	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash flows from financing activities:						
Proceeds from share schemes		1,481,558	1,397,746	2,647,263	1,360,916	731,954
Payments for repurchase of shares and refund the exercise price of lapsed restricted shares		(13,802,839)	(2,831,545)	(257,576)	(68,089)	(22,768)
Transactions with non-controlling interests		156,934	(2,876,898)	24,812	11,015	–
Proceeds from borrowings		19,033,432	53,321,016	33,888,703	12,708,597	8,233,542
Repayments of borrowings		(24,225,351)	(44,920,787)	(33,114,644)	(2,232,105)	(11,683,580)
Interests paid		(1,400,786)	(1,783,312)	(2,121,654)	(444,560)	(441,904)
Dividends paid to the Company's shareholders		(11,066,392)	(11,677,509)	(17,188,858)	–	–
Dividends paid to non-controlling interests in subsidiaries		(426,947)	(279,216)	(333,316)	(37,529)	(34,679)
Related payments of lease liabilities		(1,315,418)	(1,198,421)	(1,553,852)	(511,898)	(502,946)
Listing expenses paid		–	–	(30,876)	–	(3,113)
Others		4,021	(5,955)	129,785	(1,000)	(8,422)
Net cash (used in)/generated from financing activities		(31,561,788)	(10,854,881)	(17,910,213)	10,785,347	(3,731,916)
Net increase/(decrease) in cash and cash equivalents		17,486,751	10,293,437	8,772,543	(5,236,776)	4,606,909
Cash and cash equivalents at beginning of the year/period		23,548,508	40,550,039	51,131,968	51,131,968	59,887,260
Exchange (losses)/gains on cash and cash equivalents		(485,220)	288,492	(17,251)	(66,853)	(241,798)
Cash and cash equivalents at end of the year/period	*29*	40,550,039	51,131,968	59,887,260	45,828,339	64,252,371

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The Company and its subsidiaries (hereinafter collectively referred to as "the Group") are principally engaged in manufacturing and sales of residential air-conditioner, central air-conditioner, heating and ventilation systems, kitchen appliances, refrigerators, washing machines and various small appliances, elevators, high-voltage inverters, low-voltage inverters, medical imaging products, robotics and automation system. The Group also carried out other businesses including provision of the smart supply chain; sale, wholesale and processing of raw materials of household electrical appliances; and financial businesses involving customer deposits, interbank lending and borrowings, consumption credits, buyer's credits and finance leases.

2. BASIS OF PREPARATION

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards ("IFRS"). IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards.
- IAS Standards.
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

The Historical Financial Information has been prepared on a historical cost basis, except for certain financial assets at fair value through other comprehensive income ("FVOCI"), financial assets and financial liabilities at fair value through profit or loss ("FVPL") and derivative financial instruments, which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The material accounting policies applied in the preparation of the Historical Financial Information have been consistently applied to all the years/period presented, unless otherwise stated.

Other than those material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 50 to this Historical Financial Information.

2.2 New standards and interpretations adopted

The adoption of new and amended standards and interpretation as described below.

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16. . .	Lease Liability in a sales and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024

The adoption of new and amended standards and interpretation did not have any material impact on the financial information.

2.3 New standards and interpretations not yet been adopted

Amended standards that have been issued but not yet effective and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to IAS 21 . . .	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Financial Instruments Standards	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture	To be determined

The Group has already commenced an assessment of the impact of these amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, other price risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the directors and senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollar ("USD"), RMB and Euro ("EUR"). Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's subsidiaries.

The Group's finance department has a professional team to manage the risk arising of fluctuation of exchange rate, with approach of the natural hedge for settling currencies, signing forward foreign exchange hedging contracts and controlling the scale of foreign currency assets and liabilities, to minimize foreign exchange risk, and to reduce the impact of exchange rate fluctuations on business performance.

As at 31 December 2021, 2022 and 2023, for the USD financial assets and USD financial liabilities, if the functional currencies appreciates or depreciates by 5% against the USD and other factors remain unchanged, the Group will increase or reduce its pre-tax profit by approximately RMB986,852,000, RMB607,437,000 and RMB1,051,858,000, respectively. As at 30 April 2024, for the USD financial assets and USD financial liabilities, if the functional currencies appreciates or depreciates by 5% against the USD and other factors remain unchanged, the Group will reduce or increase its pre-tax profit by approximately RMB229,357,000.

As at 31 December 2021 and 30 April 2024, for the EUR financial assets and EUR financial liabilities, if the functional currencies appreciates or depreciates by 5% against the EUR and other factors remain unchanged, the pre-tax profit of the Group will reduce or increase by approximately RMB85,400,000 and RMB219,705,000. As at 31 December 2022 and 2023, for the EUR financial assets and EUR financial liabilities, if the functional currencies appreciates or depreciates by 5% against the EUR and other factors remain unchanged, the pre-tax profit of the Group will increase or reduce by approximately RMB39,468,000 and RMB27,850,000.

As at 31 December 2021, 2022 and 2023 and 30 April 2024, for the RMB financial assets and RMB financial liabilities, if the functional currencies appreciates or depreciates by 5% against the RMB and other factors remain unchanged, the Group will reduce or increase its pre-tax profit by approximately RMB178,860,000, RMB266,658,000, RMB317,553,000 and RMB143,805,000, respectively.

Other foreign currencies of changes have no significant impact on foreign exchange risk.

The aggregate net foreign exchange gains/(losses) recognized in profit or loss were:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net foreign exchange gains/(losses) included in other gains/(losses), net *(Note 7)*	733,270	(435,574)	(340,027)	234,710	(2,272,829)
Exchange gains/(losses) on foreign currency borrowings included in finance costs *(Note 10)*	64,850	(71,507)	(564,711)	(326,607)	171,625
Total net foreign exchange gains/(losses) recognized in profit before income tax for the year/period	798,120	(507,081)	(904,738)	(91,897)	(2,101,204)

(ii) Other price risk

The Group is exposed to equity price risk mainly arising from investments held by the Group that are classified as either FVPL or FVOCI. To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. Each investment is managed by management on a case by case basis.

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to equity price risk of FVPL and FVOCI at the end of each reporting period. If prices of the respective instruments held by the Group had increased/decreased by 10% as at 31 December 2021, 2022 and 2023 and 30 April 2024, with all other variable held constant, pre-tax profit would increase/decrease approximately RMB723,234,000, RMB761,315,000, RMB606,750,000 and RMB562,873,000, respectively as a result of gains/losses on financial instruments classified as FVPL, other comprehensive income would increase/decrease approximately RMB4,574,700, RMB4,136,000, RMB3,787,000 and RMB3,778,000, respectively, as a result of gains/losses on financial instruments classified as FVOCI.

(iii) Interest rate risk

The Group's interest rate risk primarily arises from long-term interest-bearing borrowings and bonds. Long-term borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings and bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings and bonds issued at floating rates and fixed rates based on the market environment.

The Group has been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings and finance leases issued at floating rates, which will further impact the performance of the Group. To hedge against the variability in the cash flows arising from a change in market interest rates, the Group has entered into certain interest rate swaps to swap floating rates into fixed rates.

As at 31 December 2021, 2022 and 2023 and 30 April 2024, total borrowings of the Group which were bearing at floating rates amounted to approximately RMB891,817,000, RMB347,729,000, nil and RMB9,575,000, respectively.

If interest rate had been 50 basis points higher or lower with all other variables held constant, the profit before tax would decrease/increase approximately RMB4,459,000, RMB1,739,000, nil and RMB48,000, as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively.

The interest rate of cash and cash equivalents and fair value interest rate risk arises from financial assets and liabilities carried at fixed rates is not significant for the Group and the Company.

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its contract assets, trade and note receivables at amortized cost, trade and note receivables at FVOCI, loan receivables, other financial assets at amortized cost, other financial assets at FVOCI (excluding unlisted securities), term deposits and restricted cash, cash and cash equivalents. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

To manage this risk arising from other financial assets at FVOCI (excluding unlisted securities), constant return financial products in other financial assets at amortized cost, term deposits and restricted cash, cash and cash equivalents, the Group mainly transacts with the People's Bank of China, state-owned banks or other reputable listed banks with high credit rating. There has been no recent history of default in relation to those financial institutions.

For contract assets, trade and note receivables at amortized cost, loan receivables and other financial assets at amortized cost (excluding constant return financial products), the Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

In addition, for loans receivables, the Group determines the amount and type of collateral required based on the credit risk assessment of the counterparty. The pledged collateral of the loan mainly includes receivables and inventories. The Group monitors the market value of the collateral, requests additional collateral in accordance with the relevant agreements, and monitors changes in the market value of the collateral in the context of the adequacy review of the provision for impairment. As at 31 December 2021, 2022 and 2023 and 30 April 2024, the Group had no other material collateral held for debtors or other credit enhancements.

(ii) Impairment of financial assets

The Group has eight types of assets that are subject to the expected credit loss model:

- Contract assets;
- Trade and note receivables at amortized cost;
- Trade and note receivables at FVOCI;
- Other receivables and other assets;
- Loan receivables;
- Other financial assets at amortized cost;
- Other financial assets at FVOCI (excluding unlisted securities);
- Cash and cash equivalents, term deposits and restricted cash.

While cash and cash equivalents, term deposits and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2021, 2022 and 2023 and 30 April 2024.

Contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL"), which uses a lifetime expected loss allowance for all contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI.

To measure the ECL, contract assets, trade and note receivables at amortized cost have been grouped based on shared credit risk characteristics and aging. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and note receivables at amortized cost are a reasonable approximation of the loss rates for the contract assets. The Group also made individual assessment on the recoverability of its contract assets and trade and note receivables at amortized cost for certain customer based on historical settlement record.

The historical loss rates are determined by reference to the credit rating analysis of respective customers and external data or based on the payment profiles of sales over a period before the respective period ends and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Total Retail Sales of Consumer goods and the Gross Domestic Product ("GDP") of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(i) Contract assets

For contract assets, the Group measures the loss provision based on the lifetime ECL regardless of whether there exists a significant financing component. Set out below is the information about credit risk exposure on the Group's contract assets:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
Assessed based on grouping:				
Domestic business grouping				
Expected loss rate	4.22%	2.80%	2.31%	1.94%
Gross carrying amount *(RMB'000)*	840,430	1,469,430	1,359,776	1,543,129
Loss allowance provision *(RMB'000)*	(35,436)	(41,155)	(31,467)	(29,974)
Overseas business grouping				
Expected loss rate	0.27%	1.03%	1.25%	1.16%
Gross carrying amount *(RMB'000)*	3,018,369	3,102,747	2,732,050	2,436,031
Loss allowance provision *(RMB'000)*	(8,275)	(32,066)	(34,103)	(28,342)

The Group individually assessed the recoverability of the balance with certain customers as significant increase in credit risk were identified as at 31 December 2021, 2022 and 2023 and 30 April 2024. An impairment loss of RMB3,056,000, RMB51,772,000 and RMB52,286,000 were individually recognized for contract asset and gross carrying amount were RMB11,444,000, RMB71,441,000 and RMB68,663,000 as at 31 December 2021, 2023 and 30 April 2024, respectively. There was no significant concentrations of credit risk as at 31 December 2021, 2022 and 2023 and 30 April 2024.

(ii) Trade receivables

Set out below is the information about credit risk exposure on the Group's trade receivables:

	Below 3 months	Between 3 and 6 months	Between 6 months and 1 year	1 to 2 years	Over 2 years	Total
Assessed based on grouping:						
Domestic business grouping						
At 31 December 2021						
Expected loss rate	1.40%	1.49%	1.41%	22.04%	64.45%	3.08%
Gross carrying amount (*RMB'000*)	10,347,343	1,019,832	790,335	291,252	240,740	12,689,502
Loss allowance provision *(RMB'000)*	(145,029)	(15,187)	(11,138)	(64,192)	(155,155)	(390,701)
At 31 December 2022						
Expected loss rate	0.84%	0.78%	1.15%	10.96%	63.38%	2.72%
Gross carrying amount *(RMB'000)*	9,710,527	819,575	920,819	801,307	242,364	12,494,592
Loss allowance provision *(RMB'000)*	(81,715)	(6,383)	(10,585)	(87,793)	(153,608)	(340,084)
At 31 December 2023						
Expected loss rate	1.06%	1.51%	1.37%	17.27%	32.29%	3.00%
Gross carrying amount *(RMB'000)*	11,039,635	1,275,132	718,204	712,320	489,575	14,234,866
Loss allowance provision *(RMB'000)*	(117,239)	(19,270)	(9,832)	(123,052)	(158,079)	(427,472)
At 30 April 2024						
Expected loss rate	1.10%	1.58%	1.55%	19.27%	37.30%	2.43%
Gross carrying amount *(RMB'000)*	19,375,544	1,630,709	934,556	664,139	477,209	23,082,157
Loss allowance provision *(RMB'000)*	(213,698)	(25,699)	(14,503)	(127,988)	(178,019)	(559,907)

At 31 December 2021, 2022 and 2023, the expected loss rate of trade receivables assessed based on domestic business grouping for time band "over 2 years" continue to decrease mainly due to the addition of newly acquired trade receivables stated at fair values at acquisition dates, the expected loss rate of such trade receivables were lower than the Group's existing expected loss rate.

	Below 3 months	Between 3 and 6 months	Between 6 months and 1 year	1 to 2 years	Over 2 years	Total
Assessed based on grouping:						
Overseas business grouping						
At 31 December 2021						
Expected loss rate	1.34%	1.62%	0.71%	60.96%	95.34%	3.27%
Gross carrying amount *(RMB'000)*	11,637,737	603,319	76,335	320,915	55,807	12,694,113
Loss allowance provision *(RMB'000)*	(155,526)	(9,795)	(540)	(195,644)	(53,204)	(414,709)
At 31 December 2022						
Expected loss rate	1.85%	2.78%	1.60%	49.23%	99.67%	2.61%
Gross carrying amount (*RMB'000*)	14,785,757	667,395	346,342	142,698	50,162	15,992,354
Loss allowance provision *(RMB'000)*	(273,154)	(18,541)	(5,547)	(70,245)	(49,995)	(417,482)
At 31 December 2023						
Expected loss rate	1.14%	2.13%	2.00%	34.39%	96.78%	1.45%
Gross carrying amount (*RMB'000*)	17,436,536	757,279	591,411	28,378	37,645	18,851,249
Loss allowance provision *(RMB'000)*	(198,892)	(16,104)	(11,833)	(9,758)	(36,431)	(273,018)
At 30 April 2024						
Expected loss rate	1.18%	2.16%	2.03%	42.83%	97.07%	1.40%
Gross carrying amount (*RMB'000*)	19,630,023	728,965	210,354	55,564	13,971	20,638,877
Loss allowance provision *(RMB'000)*	(230,791)	(15,773)	(4,275)	(23,800)	(13,561)	(288,200)

At 31 December 2021, 2022 and 2023, the expected loss rate of trade receivables assessed based on overseas business grouping for time band "1 to 2 years" continued to decrease mainly due to the improved repayment and collection data of the corresponding period.

	As at 31 December			As at 30 April
	2021	2022	2023	2024
Assessed individually:				
Domestic business grouping				
Expected loss rate	47.74%	52.13%	89.86%	90.85%
Gross carrying amount *(RMB'000)*	111,443	1,061,199	656,920	700,196
Loss allowance provision *(RMB'000)*	(53,208)	(553,196)	(590,325)	(636,094)
Overseas business grouping				
Expected loss rate	100.00%	97.37%	30.73%	32.80%
Gross carrying amount *(RMB'000)*	561	22,437	624,425	197,512
Loss allowance provision *(RMB'000)*	(561)	(21,847)	(191,906)	(64,783)

The Group individually assessed the recoverability of the balance with certain customers as at 31 December 2021, 2022 and 2023 and 30 April 2024 as significant increase in credit risk were identified. Changes in the expected loss rate of trade receivables assessed individually are mainly due to its customers' financial condition, operation results and ability to repay.

(iii) Note receivables at amortized cost and trade and note receivables at FVOCI

As at 31 December 2021, 2022 and 2023 and 30 April 2024, the Group measured provision for impairment based on the lifetime ECL and expected that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.

Other receivables and other assets and loan receivables

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk in other receivables and other assets and loan receivables, the Group compares the risk of a default occurring on the assets at the end of each reporting period with the risk of default at the date of initial recognition. It considers available, reasonable, supportive forward-looking information. Especially, the following indicators are incorporated:

- external credit rating of the counterparty (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty; and
- significant expected changes in the performance and behavior of the counterparty, including changes in the payment status of the counterparty and changes in the operating results of the counterparty.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Set out below is the information about credit risk exposure on the Group's other receivables:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL (non-credit impaired))	Stage 3 (Lifetime ECL (credit impaired))	Total
Other receivables				
Assessed based on grouping:				
At 31 December 2021				
Expected loss rate	1.28%	–	–	1.28%
Gross carrying amount *(RMB'000)*	2,992,048	–	–	2,992,048
Loss allowance provision *(RMB'000)*	(38,263)	–	–	(38,263)
At 31 December 2022				
Expected loss rate	1.55%	–	–	1.55%
Gross carrying amount *(RMB'000)*	2,176,965	–	–	2,176,965
Loss allowance provision *(RMB'000)*	(33,747)	–	–	(33,747)
At 31 December 2023				
Expected loss rate	2.19%	–	–	2.19%
Gross carrying amount *(RMB'000)*	2,074,507	–	–	2,074,507
Loss allowance provision *(RMB'000)*	(45,385)	–	–	(45,385)
At 30 April 2024				
Expected loss rate	2.19%	–	–	2.19%
Gross carrying amount *(RMB'000)*	1,678,981	–	–	1,678,981
Loss allowance provision *(RMB'000)*	(36,717)	–	–	(36,717)
Assessed individually:				
At 31 December 2021				
Expected loss rate	–	–	100.00%	3.39%
Gross carrying amount *(RMB'000)*	150,280	–	5,267	155,547
Loss allowance provision *(RMB'000)*	–	–	(5,267)	(5,267)
At 31 December 2022				
Expected loss rate	–	–	100.00%	5.90%
Gross carrying amount *(RMB'000)*	67,959	–	4,262	72,221
Loss allowance provision *(RMB'000)*	–	–	(4,262)	(4,262)
At 31 December 2023				
Expected loss rate	–	–	100.00%	3.98%
Gross carrying amount *(RMB'000)*	152,756	–	6,332	159,088
Loss allowance provision *(RMB'000)*	–	–	(6,332)	(6,332)
At 30 April 2024				
Expected loss rate	–	–	100.00%	2.04%
Gross carrying amount *(RMB'000)*	325,234	–	6,788	332,022
Loss allowance provision *(RMB'000)*	–	–	(6,788)	(6,788)

As at 31 December 2021, 2022 and 2023 and 30 April 2024, other receivables for which the related provision for bad debts was provided on the grouping basis were all at stage 1 in accordance with IFRS 9.

As at 31 December 2021, 2022 and 2023 and 30 April 2024, the loss allowance provision for long-term receivables and futures margin were not material and set out in Note 18.

Set out below is the information about credit risk exposure on the Group's loan receivables:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL (non-credit impaired))	Stage 3 (Lifetime ECL (credit impaired))	Total
Loan receivables				
Assessed based on grouping				
At 31 December 2021				
Expected loss rate	1.40%	22.24%	74.68%	1.63%
Gross carrying amount *(RMB'000)*	15,465,289	159,075	3,929	15,628,293
Loss allowance provision *(RMB'000)*	(216,222)	(35,378)	(2,934)	(254,534)
At 31 December 2022				
Expected loss rate	1.36%	20.31%	70.68%	2.80%
Gross carrying amount *(RMB'000)*	12,804,092	24,289	265,206	13,093,587
Loss allowance provision *(RMB'000)*	(173,982)	(4,933)	(187,449)	(366,364)
At 31 December 2023				
Expected loss rate	1.36%	20.31%	74.60%	2.35%
Gross carrying amount *(RMB'000)*	12,322,554	72,574	150,320	12,545,448
Loss allowance provision *(RMB'000)*	(167,586)	(14,740)	(112,136)	(294,462)
At 30 April 2024				
Expected loss rate	1.36%	20.31%	96.03%	2.51%
Gross carrying amount *(RMB'000)*	13,486,917	64,645	152,936	13,704,498
Loss allowance provision *(RMB'000)*	(183,422)	(13,129)	(146,862)	(343,413)
Assessed individually				
At 31 December 2021				
Expected loss rate	3.13%	–	–	3.13%
Gross carrying amount *(RMB'000)*	6,332,961	–	–	6,332,961
Loss allowance provision *(RMB'000)*	(198,193)	–	–	(198,193)
At 31 December 2022				
Expected loss rate	4.43%	–	–	4.43%
Gross carrying amount *(RMB'000)*	2,202,392	–	–	2,202,392
Loss allowance provision *(RMB'000)*	(97,565)	–	–	(97,565)

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL (non-credit impaired))	Stage 3 (Lifetime ECL (credit impaired))	Total
At 31 December 2023				
Expected loss rate	2.02%	–	–	2.02%
Gross carrying amount *(RMB'000)*	3,083,537	–	–	3,083,537
Loss allowance provision *(RMB'000)*	(62,293)	–	–	(62,293)
At 30 April 2024				
Expected loss rate	2.11%	–	–	2.11%
Gross carrying amount *(RMB'000)*	2,118,697	–	–	2,118,697
Loss allowance provision *(RMB'000)*	(44,629)	–	–	(44,629)

Other financial assets at amortized cost and other financial assets at FVOCI (excluding unlisted securities)

As at 31 December 2021, 2022 and 2023 and 30 April 2024, the Group considered that there was no significant increase in credit risk of constant return financial products and transferable certificate of deposit since initial recognition, and made provision for loss based on 12-month ECL. The Group considered that there was no significant credit risk associated with constant return financial products and transferable certificate of deposit and did not expect that there would be any significant losses from non-performance by these financial institutions.

Net impairment losses on financial assets and contract assets recognized in profit or loss

During the Track Record Period, the following gains/(losses) were recognized in profit or loss in relation to impaired financial assets and contract assets:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Impairment losses					
– movement in loss allowance for trade and note receivables at amortized cost	(205,124)	(741,275)	(594,362)	(334,941)	(236,950)
– movement in loss allowance for contract assets	(5,022)	(28,475)	(47,814)	(722)	(3,940)
– movement in loss allowance for other receivables and other assets	(168,049)	(36,745)	(146,971)	(39,178)	(16,444)
– movement in loss allowance for loan receivables	(144,691)	(25,814)	(44,273)	(7,620)	(60,859)
Reversal of previous impairment losses					
– movement in reversal for trade and note receivables at amortized cost	88,658	235,786	402,822	137,911	202,140
– movement in reversal for contract assets	3,972	4,053	11,436	3,696	8,807
– movement in reversal for other receivables and other assets	44,007	39,750	13,886	24,167	21,490
– movement in reversal for loan receivables	1,748	14,612	170,274	37,161	29,544
Net impairment losses on financial assets and contract assets	(384,501)	(538,108)	(235,002)	(179,526)	(56,212)

During the Track Record Period, the provision/reversal of loss allowances were recognized in profit or loss in "Net impairment losses on financial assets and contract assets" in relation to the impaired financial assets and contract assets.

Financial assets and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery amongst others, include the failure of a debtor to engage in a repayment plan with the Group.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate balances of such.

The table below analyses the Group's financial liabilities by relevant maturity groupings based on the remaining period since the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows or the carrying amount of the financial assets to be delivered after taking into account relevant cross-currency interest rate swaps.

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021						
Trade and other payables (excluding Salaries, wages and benefits payables, tax payables and other non-financial liabilities)	103,023,670	–	687,689	–	103,711,359	103,711,359
Customer deposit	78,235	–	–	–	78,235	78,180
Borrowings	34,287,675	6,656,015	13,726,837	–	54,670,527	53,381,558
Lease liabilities	908,208	667,710	879,105	143,316	2,598,339	2,394,055
Derivative financial liabilities	166,649	–	–	–	166,649	166,649
	138,464,437	7,323,725	15,293,631	143,316	161,225,109	159,731,801
At 31 December 2022						
Trade and other payables (excluding Salaries, wages and benefits payables, tax payables and other non-financial liabilities)	94,127,671	–	680,482	–	94,808,153	94,808,153
Customer deposit	77,523	–	–	–	77,523	77,469
Borrowings	12,353,101	12,820,830	39,715,818	–	64,889,749	65,267,528
Other financial liabilities at FVPL	1,580,771	–	–	–	1,580,771	1,580,771
Lease liabilities	1,079,026	659,201	778,483	312,797	2,829,507	2,499,622
Derivative financial liabilities	314,539	–	–	–	314,539	314,539
	109,532,631	13,480,031	41,174,783	312,797	164,500,242	164,548,082
At 31 December 2023						
Trade and other payables (excluding Salaries, wages and benefits payables, tax payables and other non-financial liabilities)	98,681,001	–	36,883	–	98,717,884	98,717,884
Customer deposit	89,022	–	–	–	89,022	88,960
Borrowings	21,896,135	38,351,043	11,137,826	154,216	71,539,220	71,466,690
Other financial liabilities at FVPL	1,346,674	–	–	–	1,346,674	1,346,674
Lease liabilities	1,227,125	815,583	1,069,277	446,468	3,558,453	3,214,220
Derivative financial liabilities	413,222	2,218	64	–	415,504	415,504
	123,653,179	39,168,844	12,244,050	600,684	175,666,757	175,249,932

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 April 2024						
Trade and other payables (excluding Salaries, wages and benefits payables, tax payables and other non-financial liabilities)	131,571,034	–	52,872	–	131,623,906	131,623,906
Customer deposit	77,200	–	–	–	77,200	77,200
Borrowings	17,310,718	35,437,665	13,828,064	150,465	66,726,912	67,899,478
Other financial liabilities at FVPL	1,174,016	–	–	–	1,174,016	1,174,016
Lease liabilities	1,240,036	850,895	1,027,337	400,162	3,518,430	3,156,662
Derivative financial liabilities	636,508	3,939	16,634	–	657,081	657,081
	152,009,512	36,292,499	14,924,907	550,627	203,777,545	204,588,343

As at 31 December 2021, 2022 and 2023, the Group also provided loan guarantees to facilitate the borrowing of an associate. Besides, no guarantee demand was made to the Group.

3.2 Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024.

The Group monitors capital on the basis of the asset-liability ratio and the asset-liability ratio as at 31 December 2021, 2022, 2023 and 30 April 2024 were as follows:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
Total assets (RMB'000)	387,939,102	422,550,912	486,036,015	509,157,759
Total liabilities (RMB'000)	253,119,233	270,630,347	311,738,065	340,768,167
Asset-liability ratio	65.25%	64.05%	64.14%	66.93%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2021, 2022 and 2023 and 30 April 2024 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(a) ***Fair value hierarchy***

As at 31 December 2021, 2022 and 2023 and 30 April 2024, the financial assets and liabilities measured at fair value on a recurring basis by the above three levels were analyzed below:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021				
Financial assets:				
Trade and note receivables at FVOCI *(Note 19)*	–	10,273,552	–	10,273,552
Derivative financial instruments *(Note 25)*	–	1,298,815	–	1,298,815
Other financial assets at FVPL *(Note 24(a))*	1,319,470	4,559,732	5,912,873	11,792,075
Other financial assets at FVOCI *(Note 24(b))*	–	27,484,322	45,747	27,530,069
Total financial assets	1,319,470	43,616,421	5,958,620	50,894,511
Financial liabilities:				
Derivative financial instruments *(Note 25)*	–	166,649	–	166,649
As at 31 December 2022				
Financial assets:				
Trade and note receivables at FVOCI *(Note 19)*	–	13,526,540	–	13,526,540
Derivative financial instruments *(Note 25)*	–	5,029,139	–	5,029,139
Other financial assets at FVPL *(Note 24(a))*	1,264,595	2,019,998	6,348,556	9,633,149
Other financial assets at FVOCI *(Note 24(b))*	–	17,626,302	41,359	17,667,661
Total financial assets	1,264,595	38,201,979	6,389,915	45,856,489
Financial liabilities:				
Other financial liabilities at FVPL *(Note 34)*	–	–	1,580,771	1,580,771
Derivative financial instruments *(Note 25)*	–	314,539	–	314,539
Total financial liabilities	–	314,539	1,580,771	1,895,310
As at 31 December 2023				
Financial assets:				
Trade and note receivables at FVOCI *(Note 19)*	–	13,330,008	–	13,330,008
Derivative financial instruments *(Note 25)*	–	3,753,101	–	3,753,101
Other financial assets at FVPL *(Note 24(a))*	1,726,584	64,004	5,687,591	7,478,179
Other financial assets at FVOCI *(Note 24(b))*	–	11,013,476	37,874	11,051,350
Total financial assets	1,726,584	28,160,589	5,725,465	35,612,638
Financial liabilities:				
Other financial liabilities at FVPL *(Note 34)*	–	–	1,346,674	1,346,674
Derivative financial instruments *(Note 25)*	–	415,504	–	415,504
Total financial liabilities	–	415,504	1,346,674	1,762,178

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 April 2024				
Financial assets:				
Trade and note receivables at FVOCI *(Note 19)*	–	21,385,125	–	21,385,125
Derivative financial instruments *(Note 25)*	–	5,708,389	–	5,708,389
Other financial assets at FVPL *(Note 24(a))*	1,400,190	185,295	5,402,552	6,988,037
Other financial assets at FVOCI *(Note 24(b))*	–	7,480,185	37,780	7,517,965
Total financial assets	1,400,190	34,758,994	5,440,332	41,599,516
Financial liabilities:				
Other financial liabilities at FVPL *(Note 34)*	–	–	1,174,016	1,174,016
Derivative financial instruments *(Note 25)*	–	657,081	–	657,081
Total financial liabilities	–	657,081	1,174,016	1,831,097

The timing of transfers is determined at the date of the event or change in circumstances that caused the transfers. During the Track Record Period, there was no transfer between Level 1 and Level 2.

(b) Valuation techniques used to determine fair values

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow approach, market comparable company approach and net assets approach. The inputs of the valuation technique mainly include risk-free interest rate, floating rate, foreign exchange rate, volatility, financial data of target companies, market multiple of comparable companies and discount for lack of marketability.

Assets and liabilities subject to Level 2 fair value measurement were mainly included trade and note receivables at FVOCI, structured deposits in other financial assets at FVPL, transferable certificate of deposit in other financial assets at FVOCI and derivative financial instruments are evaluated by discounted cash flows approach, market approach and income approach.

Assets and liabilities subject to Level 3 fair value measurement were mainly included unlisted securities of other financial assets at FVPL and other financial assets at FVOCI, and financial liabilities at FVPL. These assets and liabilities were measured mainly using market approach, net asset value and consensus pricing. The judgement of Level 3 of the fair value hierarchy is based on the materiality of unobservable inputs towards calculation of whole fair value. Significant unobservable inputs mainly include the financial data of targeted companies, market multiple of comparable companies and discount for lack of marketability.

The Group did not change any valuation techniques in determining the level 2 and level 3 fair values.

The following table presents the changes in level 3 items for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024:

Reconciliation of Level 3 fair value measurements	Financial assets at FVOCI and FVPL				
	Years ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Opening balance	3,407,500	5,958,620	6,389,915	6,389,915	5,725,465
Additions	2,492,898	1,746,172	172,008	48	–
Disposals/settlements	(869,794)	(190,586)	(282,046)	(3,392)	(9,930)
Transfer into Level 3 *(a)*	28,666	–	–	–	–
Transfer out of Level 3 *(b)*	–	(838,345)	(375,466)	–	–
Changes in fair value recognized in other comprehensive income	2,238	(2,482)	(1,025)	–	98
Changes in fair value recognized in profit or loss	943,969	(409,005)	(199,037)	(116,200)	(275,655)
Currency translation differences	(46,857)	125,541	21,116	(20,524)	354
Closing balance	5,958,620	6,389,915	5,725,465	6,249,847	5,440,332

(a) For the year ended 31 December 2021, certain financial assets were transferred from level 1 to level 3 fair value hierarchy classifications due to delisting.

(b) For the years ended 31 December 2022 and 2023, certain financial assets were transferred out of level 3 of fair value hierarchy classifications mainly as a result of the conversion of restricted listed securities into tradable listed securities.

Reconciliation of Level 3 fair value measurements	Other financial liabilities at FVPL				
	Years ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Opening balance	–	–	1,580,771	1,580,771	1,346,674
Additions	–	1,766,953	–	–	–
Disposals/settlements	–	(99,876)	(364,272)	–	(8,422)
Changes in fair value recognized in profit or loss	–	(86,306)	130,175	(22,302)	(164,236)
Closing balance	–	1,580,771	1,346,674	1,558,469	1,174,016

For the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, the Group's own credit risk on other financial liabilities at FVPL was not considered to be a significant input factor.

(c) *Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs of major financial assets and liabilities used in level 3 fair value measurements:

Description	Fair value				Valuation technique(s)	Unobservable inputs	Range of inputs				Sensitivity of fair value to the input
	As at 31 December			As at 30 April			As at 31 December			As at 30 April	
	2021	2022	2023	2024			2021	2022	2023	2024	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*							
Equity securities	2,128,250	3,665,369	3,149,305	2,925,015	Market approach	Price Earnings Ratio	19.95 – 29.73	7.12 – 29.28	1.82 – 16.98	1.60 - 14.91	1% increase (decrease) in price earnings ratio would result in increase (decrease) in fair value by 2021: RMB18,037,000 (RMB18,037,000) 2022: RMB23,864,000 (RMB23,864,000) 2023: RMB4,490,000 (RMB4,490,000) 30 April 2024: RMB3,708,000 (RMB3,708,000)
						Price Sales Ratio	17.40	1.66 – 12.67	2.21 – 13.39	0.44-11.69	1% increase (decrease) in Price sales ratio would result in increase (decrease) in fair value by 2021: RMB3,245,000 (RMB3,245,000) 2022: RMB9,544,000 (RMB9,544,000) 2023: RMB10,243,000 (RMB10,243,000) 30 April 2024: RMB11,471,000 (RMB11,471,000)
						Discount for lack of marketability ("DLOM")	15% – 60%	4% – 60%	4% – 40%	1% - 40%	1% increase (decrease) in DLOM would result in (decrease) increase in fair value by 2021: (RMB25,291,000) RMB25,291,000 2022: (RMB33,697,000) RMB33,697,000 2023: (RMB19,406,000) RMB19,406,000 30 April 2024: (RMB5,786,000) RMB5,786,000
	2,302,916	1,694,977	1,792,884	1,733,369	Net asset value *(Note (a))*	N/A	N/A	N/A	N/A	N/A	N/A
	1,050,000	431,874	458,865	458,865	Consensus pricing	Offered quotes	2.22 – 36.60	16.67 – 67.94	11.01 – 214.44	11.01 - 214.44	1% increase (decrease) in offered quotes would result in increase (decrease) in fair value by 2021: RMB10,500,000 (RMB10,500,000) 2022: RMB4,319,000 (RMB4,319,000) 2023: RMB4,589,000 (RMB4,589,000) 30 April 2024: RMB4,589,000 (RMB4,589,000)

Description	Fair value: As at 31 December 2021	Fair value: As at 31 December 2022	Fair value: As at 31 December 2023	Fair value: As at 30 April 2024	Valuation technique(s)	Unobservable inputs	Range of inputs: As at 31 December 2021	Range of inputs: As at 31 December 2022	Range of inputs: As at 31 December 2023	Range of inputs: As at 30 April 2024	Sensitivity of fair value to the input
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*							
	–	243,750	119,994	130,187	Option model	Expected volatility	N/A	30% – 73%	38% – 43%	35% – 51%	5% increase (decrease) in expected volatility would result in increase (decrease) in fair value by 2021: RMBNil 2022: RMB1,313,000 (RMB1,276,000) 2023: RMB197,000 (RMB140,000) 30 April 2024: RMB30,000 (RMB16,000)
						Risk-free rate	N/A	2%	2%	2%	1% increase (decrease) in risk-free interest rate would result in (decrease) increase in fair value by 2021: RMBNil 2022: (RMB3,932,000) RMB4,026,000 2023: (RMB1,746,000) RMB1,777,000 30 April 2024: (RMB1,596,000) RMB1,620,000
Liabilities to fund investors . .	–	1,580,771	1,346,674	1,174,016	Net asset value *(Note (a))*	N/A	N/A	N/A	N/A	N/A	N/A

(a) The Group determines the fair value as at the reporting date based on the reported net asset values.

(b) Other than described above, there were no significant unobservable inputs that materially affect its fair values.

(d) Valuation processes

The Group has a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports the valuation results to the management and Audit Committee. Discussions of valuation processes and results are held by valuation team at least once every three months, in line with the Group's quarterly reporting periods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the asset group or group of asset groups that contain the apportioned goodwill is determined by the higher value between the present value of the future cash flows and the net value that is calculated by the fair value less the disposal costs. Accounting estimate is required for the calculation of the recoverable amount. The impairment testing is performed by assessing the recoverable amount of the asset group or group of asset groups containing the relevant goodwill, based on the present value of cash flows forecasts. Key assumptions adopted in the impairment testing of goodwill included revenue annual growth rate, gross margin, perpetual annual growth rate, pre-tax discount rate, etc. which involved critical accounting estimates and judgement.

If management revises the revenue annual growth rate and perpetual annual growth rate that are used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised rates are lower than the current rates, the Group would need to recognize further impairment against goodwill.

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised gross margin is lower than the current one, the Group would need to recognize further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognize further impairment against goodwill.

If the actual revenue annual growth rate, perpetual annual growth rate and gross margin are higher or the actual pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

(b) Uncertain tax position and recognition of current and deferred income tax assets

The Group is subject to enterprise income tax in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in Note 11, some subsidiaries of the Group are high-tech enterprises. The "High-Tech Enterprise Certificate" is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognized deferred tax assets, deferred tax liabilities and income tax expenses.

(c) Fair value measurement of financial assets and liabilities at level 3 fair value hierarchy

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the valuation techniques, inputs and key assumptions used in the determination of the fair value of financial assets and liabilities at level 3 fair value hierarchy see Note 3.3.

5. SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

The Group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, examines the Group's performance both from a product and geographic perspective and has identified four reportable segments of its business:

- Heating & ventilation, as well as air-conditioner (hereinafter referred to as "HVAC"): this part of the business comprises manufacturing and sales of household air-conditioner, central air-conditioner, heating and ventilation system and other related products in domestic and other countries.

- Consumer appliances: this part of the business manufacturing and sales of kitchen appliances, refrigerators, washing machines, all kinds of small household appliances and other related products in domestic and other countries.

- Robotics and automation system: this part of the business manufacturing and sales of robots, automation systems, inverter and elevator servo systems, new energy vehicles parts and other related products in domestic and other countries.

- Others: this part of the business includes a) Annto Logistics service platform of intelligent supply chain business integration solution; b) Wandong Medical, engaged in medical device products and related services; c) the entire value chain of the industrial internet service platform which performs home appliance raw material sales and wholesale; and d) financial services such as deposits taking, inter-bank borrowing, consumer credit, loan receiving and financial leasing mainly in China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that net impairment losses on financial assets and contract assets, other income (excluding interest income), other gains/losses (excluding net foreign exchange gains/losses), share of profit of associates and joint ventures, impairment provision for inventories and other assets and impairment provision for investments in associates and joint ventures are excluded from such measurement.

(b) Segment information

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

Segment information for the year ended 31 December 2021 is as follows:

	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Inter-segment elimination	Total
Revenue from external customers	165,428,603	140,406,787	27,545,334	9,980,101	–	343,360,825
Inter-segment revenue	3,548,892	497,761	255,284	8,032,181	(12,334,118)	–
Operating costs and expenses	(155,063,218)	(127,382,007)	(27,349,247)	(15,268,871)	12,306,649	(312,756,694)
Segment profit	13,914,277	13,522,541	451,371	2,743,411	(27,469)	30,604,131
Other profit or loss						3,134,606
Total profit before income tax						33,738,737

	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Inter-segment elimination	Total
Total assets	159,918,857	150,195,125	34,442,640	186,560,724	(143,178,244)	387,939,102
Total liabilities	116,532,801	115,846,742	23,383,691	167,207,749	(169,851,750)	253,119,233
Long-term equity investments in associates and joint ventures	312,249	109,982	36,564	3,337,910	–	3,796,705
Share of profit of associates and joint ventures, net	185,835	5,976	2,182	366,686	–	560,679
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	4,946,978	2,923,405	981,504	3,996,272	–	12,848,159
Net impairment losses/(reversal) on financial assets and contract assets	76,301	(84,444)	83,193	383,414	(73,963)	384,501
Depreciation and amortisation	2,161,132	1,620,182	1,437,521	1,272,504	–	6,491,339

Segment information for the year ended 31 December 2022 is as follows:

	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Inter-segment elimination	Total
Revenue from external customers	167,072,126	135,631,425	30,203,793	12,801,362	–	345,708,706
Inter-segment revenue	3,674,995	902,151	373,373	7,288,925	(12,239,444)	–
Operating costs and expenses	(155,056,130)	(121,215,869)	(30,107,864)	(17,489,643)	12,180,514	(311,688,992)
Segment profit	15,690,991	15,317,707	469,302	2,600,644	(58,930)	34,019,714
Other profit or loss						938,752
Total profit before income tax						34,958,466
Total assets	173,411,787	160,850,931	41,186,669	203,099,901	(155,998,376)	422,550,912
Total liabilities	122,573,126	126,523,130	33,478,351	186,476,986	(198,421,246)	270,630,347
Long-term equity investments in associates and joint ventures	396,327	113,029	39,183	4,640,278	–	5,188,817
Share of profit of associates and joint ventures, net	254,487	(134)	1,220	352,705	–	608,278

	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Inter-segment elimination	Total
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	4,663,285	3,318,915	1,303,041	2,021,440	–	11,306,681
Net impairment losses/(reversal) on financial assets and contract assets	(26,109)	468,842	35,033	29,377	30,965	538,108
Depreciation and amortisation	2,215,346	1,824,042	1,275,870	1,197,647	(7,520)	6,505,385

Segment information for the year ended 31 December 2023 is as follows:

	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Inter-segment elimination	Total
Revenue from external customers	177,572,832	145,857,207	33,408,425	16,871,340	–	373,709,804
Inter-segment revenue	4,509,170	1,042,635	416,740	7,224,604	(13,193,149)	–
Operating costs and expenses	(161,701,396)	(130,268,374)	(33,235,551)	(22,670,295)	12,865,232	(335,010,384)
Segment profit	20,380,606	16,631,468	589,614	1,425,649	(327,917)	38,699,420
Other profit or loss						1,579,904
Total profit before income tax						40,279,324
Total assets	201,058,084	192,501,525	42,735,142	244,916,833	(195,175,569)	486,036,015
Total liabilities	144,033,849	147,020,837	35,887,893	221,727,484	(236,931,998)	311,738,065
Long-term equity investments in associates and joint ventures	648,200	130,710	13,371	4,183,828	–	4,976,109
Share of profit of associates and joint ventures, net	460,163	11,392	349	208,855	–	680,759
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	4,710,263	2,381,335	1,588,442	8,286,200	–	16,966,240
Net impairment losses/(reversal) on financial assets and contract assets	58,756	82,463	151,138	(159,446)	102,091	235,002
Depreciation and amortisation	2,393,575	1,812,801	1,396,549	1,746,348	(2,513)	7,346,760

Segment information for the four months ended 30 April 2023 is as follows:

(unaudited)	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Inter-segment elimination	Total
Revenue from external customers	67,743,289	48,921,474	10,808,814	3,907,505	–	131,381,082
Inter-segment revenue	983,846	278,513	122,424	2,894,442	(4,279,225)	–
Operating costs and expenses	(61,098,527)	(43,431,496)	(10,699,876)	(5,921,947)	3,735,421	(117,416,425)
Segment profit	7,628,608	5,768,491	231,362	880,000	(543,804)	13,964,657
Other profit or loss						390,304
Total profit before income tax						14,354,961
Share of profit of associates and joint ventures, net	112,828	3,683	(55)	107,599	–	224,055
Net impairment losses/(reversal) on financial assets and contract assets	128,218	68,522	(11,434)	(144,225)	138,445	179,526
Depreciation and amortisation	742,801	637,725	423,834	445,892	(1,081)	2,249,171

Segment information for the four months ended 30 April 2024 is as follows:

	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Inter-segment elimination	Total
Revenue from external customers	73,633,924	55,768,450	10,606,891	5,770,294	–	145,779,559
Inter-segment revenue	839,311	320,882	106,155	3,145,602	(4,411,950)	–
Operating costs and expenses	(65,987,435)	(49,849,355)	(10,731,085)	(8,321,495)	4,180,765	(130,708,605)
Segment profit	8,485,800	6,239,977	(18,039)	594,401	(231,185)	15,070,954
Other profit or loss						1,161,112
Total profit before income tax						16,232,066
Total assets	226,520,787	196,063,221	41,736,954	254,093,471	(209,256,674)	509,157,759
Total liabilities	162,498,263	142,171,373	34,444,796	250,591,210	(248,937,475)	340,768,167
Long-term equity investments in associates and joint ventures	789,342	130,096	9,054	4,124,753	–	5,053,245
Share of profit of associates and joint ventures, net	144,699	83	108	94,565	–	239,455

	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Inter-segment elimination	Total
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	1,176,198	718,307	271,439	1,074,880	–	3,240,824
Net impairment losses/(reversal) on financial assets and contract assets	30,744	(24,586)	(3,641)	84,950	(31,255)	56,212
Depreciation and amortisation	817,402	606,610	466,276	637,640	(1,572)	2,526,356

Revenue from external customers is derived from sales of the Heating & ventilation, air conditioner, consumer appliances, robotics and automation system, and other businesses.

There was no customer who individually contributed 10% or more of the Group's revenue for the Track Record Period.

The timing of revenue recognition is shown in the table below:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue recognized at a point in time					
Heating & ventilation, as well as air-conditioner	165,099,877	166,918,926	177,344,959	67,656,805	73,498,275
Consumer appliances	140,391,986	135,621,495	145,841,574	48,917,035	55,762,011
Robotics and automation system	12,251,834	13,790,400	14,916,864	5,120,208	5,260,447
Other segments and unallocated	6,491,410	9,201,492	13,320,756	3,051,602	4,866,753
Revenue recognized over time					
Robotics and automation system	15,268,950	16,387,408	18,465,147	5,679,838	5,338,071
Heating & ventilation, as well as air-conditioner	322,419	145,268	214,027	79,981	132,916
Other segments and unallocated	1,317,673	1,743,925	1,805,451	350,802	360,918

The Company is domiciled in Mainland China. The amount of the Group's revenue from external customers by location of the customers is shown in the table below:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Mainland China	205,706,997	203,063,764	222,804,120	77,948,366	85,755,297
Other countries or regions	137,653,828	142,644,942	150,905,684	53,432,716	60,024,262
	343,360,825	345,708,706	373,709,804	131,381,082	145,779,559

(c) Assets and liabilities related to contracts with customers

The assets and liabilities related to contracts with customers refer to Note 27 and Note 32.

(d) Unsatisfied long-term contracts

As at 31 December 2021, 2022 and 2023 and 30 April 2024, the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied, mainly relating to the robotics and automation system contracts, amounted to approximately RMB13,661,087,000, RMB13,957,617,000, RMB13,546,344,000 and RMB13,267,790,000, respectively. The Group will recognize the expected revenue of substantially all of the long-term contracts over the next 3 years upon the products or services are provided. The amounts disclosed do not include variable consideration which is constrained.

All other contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(e) Accounting policies of revenue recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortized when the related revenue is recognized.

(i) Sales of goods

The Group are principally engaged in the design, manufacturing and sales of residential air conditioner, central air-conditioner, heating and ventilation systems, kitchen appliances, refrigerators, washing machines and various small appliances, elevators, high-voltage inverters, low-voltage inverters, medical imaging products, robotics and automation system, other products and materials to buyers.

Revenue from domestic sales of goods is recognized when the Group has delivered products to the location specified in the sales contract and the buyer has confirmed the acceptance of the products, and the delivery order is signed by both parties. Upon confirming the acceptance, the buyer has the right to sell the products at its discretion and takes the risks of any price fluctuations and obsolescence and loss of the products.

Revenue from overseas sales of goods is recognized when the products have been declared to the customs and shipped out of the port in accordance with the sales contract.

The credit period granted to customers by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component. The Group bases its estimates of sales return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

The Group provides distributors and retailers with sales rebate and discount, and the relevant revenue is recognized based on contract consideration net of the rebate and discount amount estimated.

The periods and terms of product quality warranty are provided in accordance with the laws and regulations related to the products. The Group has not provided any additional services or product quality warranty, so the product quality warranty does not constitute a separate performance obligation.

The rights to receive considerations for transferring goods to the customer (and such rights depend on factors other than the passage of time) are recognized as contract assets. The Group's obligation to transfer products to customers for consideration received or receivable is presented as contract liabilities.

(ii) Rendering of services

The Group provides robotics and automation system construction service, intelligent logistics integration solution, storage services, delivery services, installation services and transportation service, which are recognized in a certain period of time based on the progress towards complete satisfaction of a performance obligation. On the balance sheet date, the Group re-estimates the stage of the progress towards complete satisfaction of a performance obligation, which is mainly measured based on input method to reflect the actual status of contract performance.

When the Group recognizes revenue based on the progress towards complete satisfaction of a performance obligation, the amount with unconditional right to consideration obtained by the Group is recognized as trade receivables, and the rest is recognized as contract assets. Meanwhile, provision for trade receivables and contract assets is recognized on the basis of expected credit losses (Note 50.10(iv)). If the contract consideration received or receivable exceeds the progress of the service performed, the excess portion will be recognized as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Contract costs include costs to fulfil a contract and costs to obtain a contract. Costs incurred for provision of the aforesaid services are recognized as costs to fulfil a contract, which is carried forward to the cost of revenue when revenue recognized based on the progress of the service performed. Incremental costs incurred by the Group for the acquisition of the aforesaid service contract are recognized as the costs to obtain a contract. For the costs to obtain a contract with the amortization period within one year, the costs are charged to profit or loss when incurred. For the costs to obtain a contract with the amortization period beyond one year, the costs are charged in the profit or loss on the same basis as aforesaid revenue of rendering of services recognized under the relevant contract. If the carrying amount of the contract costs is higher than the remaining consideration expected to be obtained by rendering of the service net of the estimated cost to be incurred, the Group makes provision for impairment on the excess portion and recognizes it as asset impairment losses. As at the date of the end of the reporting period, based on whether the amortization period of the costs to fulfil a contract is more than one year when initially recognized, the amount of the Group's costs to fulfil a contract net of related provision for asset impairment is presented as inventories or other non-current assets. For costs to obtain a contract with amortization period beyond one year at the initial recognition, the amount net of related provision for asset impairment is presented as other non-current assets.

6. OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income *(a)*	4,780,157	5,081,372	5,977,068	1,858,654	1,926,114
Government grants *(b)*	1,396,890	2,007,385	1,892,262	511,624	371,640
Additional Deduction for VAT *(c)*	–	–	250,921	–	564,909
	6,177,047	7,088,757	8,120,251	2,370,278	2,862,663

(a) Interest income

Interest income from other financial assets at FVPL is included in the net fair value gains on these assets, see Note 7 below. Interest income on other financial assets at amortized cost and other financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

(b) Government grants

The government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments, to reward the Group's support and contribution for the development of local economies. As at 31 December 2021, 2022 and 2023 and 30 April 2024, there were no unfulfilled conditions or contingencies relating to these government grants.

(c) Pursuant to the Notice on the Additional Value-added Tax ("VAT") Credit Policy for Advanced Manufacturing Enterprises (Announcement [2023] No. 43) issued by the Ministry of Finance and the State Taxation Administration in September 2023, advanced manufacturing enterprises are eligible for a 5% additional VAT deduction based on deductible input VAT.

7. OTHER GAINS/(LOSSES), NET

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net gains/(losses) on financial instruments *(a)*	1,731,713	(519,286)	(262,395)	5,092	79,239
Net foreign exchange gains/(losses)	733,270	(435,574)	(340,027)	234,710	(2,272,829)
Net gains/(losses) on disposal of property, plant and equipment and other assets	58,257	(59,854)	(60,868)	12,331	72,859
Others	253,938	(50,722)	(282,374)	19,072	107,791
	2,777,178	(1,065,436)	(945,664)	271,205	(2,012,940)

(a) Net gains/(losses) on financial instruments mainly include net gains/(losses) on derivative financial instruments, other financial assets at FVPL and other financial liabilities at FVPL.

8. EXPENSES BY NATURE

Expenses included in cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses are analyzed as follows:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Raw materials and consumables used	221,124,402	212,264,850	219,556,360	80,974,507	86,630,288
Employee benefit expenses	34,719,136	37,350,384	43,210,848	13,131,341	14,826,913
Installation and after-sales expenses	10,175,312	9,578,756	11,692,876	2,744,386	3,085,200
Transportation and insurance charges	13,957,907	16,169,955	16,656,570	5,419,071	6,896,843
Advertising and promotion expenses	13,013,741	12,079,701	16,024,801	5,791,203	8,058,246
Depreciation and amortization	6,491,339	6,505,385	7,346,760	2,249,171	2,526,356
Auditors' remuneration	53,320	52,198	55,872	2,897	3,686
Listing expenses	–	–	3,060	–	1,279
Others	18,319,279	21,727,076	24,216,118	8,523,386	8,656,635
	317,854,436	315,728,305	338,763,265	118,835,962	130,685,446

9. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are analyzed as follows:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, wages and bonuses	27,071,702	29,439,271	33,546,497	10,099,325	11,542,630
Share-based compensation expenses	1,578,070	1,028,950	1,245,456	499,661	556,320
Pension costs – defined contribution plans *(a)*	1,565,424	1,764,080	2,019,454	612,522	732,196
Pension costs – defined benefit plans *(b)*	70,348	77,003	59,925	25,989	23,357
Other employee benefits	4,433,592	5,041,080	6,339,516	1,893,844	1,972,410
	34,719,136	37,350,384	43,210,848	13,131,341	14,826,913

(a) Defined contribution plans

Employees of the subsidiaries in the PRC participate in employee social insurance plans established in the PRC, which cover pension and other welfare benefits. The plans are organized and administered by the government authorities. Except for the contributions made to these social insurance plans, the Group has no other commitments owing to the employees. According to the relevant regulations, the contributions that should be borne by the companies within the Group as required by the above social insurance plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are expensed as incurred.

No forfeited contributions were utilized by the Group to reduce its contributions to the abovementioned social insurance plan during the Track Record Period.

As at 31 December 2021, 2022 and 2023 and 30 April 2024, the contributions payable in respect of the abovementioned social insurance plan amounted to RMB104,573,000, RMB110,244,000, RMB103,515,000 and RMB101,006,000, respectively.

(b) Defined benefit pension plans

The Group sponsors funded defined benefit plans for qualifying employees of Toshiba Lifestyle Products & Services Corp. ("TLSC") and its subsidiaries (together, the "TLSC Group") and other subsidiaries in Japan, Germany, Switzerland and other countries. The defined benefit plans are administered by separate funds that are legally separated from the subsidiaries. The boards of the pension funds are composed of an equal number of representatives from both employers and (former) employees. The boards of the pension funds are required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers, which are responsible for the investment policy with regard to the assets of the fund.

The defined benefit plan requires contributions from employers and employees. Contributions are based on the number of years of service or fixed percentage of salary of the employees. Employees can also make discretionary contributions to the plan.

Supplementary retirement benefits obligation of the Group recognized on the balance sheet date is calculated using the projected unit credit method, and reviewed by external independent actuary institution.

The net liability disclosed above is as follows:

	As at 31 December			As at 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Present value of obligation	3,572,482	3,209,466	3,208,084	3,011,525	2,894,732
Less: Fair value of plan assets	(1,867,042)	(1,840,953)	(1,905,589)	(1,713,910)	(1,726,539)
Defined benefit liabilities	1,705,440	1,368,513	1,302,495	1,297,615	1,168,193

The net liability disclosed by subsidiaries is as follows:

	As at 31 December			As at 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
TLSC Group *(i)*	975,350	841,298	746,082	818,823	663,783
Others	730,090	527,215	556,413	478,792	504,410
	1,705,440	1,368,513	1,302,495	1,297,615	1,168,193

The actuarial assumptions used to determine the present value of defined benefit obligation are as follows:

	As at 31 December			As at 30 April	
	2021	2022	2023	2023	2024
				(unaudited)	
Discount rate (%)	0.06%-7.75%	0.02%-9.25%	0.22%~10.00%	0.02%~9.25%	0.37%~10.00%
Inflation rate (%)	1.00%	1.07%	1.23%	1.07%	1.23%
Salary growth rates (%)	0.50%-6.90%	0.50%-6.60%	0.00%~6.20%	0.00%~6.60%	0.00%~6.20%
Pension dynamics (%)	0.00%-3.70%	1.00%-3.55%	1.10%~2.50%	1.10%~3.55%	0.00%~2.50%
Early retirement rate (%)	0.00%-11.60%	0.00%-12.90%	0.00%~11.60%	0.00%~12.90%	0.00%~11.60%
Changes in cost of medical services (%)	6.25%	7.50%	8.25%	7.50%	8.25%

(i) TLSC Group

Movements in the present value of the defined benefit obligations during the Track Record Period were as follows:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At the beginning of the year/period	1,667,046	1,566,671	1,370,625	1,370,625	1,311,041
Current service cost	50,220	36,440	29,063	14,446	9,684
Gains on curtailment and settlement	(2,361)	–	(454)	–	–
Interest expense	5,846	4,801	11,071	3,977	3,421
Remeasurement losses/(gains)	170,058	(66,545)	44,686	–	29,324
Exchange realignment on foreign plans	(212,458)	(88,215)	(56,149)	(17,115)	(116,410)
Payments made	(111,680)	(82,527)	(87,801)	(26,598)	(28,672)
At the end of the year/period	1,566,671	1,370,625	1,311,041	1,345,335	1,208,388

Movements in the fair value of the plan assets during the Track Record Period were as follows:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At the beginning of the year/period	(604,522)	(591,321)	(529,327)	(529,327)	(564,959)
Interest income	(2,901)	(2,774)	(6,355)	(2,342)	(2,216)
Remeasurement (gains)/losses	(20,644)	42,663	(53,718)	–	(30,987)
Exchange realignment on foreign plans	78,330	33,057	21,735	6,409	50,889
Contributions from the employer	(83,899)	(43,478)	(29,063)	(10,631)	(8,775)
Payments made	42,315	32,526	31,769	9,379	11,443
At the end of the year/period	(591,321)	(529,327)	(564,959)	(526,512)	(544,605)

The major categories of plan assets are as follows:

	As at 31 December			As at 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Equity instruments	214,474	204,080	240,214	216,974	240,156
Debt instruments	310,310	249,556	238,608	237,327	218,473
Other instruments	66,537	75,691	86,137	72,211	85,976
Total	591,321	529,327	564,959	526,512	544,605

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Increase in assumption	Increase/(decrease) impact on defined benefit obligation				
		As at 31 December			As at 30 April	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Discount rate	0.10%	(10,736)	(8,031)	(7,241)	(7,934)	(6,194)
Inflation rate	0.10%	2,196	1,595	1,668	1,575	1,476
Salary growth rates	0.10%	719	439	242	433	217
Early retirement rate	0.10%	(1,402)	(881)	(826)	(870)	(935)

	Decrease in assumption	Increase/(decrease) impact on defined benefit obligation				
		As at 31 December			As at 30 April	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Discount rate	0.10%	10,901	8,141	7,342	8,043	6,280
Inflation rate	0.10%	(2,172)	(1,567)	(1,640)	(1,548)	(1,455)
Salary growth rates	0.10%	(706)	(651)	(246)	(643)	(221)
Early retirement rate	0.10%	1,248	709	694	701	800

(c) Directors' and supervisors' remuneration

Directors' and supervisors' remuneration for the Track Record Period is as follows:

	Fees	Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	Share-based compensation expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021				
Executive Directors				
Mr. Fang Hongbo	–	11,060	58,924	69,984
Mr. Yin Bitong	–	7,282	21,328	28,610
Mr. Wang Jianguo *(i)*	–	1,159	2,340	3,499
Dr. Gu Yanmin	–	5,636	5,416	11,052
Non-executive Directors				
Dr. Yu Gang	450	–	–	450
Mr. He Jianfeng	–	–	–	–
Independent non-executive Directors				
Dr. Xue Yunkui	450	–	–	450
Dr. Guan Qingyou	450	–	–	450
Dr. Han Jian	450	–	–	450
Supervisors				
Mr. Dong Wentao	–	797	–	797
Ms. Liang Huiming	–	263	–	263
Mr. Zhao Jun	–	–	–	–
Total	1,800	26,197	88,008	116,005

	Fees	Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	Share-based compensation expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022				
Executive Directors				
Mr. Fang Hongbo	–	11,301	47,283	58,584
Dr. Gu Yanmin	–	7,684	7,197	14,881
Mr. Wang Jianguo	–	6,195	7,237	13,432
Mr. Yin Bitong *(ii)*	–	9,572	8,832	18,404
Non-executive Directors				
Dr. Yu Gang	450	–	–	450
Mr. He Jianfeng	–	–	–	–
Independent non-executive Directors				
Dr. Xue Yunkui	450	–	–	450
Dr. Guan Qingyou	450	–	–	450
Dr. Han Jian	450	–	–	450
Supervisors				
Mr. Dong Wentao	–	751	–	751
Ms. Liang Huiming	–	295	–	295
Mr. Zhao Jun	–	–	–	–
Total	1,800	35,798	70,549	108,147

	Fees	Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	Share-based compensation expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023				
Executive Directors				
Mr. Fang Hongbo	–	13,539	51,105	64,644
Dr. Gu Yanmin	–	9,878	6,181	16,059
Mr. Wang Jianguo	–	11,427	8,102	19,529
Mr. Fu Yongjun *(iii)*	–	5,771	5,616	11,387
Non-executive Directors				
Dr. Yu Gang	450	–	–	450
Mr. He Jianfeng	–	–	–	–
Independent non-executive Directors				
Dr. Xue Yunkui	450	–	–	450
Dr. Guan Qingyou	450	–	–	450
Dr. Han Jian	450	–	–	450
Dr. Xiao Geng *(iv)*	–	–	–	–
Supervisors				
Mr. Dong Wentao	–	958	–	958
Ms. Liang Huiming	–	417	–	417
Mr. Zhao Jun	–	–	–	–
Total	1,800	41,990	71,004	114,794
Four months ended 30 April 2023 (unaudited)				
Executive Directors				
Mr. Fang Hongbo	–	2,066	18,056	20,122
Dr. Gu Yanmin	–	1,058	2,623	3,681
Mr. Wang Jianguo	–	1,032	2,629	3,661
Non-executive Directors				
Dr. Yu Gang	150	–	–	150
Mr. He Jianfeng	–	–	–	–
Independent non-executive Directors				
Dr. Xue Yunkui	150	–	–	150
Dr. Guan Qingyou	150	–	–	150
Dr. Han Jian	150	–	–	150
Supervisors				
Mr. Dong Wentao	–	126	–	126
Ms. Liang Huiming	–	82	–	82
Mr. Zhao Jun	–	–	–	–
Total	600	4,364	23,308	28,272

	Fees	Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	Share-based compensation expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Four months ended 30 April 2024				
Executive Directors				
Mr. Fang Hongbo	–	2,046	18,716	20,762
Dr. Gu Yanmin	–	1,064	2,747	3,811
Mr. Wang Jianguo	–	1,027	3,343	4,370
Mr. Fu Yongjun	–	1,041	3,858	4,899
Non-executive Directors				
Dr. Yu Gang *(v)*	150	–	–	150
Mr. He Jianfeng *(v)*	–	–	–	–
Independent non-executive Directors				
Dr. Xue Yunkui *(vii)*	150	–	–	150
Dr. Guan Qingyou *(vii)*	150	–	–	150
Dr. Han Jian *(vii)*	150	–	–	150
Dr. Xiao Geng *(iv)*	–	–	–	–
Supervisors				
Mr. Dong Wentao	–	145	–	145
Ms. Liang Huiming	–	93	–	93
Mr. Zhao Jun *(vi)*	–	–	–	–
Total	600	5,416	28,664	34,680

(i) Mr. Wang Jianguo was appointed as executive director of the Company in September 2021.

(ii) Mr. Yin Bitong resigned as executive director of the Company in December 2022.

(iii) Mr. Fu Yongjun was appointed as executive director of the Company in July 2023.

(iv) Dr. Xiao Geng was appointed as independent non-executive director of the Company in July 2024. During the Track Record Period, he had not been yet appointed and received no emolument.

(v) Dr. Yu Gang and Mr. He Jianfeng resigned as non-executive directors of the Company in July 2024.

(vi) Mr. Zhao Jun resigned as supervisor and was appointed as non-executive director of the Company in July 2024.

(vii) Dr. Xue Yunkui, Dr. Guan Qingyou and Dr. Han Jian resigned as independent non-executive directors of the Company in July 2024.

(viii) Mr. Guan Jinwei was appointed as executive director of the Company in July 2024. Dr. Xu Dingbo, Dr. Liu Qiao and Dr. Qiu Lili were appointed as independent non-executive directors of the Company in July 2024. Ms. Ren Lingyan was appointed as supervisor of the Company in July 2024.

During the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, the executive directors (including Mr. Fang Hongbo, Mr. Yin Bitong, Dr. Gu Yanmin, Mr. Wang Jianguo and Mr. Fu Yongjun) and the supervisors (including Mr. Dong Wentao and Ms. Liang Huiming) have provided management services in connection with the management of the affairs of the Company or its subsidiaries undertaking. Since the emoluments as directors, supervisors or management cannot be distinguished from each other, emoluments as the mentioned roles are combined disclosed together.

The emoluments of Mr. Zhao Jun in relation to his services rendered for the Group were borne by the holding company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation during the Track Record Period.

(d) Directors' and supervisors' other benefits

No retirement and termination benefits were paid to the directors and supervisors of the Company by the Group in respect of the director's services as a director and a supervisor of the Group or other services in connection with the management of the affairs of the Group during the Track Record Period.

No consideration provided to third parties for making available directors' and supervisors' services subsisted at the end of each reporting period or at any time during the Track Record Period.

There were no loans, quasi-loans or other dealings entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

Save as disclosed in Note 45, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director and a supervisor of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

(e) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024 include 2, 2, 2, 1 and 2 directors respectively whose emoluments are reflected in the analysis shown in Note 9(c). The emoluments paid to the remaining 3, 3, 3, 4 and 3 individuals during the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, respectively, are as follows:

	Year ended 31 December			Four months ended 30 April	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	40,595	53,573	50,919	11,196	7,950
Share-based compensation expenses	19,736	16,382	25,360	10,088	7,180
	60,331	69,955	76,279	21,284	15,130

The emoluments of the above individuals fell within the following bands:

Number of individuals

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
				(unaudited)	
HK$3,000,000 to HK$5,000,000	–	–	–	1	1
HK$5,000,000 to HK$10,000,000	–	–	–	3	2
HK$10,000,000 to HK$15,000,000	–	–	–	–	–
HK$15,000,000 to HK$20,000,000	–	–	–	–	–
HK$20,000,000 to HK$25,000,000	2	1	–	–	–
HK$25,000,000 to HK$30,000,000	–	2	3	–	–
HK$30,000,000 to HK$35,000,000	1	–	–	–	–

10. FINANCE (COSTS)/INCOME, NET

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Finance income:					
Interest income from financial assets held for cash management purposes *(a)*	401,501	756,341	974,378	239,504	553,972
Reclassification from cost of hedge reserves *(Note 25 (c))* *(b)*	–	36,834	110,878	36,297	36,861
	401,501	793,175	1,085,256	275,801	590,833
Finance costs:					
Interest and finance charges paid/payable for borrowings	(1,252,661)	(1,719,142)	(2,656,770)	(788,127)	(607,600)
Interest and finance charges paid/payable for lease liabilities *(Note 15 (b))*	(111,745)	(111,773)	(151,334)	(37,238)	(49,871)
Net exchange gains/(losses) on foreign currency borrowings	64,850	(71,507)	(564,711)	(326,607)	171,625
	(1,299,556)	(1,902,422)	(3,372,815)	(1,151,972)	(485,846)
Finance (costs)/income, net	(898,055)	(1,109,247)	(2,287,559)	(876,171)	104,987

(a) Interest income represents interest income from cash and cash equivalent, including bank balances and term deposits with initial terms within three months.

(b) Reclassification from cost of hedge reserves mainly represents the amortization of the foreign currency basis spread. The foreign currency basis spread was separated from a cross-currency interest rate swaps, or CCIRSs, and excluded from the designation of the CCIRSs as hedging instruments which hedge time-period relate hedged items. According to IFRS 9, the foreign currency basis spread from the CCIRSs at the date of designation was recognized in other comprehensive income to the extent that it related to the hedged item and amortized on a systematic and rational basis over the period during which the hedge adjustment for the value of the CCIRSs could affect profit or loss. During the Track Record Period, the amortization was reclassified from the other comprehensive income into profit or loss as a reclassification adjustment.

11. TAXATION

(a) Income tax expense

Income tax expense is recognized based on management's best knowledge of the income tax rates expected for the financial year.

(i) PRC corporate income tax ("CIT")

The income tax provision of the Group in respect of its operations in mainland China was calculated at tax rate of 25% on the assessable profits for the periods presented, based on the existing legislation, interpretation and practices in respect thereof.

Certain subsidiaries of the Company in the Mainland of China were approved as high-tech Enterprise, and they were subject to a preferential corporate income tax rate of 15% for the Track Record Period.

Certain subsidiaries of the Company were entitled to other tax concessions, mainly including the preferential tax rate of 15% applicable to some subsidiaries located in certain areas of the Mainland of China upon fulfillment of certain requirements of the respective local governments application conditions of relevant preferential policies.

During the Track Record Period, certain subsidiaries of the Company located in mainland China fulfill the micro and small enterprises qualification under Chinese corporate income tax system. Therefore, these subsidiaries were subject to the effective income tax rate from 2.5% to 10%.

The Company's subsidiaries in Mainland China other than those mentioned above are subject to enterprise income tax at the rate of 25%.

(ii) Cayman Islands and British Virgin Islands corporate income tax

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are not subject to tax on their income or capital gains.

(iii) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the Track Record Period.

(iv) Corporate income tax in other jurisdictions

The income tax rates of the subsidiaries in Singapore, Brazil, Japan, Italy, Germany, Israel, Egypt, USA and Vietnam are 17%, 34%, 34.01%, 24%, 32%, 23%, 22.5%, 21% and 20%, respectively.

Midea Electric Trading (Singapore) Co., Pte Ltd., the Company's subsidiary, was awarded with the Certificate of Honor for Development and Expansion (No. 587) by the Singapore Economic Development Board and subject to the applicable preferential income tax rate of 5.5%, 5.5%, 6% and 6% during the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024, respectively.

Under the investment preferential BOI policy of the Thailand Board of Investment, eligible subsidiaries in Thailand are not subject to tax on their BOI business income which belongs to the preferential policy for the Track Record Period.

Income tax on profit arising from other jurisdictions, including Singapore, Brazil, Japan, Italy, Germany, Israel, Egypt, the USA and Vietnam had been calculated on the estimated assessable profit for the year at the respective rates prevailing in the relevant jurisdictions.

(v) Additional Deduction for research and development expense

According to the relevant laws and regulations promulgated by the State Council of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Additional Deduction"). The State Taxation Administration of The People's Republic of China ("STA") further announced in March 2021 that manufacturing enterprises engaging in research and development activities would entitle to claim 200% of their research and development expenses as Accelerated Deduction since 1 January 2021. The STA further announced in March 2023 that eligible enterprises would entitle to claim 200% of their research and development expenses as Additional Deduction since 1 January 2023. The Group has made its best estimate for the Additional Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the period.

(vi) Withholding tax ("WHT")

According to the New Enterprise Income Tax Law ("New EIT Law"), distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 10% or treaty tax rate, depending on the country of incorporation of the foreign investors, upon the distribution of profits to overseas-incorporated immediate holding companies. As at 31 December 2021, 2022 and 2023 and 30 April 2024, the Group has recognized deferred tax liabilities in relation to withholding taxes for the earnings of the Mainland China subsidiaries to be remitted in the foreseeable future.

As at 31 December 2021, 2022 and 2023 and 30 April 2024, the Group does not have plans to require some overseas subsidiaries to distribute their unremitted earnings in the foreseeable future, and intends to retain them to operate and expand its business in overseas. Accordingly, no deferred income tax liability related to WHT on unremitted earnings of these subsidiaries was accrued as at the end of each reporting period.

(vii) OECD Pillar Two model rules

The Organisation for Economic Co-operation and Development ("OECD") published Pillar Two model rules in December 2021, with the effect that a jurisdiction may enact domestic tax laws ("Pillar Two legislation") to implement the Pillar Two model rules on a globally agreed common approach. Pillar Two legislation applies to a member of a multinational group within the scope of the Pillar Two model rules, which the Group is reasonably expected to fall into. As at 30 April 2024, the Group mainly operates in the Mainland of China, in which exposures to Pillar Two income taxes might exist although the legislation is not yet substantively enacted or enacted. Besides, certain subsidiaries of the Company are located in jurisdictions mainly including Netherlands, Japan, Germany and Italy where Pillar Two legislation had been enacted and come to effect from 1 January 2024.

Since certain subsidiaries of the Company are within the scope of the OECD Pillar Two model rules, and it applies the IAS 12 exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group expects to incur top-up taxes due to the Pillar Two legislation that was effective from 1 January 2024. Under the legislation, the Group is liable to pay a top-up tax for the difference between its GloBE effective tax rate each jurisdiction and the 15% minimum rate.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications. The entity is currently engaged with tax specialists to assist them with applying the legislation and determining the related impact.

The following table sets forth the component of income tax expenses of the Group for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax	5,959,551	7,500,259	8,474,651	3,235,331	3,644,889
Deferred income tax *(Note (17))*	(1,252,242)	(2,353,918)	(1,942,280)	(1,005,778)	(1,059,098)
	4,707,309	5,146,341	6,532,371	2,229,553	2,585,791

Reconciliation between income tax expenses and profit before income tax at applicable tax rates for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before income tax	33,738,737	34,958,466	40,279,324	14,354,961	16,232,066
Tax at the statutory tax rate of 25%	8,434,684	8,739,617	10,069,831	3,588,740	4,058,017
Effect of different tax rates applicable to subsidiaries	(2,703,750)	(2,302,968)	(2,932,107)	(1,054,794)	(1,367,498)
Adjustments of prior years	1,453	(45,762)	36,833	7,857	26,729
Tax effect of non-taxable income	(566,876)	(544,607)	(387,848)	(80,657)	(100,185)
Tax effect of non-deductible expenses	476,697	486,777	642,991	162,905	236,576
Utilization of previously unrecognized tax losses and temporary differences	(75,134)	(106,106)	(304,850)	(60,819)	(69,816)
Others	(859,765)	(1,080,610)	(592,479)	(333,679)	(198,032)
	4,707,309	5,146,341	6,532,371	2,229,553	2,585,791

12. DIVIDENDS

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Ordinary A shares					
Final dividends in respect of the previous year, declared or paid during the year/period (tax inclusive)	11,066,392	11,677,509	17,188,858	–	20,780,278
Dividends of lapsed restricted shares	(13,663)	(25,484)	(44,594)	(7,242)	(3,926)
	11,052,729	11,652,025	17,144,264	(7,242)	20,776,352

The final dividends of RMB16, RMB17, RMB25 and RMB30 per 10 shares (tax inclusive) in respect of the years ended 31 December 2020, 2021, 2022 and 2023 were approved by the Annual General Meeting of the Company.

The final dividend distribution of RMB 20,780,278,000 in respect of the year ended 31 December 2023 approved by the Annual General Meeting in April 2024 was subsequently paid in May 2024.

13. EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period, excluding ordinary shares held for share schemes as these shares are not considered outstanding for earnings per share calculation purposes.

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
				(unaudited)	
Profit attributable to owners of the Company (RMB'000)	28,586,980	29,553,342	33,721,536	11,995,920	13,461,205
Less: Dividends payable to expected vested restricted shares (RMB'000)	(82,152)	(63,556)	(66,155)	–	(158,836)
Profit attributable to owners of the Company used in calculating basic EPS (RMB'000)	28,504,828	29,489,786	33,655,381	11,995,920	13,302,369
Weighted average number of ordinary shares in issue (thousand shares)	6,837,497	6,790,926	6,824,100	6,793,908	6,859,107
Basic EPS (RMB per share)	4.17	4.34	4.93	1.77	1.94

(b) Diluted

The share schemes granted by the Company and the subsidiaries have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share schemes (collectively forming the denominator for computing the diluted EPS).

For the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, the Restricted Share Incentive Schemes and Stock Ownership Schemes granted by the Group's subsidiaries had either anti-dilutive effect or insignificant dilutive effect to the Group's diluted earnings per share.

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
				(unaudited)	
Adjusted profit attributable to owners of the Company used in calculating diluted EPS (RMB'000)	28,586,980	29,553,083	33,715,846	11,995,920	13,303,154
Weighted average number of ordinary shares in issue (thousand shares)	6,837,497	6,790,926	6,824,100	6,793,908	6,859,107

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
				(unaudited)	
Adjustments for potential shares arising from share schemes (thousand shares)	68,827	28,297	25,141	22,678	7,332
Weighted average number of ordinary shares used in calculating diluted EPS (thousand shares)	6,906,324	6,819,223	6,849,241	6,816,586	6,866,439
Diluted EPS (RMB per share)	4.14	4.33	4.92	1.76	1.94

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Overseas land	Machinery and equipment	Motor vehicles	Electronic equipment and others	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021								
Cost	19,012,262	1,394,439	20,794,332	812,751	5,003,386	1,526,618	1,081,942	49,625,730
Accumulated depreciation and impairment	(8,186,412)	(5,892)	(12,424,804)	(593,305)	(3,593,891)	(49,316)	(663,932)	(25,517,552)
Net book amount	10,825,850	1,388,547	8,369,528	219,446	1,409,495	1,477,302	418,010	24,108,178
Year ended 31 December 2021								
Opening net book amount	10,825,850	1,388,547	8,369,528	219,446	1,409,495	1,477,302	418,010	24,108,178
Additions	706,350	29,364	2,219,034	29,775	775,815	2,381,015	288,260	6,429,613
Transfer from construction in progress to other property, plant and equipment, net	911,993	–	151,920	1,846	29,347	(1,096,773)	1,667	–
Disposals and others	(140,039)	(11,628)	(204,679)	(26,919)	(36,138)	(6,678)	(16,039)	(442,120)
Currency translation differences	(275,436)	(80,896)	(157,316)	(712)	(51,650)	(28,914)	(4,956)	(599,880)
Depreciation charge	(929,597)	–	(1,538,606)	(57,105)	(704,741)	–	(234,294)	(3,464,343)
Impairment loss	–	–	–	–	–	(35,022)	–	(35,022)
Closing net book amount	11,099,121	1,325,387	8,839,881	166,331	1,422,128	2,690,930	452,648	25,996,426
At 31 December 2021								
Cost	20,108,658	1,330,856	22,182,072	758,743	5,497,346	2,724,118	1,355,388	53,957,181
Accumulated depreciation and impairment	(9,009,537)	(5,469)	(13,342,191)	(592,412)	(4,075,218)	(33,188)	(902,740)	(27,960,755)
Net book amount	11,099,121	1,325,387	8,839,881	166,331	1,422,128	2,690,930	452,648	25,996,426

	Buildings	Overseas land	Machinery and equipment	Motor vehicles	Electronic equipment and others	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022								
Opening net book amount	11,099,121	1,325,387	8,839,881	166,331	1,422,128	2,690,930	452,648	25,996,426
Additions	468,401	29,246	3,148,615	66,129	1,112,476	3,294,350	388,110	8,507,327
Transfer from construction in progress to other property, plant and equipment, net	1,587,541	–	419,909	104	103,356	(2,114,555)	3,645	–
Disposals and others	(56,216)	(215)	(202,227)	(2,062)	(30,671)	(20,978)	(3,322)	(315,691)
Currency translation differences	2,744	(24,506)	(33,383)	1,147	10,779	(5,970)	5,597	(43,592)
Depreciation charge	(987,149)	–	(1,537,048)	(31,365)	(809,883)	–	(257,214)	(3,622,659)
Impairment loss	(3,281)	–	(2,297)	–	–	–	–	(5,578)
Closing net book amount	12,111,161	1,329,912	10,633,450	200,284	1,808,185	3,843,777	589,464	30,516,233
At 31 December 2022								
Cost	22,049,136	1,335,277	24,331,913	773,893	6,376,643	3,877,919	826,496	59,571,277
Accumulated depreciation and impairment	(9,937,975)	(5,365)	(13,698,463)	(573,609)	(4,568,458)	(34,142)	(237,032)	(29,055,044)
Net book amount	12,111,161	1,329,912	10,633,450	200,284	1,808,185	3,843,777	589,464	30,516,233
Year ended 31 December 2023								
Opening net book amount	12,111,161	1,329,912	10,633,450	200,284	1,808,185	3,843,777	589,464	30,516,233
Additions	1,381,338	64,694	3,429,407	168,436	1,410,092	4,386,848	524,305	11,365,120
Transfer from construction in progress to other property, plant and equipment, net	3,266,288	–	126,355	–	73,969	(3,483,975)	17,363	–
Disposals and others	(274,718)	(19,673)	(904,400)	(19,958)	(139,816)	(46,274)	(36,109)	(1,440,948)
Currency translation differences	17,020	7,477	(11,348)	(880)	17,923	(725)	4,740	34,207
Depreciation charge	(1,100,853)	–	(1,565,697)	(99,145)	(937,590)	–	(336,181)	(4,039,466)
Impairment loss	(9,978)	–	(20,555)	–	(3,417)	(18,431)	–	(52,381)
Closing net book amount	15,390,258	1,382,410	11,687,212	248,737	2,229,346	4,681,220	763,582	36,382,765
At 31 December 2023								
Cost	26,431,255	1,387,628	26,110,126	890,849	7,352,388	4,735,799	1,302,832	68,210,877
Accumulated depreciation and impairment	(11,040,997)	(5,218)	(14,422,914)	(642,112)	(5,123,042)	(54,579)	(539,250)	(31,828,112)
Net book amount	15,390,258	1,382,410	11,687,212	248,737	2,229,346	4,681,220	763,582	36,382,765

(unaudited)	Buildings	Overseas land	Machinery and equipment	Motor vehicles	Electronic equipment and others	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023								
Cost	22,049,136	1,335,277	24,331,913	773,893	6,376,643	3,877,919	826,496	59,571,277
Accumulated depreciation and impairment	(9,937,975)	(5,365)	(13,698,463)	(573,609)	(4,568,458)	(34,142)	(237,032)	(29,055,044)
Net book amount	12,111,161	1,329,912	10,633,450	200,284	1,808,185	3,843,777	589,464	30,516,233
Four months ended 30 April 2023								
Opening net book amount	12,111,161	1,329,912	10,633,450	200,284	1,808,185	3,843,777	589,464	30,516,233
Additions	91,794	–	721,942	8,692	295,030	782,768	129,287	2,029,513
Transfer from construction in progress to other property, plant and equipment, net	338,626	–	39,135	–	16,983	(395,212)	468	–
Disposals and others	(11,524)	–	(60,526)	(1,522)	(17,885)	(31,594)	(13,447)	(136,498)
Currency translation differences	16,864	(6,145)	(5,433)	(833)	5,253	7,024	(1,614)	15,116
Depreciation charge	(339,714)	–	(519,978)	(10,507)	(285,907)	–	(104,886)	(1,260,992)
Closing net book amount	12,207,207	1,323,767	10,808,590	196,114	1,821,659	4,206,763	599,272	31,163,372
At 30 April 2023								
Cost	22,486,748	1,329,043	24,804,158	771,528	6,629,622	4,241,885	932,442	61,195,426
Accumulated depreciation and impairment	(10,279,541)	(5,276)	(13,995,568)	(575,414)	(4,807,963)	(35,122)	(333,170)	(30,032,054)
Net book amount	12,207,207	1,323,767	10,808,590	196,114	1,821,659	4,206,763	599,272	31,163,372

	Buildings	Overseas land	Machinery and equipment	Motor vehicles	Electronic equipment and others	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024								
Cost	26,431,255	1,387,628	26,110,126	890,849	7,352,388	4,735,799	1,302,832	68,210,877
Accumulated depreciation and impairment	(11,040,997)	(5,218)	(14,422,914)	(642,112)	(5,123,042)	(54,579)	(539,250)	(31,828,112)
Net book amount	15,390,258	1,382,410	11,687,212	248,737	2,229,346	4,681,220	763,582	36,382,765
Four months ended 30 April 2024								
Opening net book amount	15,390,258	1,382,410	11,687,212	248,737	2,229,346	4,681,220	763,582	36,382,765
Additions	116,847	99,715	817,280	25,168	338,348	916,008	172,946	2,486,312
Transfer from construction in progress to other property, plant and equipment, net	1,235,889	–	65,413	–	28,496	(1,343,301)	13,503	–
Disposals and others	(38,919)	–	(301,045)	(24,048)	(16,733)	(56,836)	(16,439)	(454,020)
Currency translation differences	(178,367)	(76,644)	(109,681)	(1,966)	(29,780)	(24,218)	151	(420,505)
Depreciation charge	(405,839)	–	(529,235)	(18,179)	(336,490)	–	(142,285)	(1,432,028)
Closing net book amount	16,119,869	1,405,481	11,629,944	229,712	2,213,187	4,172,873	791,458	36,562,524
At 30 April 2024								
Cost	27,458,081	1,410,311	26,191,640	875,159	7,543,627	4,226,471	1,451,381	69,156,670
Accumulated depreciation and impairment	(11,338,212)	(4,830)	(14,561,696)	(645,447)	(5,330,440)	(53,598)	(659,923)	(32,594,146)
Net book amount	16,119,869	1,405,481	11,629,944	229,712	2,213,187	4,172,873	791,458	36,562,524

(a) Certain property, plant and equipment as at 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024 respectively, were pledged as securities for bank loan facilities and financing lease.

(b) Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of revenue	2,243,657	2,441,336	2,344,088	744,797	820,299
Administration expenses and research and development expenses	927,658	910,848	1,402,729	422,440	512,138
Selling and marketing expenses	293,028	270,475	292,649	93,755	99,591
	3,464,343	3,622,659	4,039,466	1,260,992	1,432,028

The Company

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021						
Cost	1,617,055	139,154	354,544	348,490	204,304	2,663,547
Accumulated depreciation and impairment	(958,861)	(123,535)	(307,815)	(319,197)	–	(1,709,408)
Net book amount	658,194	15,619	46,729	29,293	204,304	954,139
Year ended 31 December 2021						
Opening net book amount	658,194	15,619	46,729	29,293	204,304	954,139
Additions	–	548	6	50,013	599,380	649,947
Transfer from construction in progress to buildings, net	3,441	–	–	–	(3,441)	–
Disposals and others	–	–	–	(979)	–	(979)
Depreciation charge	(103,056)	(1,244)	(28,122)	(8,750)	–	(141,172)
Closing net book amount	558,579	14,923	18,613	69,577	800,243	1,461,935
At 31 December 2021						
Cost	1,620,496	139,702	354,550	397,524	800,243	3,312,515
Accumulated depreciation and impairment	(1,061,917)	(124,779)	(335,937)	(327,947)	–	(1,850,580)
Net book amount	558,579	14,923	18,613	69,577	800,243	1,461,935

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022						
Opening net book amount	558,579	14,923	18,613	69,577	800,243	1,461,935
Additions	1,183	678	–	24,898	386,412	413,171
Transfer from construction in progress to other property, plant and equipment, net	681,017	881	–	–	(681,898)	–
Disposals and others	–	–	–	(319)	–	(319)
Depreciation charge	(118,497)	(1,284)	(566)	(26,130)	–	(146,477)
Closing net book amount	1,122,282	15,198	18,047	68,026	504,757	1,728,310
At 31 December 2022						
Cost	2,302,696	141,261	354,550	422,103	504,757	3,725,367
Accumulated depreciation and impairment	(1,180,414)	(126,063)	(336,503)	(354,077)	–	(1,997,057)
Net book amount	1,122,282	15,198	18,047	68,026	504,757	1,728,310
Year ended 31 December 2023						
Opening net book amount	1,122,282	15,198	18,047	68,026	504,757	1,728,310
Additions	16,708	218	542	13,538	496,601	527,607
Transfer from construction in progress to buildings, net	251,424	–	–	–	(251,424)	–
Disposals and others	(26,566)	–	(109)	(99)	–	(26,774)
Depreciation charge	(148,173)	(1,357)	(299)	(28,382)	–	(178,211)
Closing net book amount	1,215,675	14,059	18,181	53,083	749,934	2,050,932
At 31 December 2023						
Cost	2,576,593	141,478	352,802	372,113	749,934	4,192,920
Accumulated depreciation and impairment	(1,360,918)	(127,419)	(334,621)	(319,030)	–	(2,141,988)
Net book amount	1,215,675	14,059	18,181	53,083	749,934	2,050,932

(unaudited)	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023						
Cost	2,302,696	141,261	354,550	422,103	504,757	3,725,367
Accumulated depreciation and impairment	(1,180,414)	(126,063)	(336,503)	(354,077)	–	(1,997,057)
Net book amount	1,122,282	15,198	18,047	68,026	504,757	1,728,310
Four months ended 30 April 2023						
Opening net book amount	1,122,282	15,198	18,047	68,026	504,757	1,728,310
Additions	8,439	58	9	147	205,878	214,531
Disposals and others	–	–	–	(9)	–	(9)
Depreciation charge	(40,447)	(451)	(132)	(9,462)	–	(50,492)
Closing net book amount	1,090,274	14,805	17,924	58,702	710,635	1,892,340
At 30 April 2023						
Cost	2,311,135	141,319	354,559	422,070	710,635	3,939,718
Accumulated depreciation and impairment	(1,220,861)	(126,514)	(336,635)	(363,368)	–	(2,047,378)
Net book amount	1,090,274	14,805	17,924	58,702	710,635	1,892,340
At 1 January 2024						
Cost	2,576,593	141,478	352,802	372,113	749,934	4,192,920
Accumulated depreciation and impairment	(1,360,918)	(127,419)	(334,621)	(319,030)	–	(2,141,988)
Net book amount	1,215,675	14,059	18,181	53,083	749,934	2,050,932
Four months ended 30 April 2024						
Opening net book amount	1,215,675	14,059	18,181	53,083	749,934	2,050,932
Additions	52,487	712	–	9,199	100,363	162,761
Transfer from construction in progress to buildings, net	817,533	–	–	–	(817,533)	–
Disposals and others	–	–	–	(2)	–	(2)
Depreciation charge	(42,219)	(469)	(73)	(9,287)	–	(52,048)
Closing net book amount	2,043,476	14,302	18,108	52,993	32,764	2,161,643
At 30 April 2024						
Cost	3,446,613	142,190	352,802	381,287	32,764	4,355,656
Accumulated depreciation and impairment	(1,403,137)	(127,888)	(334,694)	(328,294)	–	(2,194,013)
Net book amount	2,043,476	14,302	18,108	52,993	32,764	2,161,643

(i) Depreciation amounting to approximately RMB141,172,000, RMB146,477,000, RMB178,211,000, RMB50,492,000 and RMB52,048,000 respectively, had been recognized in general and administrative expenses, for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, respectively.

(a) Depreciation methods and useful lives

Property, plant and equipment are stated at historical costs less accumulated depreciation and accumulated impairment charges. Historical costs include expenditures that are directly attributable to the acquisition of the items.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Overseas land	Permanent
Buildings	15 to 50 years
Machinery and equipment	2 to 25 years
Motor vehicles	2 to 20 years
Electronic equipment and others	2 to 20 years
Leasehold improvements	Shorter of their useful lives and the lease term

See Note 50.6 for the other accounting policies relevant to property, plant and equipment.

15. LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts recognized in the consolidated statements of financial position

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Buildings	2,095,036	2,147,152	2,804,826	2,771,441
Machinery and equipment	104,019	99,263	157,036	165,029
Land use rights and others	6,111,609	6,434,563	6,845,052	6,775,193
Trademark use rights	1,953,651	1,804,679	1,694,978	1,527,504
	10,264,315	10,485,657	11,501,892	11,239,167
Lease liabilities				
Current	860,503	992,142	1,166,901	1,149,267
Non-current	1,533,552	1,507,480	2,047,319	2,007,395
	2,394,055	2,499,622	3,214,220	3,156,662

Additions to the right-of-use assets during the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024 were approximately RMB3,628,730,000, RMB1,784,120,000, RMB3,044,727,000, RMB683,532,000 and RMB520,978,000 respectively.

Certain Leasehold land and land use rights were pledged as securities for bank loan facilities as at 31 December 2023 and 30 April 2024.

(b) Amounts recognized in the consolidated statements of profit or loss

The consolidated statements of profit or loss shows the following amounts relating to leases:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation charge of right-of-use assets					
Buildings	1,107,663	1,069,481	1,182,850	374,608	405,296
Machinery and equipment	90,266	83,938	100,858	18,825	32,932
Land use rights and others	169,446	168,314	218,928	55,954	63,436
Trademark use rights	42,478	54,413	52,334	17,057	15,091
	1,409,853	1,376,146	1,554,970	466,444	516,755
Interest expense (included in finance cost)	111,745	111,773	151,334	37,238	49,871
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	803,982	778,995	821,277	317,836	363,096
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses and administrative expenses)	6,898	4,680	3,524	1,445	2,456
Expense relating to variable lease payments not included in lease liabilities (included in operating expenses and administrative expenses)	271,346	297,344	348,469	125,186	151,199

The total cash outflow for leases during the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024 were approximately RMB2,487,643,000, RMB2,368,811,000, RMB2,823,561,000, RMB992,256,000 and RMB1,060,058,000, respectively.

(c) Operating lease proceeds after the date of statement of financial position

No material operating lease proceeds after the date of statement of financial position.

(d) The Group's leasing activities and how these are accounted for

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of use asset.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The trademark use rights are measured at cost when acquired. The trademark use rights are acquired in the business combinations involving enterprises not under common control, and are amortized over the estimated useful life of 40 years.

Payments associated with short-term leases and all leases of low-value assets are recognized as expenses in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

See Note 50.5 for the other accounting policies relevant to leases.

(e) Extension and termination

Options Lease payments to be made under reasonably certain extension options are included in the measurement. No termination options are included in building leases across the Group.

(f) Residual value guarantees

No residual value guarantees are provided in relation to leases.

16. INTANGIBLE ASSETS

	Goodwill	Patents and non-patent technologies	Trademark rights	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021					
Cost	30,073,740	2,191,179	5,259,116	5,481,621	43,005,656
Accumulated amortization and impairment	(516,522)	(890,036)	(113,266)	(2,650,366)	(4,170,190)
Net book amount	29,557,218	1,301,143	5,145,850	2,831,255	38,835,466
Year ended 31 December 2021					
Opening net book amount	29,557,218	1,301,143	5,145,850	2,831,255	38,835,466
Additions	1,106,701	1,194,149	–	582,701	2,883,551
Disposals	–	(9,581)	–	(52,766)	(62,347)
Currency translation differences	(2,789,167)	(93,364)	(479,307)	(197,326)	(3,559,164)
Amortization charge	–	(222,437)	(57,630)	(743,578)	(1,023,645)
Closing net book amount	27,874,752	2,169,910	4,608,913	2,420,286	37,073,861

	Goodwill	Patents and non-patent technologies	Trademark rights	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021					
Cost	28,379,463	3,199,777	4,769,814	5,576,295	41,925,349
Accumulated amortization and impairment	(504,711)	(1,029,867)	(160,901)	(3,156,009)	(4,851,488)
Net book amount	27,874,752	2,169,910	4,608,913	2,420,286	37,073,861
Year ended 31 December 2022					
Opening net book amount	27,874,752	2,169,910	4,608,913	2,420,286	37,073,861
Additions	119,655	5,736	9,121	337,175	471,687
Disposals	–	(7,228)	–	(16,322)	(23,550)
Currency translation differences	554,246	16,086	114,205	(38,780)	645,757
Amortization charge	–	(232,145)	(57,470)	(522,113)	(811,728)
Impairment loss	–	–	–	(48,593)	(48,593)
Closing net book amount	28,548,653	1,952,359	4,674,769	2,131,653	37,307,434
At 31 December 2022					
Cost	29,072,058	3,232,374	4,894,654	5,841,999	43,041,085
Accumulated amortization and impairment	(523,405)	(1,280,015)	(219,885)	(3,710,346)	(5,733,651)
Net book amount	28,548,653	1,952,359	4,674,769	2,131,653	37,307,434

	Goodwill	Patents and non-patent technologies	Trademark rights	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023					
Opening net book amount	28,548,653	1,952,359	4,674,769	2,131,653	37,307,434
Additions	1,074,462	1,136,056	–	769,191	2,979,709
Disposals	–	(776)	–	(31,222)	(31,998)
Currency translation differences	1,235,122	22,934	220,100	104,731	1,582,887
Amortization charge	–	(295,578)	(66,969)	(589,146)	(951,693)
Impairment loss	–	–	–	(25,642)	(25,642)
Closing net book amount	30,858,237	2,814,995	4,827,900	2,359,565	40,860,697
At 31 December 2023					
Cost	31,391,066	4,415,503	5,116,437	6,408,543	47,331,549
Accumulated amortization and impairment	(532,829)	(1,600,508)	(288,537)	(4,048,978)	(6,470,852)
Net book amount	30,858,237	2,814,995	4,827,900	2,359,565	40,860,697

(unaudited)	Goodwill	Patents and non-patent technologies	Trademark rights	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023					
Cost	29,072,058	3,232,374	4,894,654	5,841,999	43,041,085
Accumulated amortization and impairment	(523,405)	(1,280,015)	(219,885)	(3,710,346)	(5,733,651)
Net book amount	28,548,653	1,952,359	4,674,769	2,131,653	37,307,434
Four months ended 30 April 2023					
Opening net book amount	28,548,653	1,952,359	4,674,769	2,131,653	37,307,434
Additions	–	2,115	–	94,533	96,648
Disposals	–	(178)	–	(2,339)	(2,517)
Currency translation differences	607,682	17,321	119,362	6,104	750,469
Amortization charge	–	(77,050)	(22,906)	(173,253)	(273,209)
Closing net book amount	29,156,335	1,894,567	4,771,225	2,056,698	37,878,825
At 30 April 2023					
Cost	29,676,564	3,262,382	5,014,120	5,953,043	43,906,109
Accumulated amortization and impairment	(520,229)	(1,367,815)	(242,895)	(3,896,345)	(6,027,284)
Net book amount	29,156,335	1,894,567	4,771,225	2,056,698	37,878,825

	Goodwill	Patents and non-patent technologies	Trademark rights	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024					
Cost	31,391,066	4,415,503	5,116,437	6,408,543	47,331,549
Accumulated amortization and impairment	(532,829)	(1,600,508)	(288,537)	(4,048,978)	(6,470,852)
Net book amount	30,858,237	2,814,995	4,827,900	2,359,565	40,860,697
Four months ended 30 April 2024					
Opening net book amount	30,858,237	2,814,995	4,827,900	2,359,565	40,860,697
Additions	–	12,647	–	85,780	98,427
Disposals	–	(550)	–	(1,215)	(1,765)
Currency translation differences	(866,728)	(12,814)	(124,880)	(142,073)	(1,146,495)
Amortization charge	–	(102,803)	(23,242)	(199,221)	(325,266)
Closing net book amount	29,991,509	2,711,475	4,679,778	2,102,836	39,485,598
At 30 April 2024					
Cost	30,526,159	4,371,277	4,986,630	6,053,030	45,937,096
Accumulated amortization and impairment	(534,650)	(1,659,802)	(306,852)	(3,950,194)	(6,451,498)
Net book amount	29,991,509	2,711,475	4,679,778	2,102,836	39,485,598

(a) Amortization of the Group's intangible assets has been recognized as follows:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of revenue	884,879	673,001	832,292	232,709	283,073
Research and development expenses	32,800	9,747	10,009	3,146	3,210
Administration expenses	105,966	128,980	109,392	37,354	38,983
	1,023,645	811,728	951,693	273,209	325,266

(b) Impairment tests for goodwill and trademark rights with an indefinite useful life

The carrying amount of goodwill allocated to the group of Cash-Generating Units ("CGU" or "CGUs") are as follows:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
KUKA Group	20,544,697	21,122,932	22,364,486	21,757,226
TLSC Group	2,580,274	2,437,914	2,338,037	2,131,160
Little Swan	1,361,306	1,361,306	1,361,306	1,361,306
Others	3,893,186	4,149,906	5,327,237	5,276,467
	28,379,463	29,072,058	31,391,066	30,526,159
Less: Impairment	(504,711)	(523,405)	(532,829)	(534,650)
	27,874,752	28,548,653	30,858,237	29,991,509

The trademark rights with an indefinite useful life of the Group are used by KUKA Group for its robotics and automation system business, the carrying amounts of which are RMB4,019,207,000, RMB4,132,328,000, RMB4,375,217,000 and RMB4,256,417,000 as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively.

Impairment reviews on the goodwill and trademark rights with an indefinite useful life of the Group have been conducted by the management as at 31 December 2021, 2022 and 2023 and 30 April 2024, according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amounts of CGU or group of CGUs are determined based on value in use ("VIU") calculations by using the discounted cash flow method.

The key assumptions used by management for VIU calculation for the impairment test of KUKA Group as at 31 December 2021, 2022 and 2023 and 30 April 2024, included: the revenue annual growth rates of 4.10%~17.21%, 0.18%~12.94%, 4.73%~15.43%, and 3.57%~15.43%; the gross margins of 22.71%~24.59%, 22.76%~23.60%, 22.79%~23.60%, and 22.78%~23.60%; the perpetual annual growth rates of 2.00%, 2.00%, 2.00% and 2.00%; and the pre-tax discount rates of 9.32%, 10.74%, 10.73% and 11.60%, respectively.

The key assumptions used by management for VIU calculation for the impairment test of TLSC Group as at 31 December 2021, 2022 and 2023 and 30 April 2024, included: the revenue annual growth rates of 2.89%~5.21%, 2.94%~5.26%, 2.89%~7.00%, and 2.89%~7.01%; the gross margins of 27.52%~30.80%, 26.52%~30.82%, 26.22%~29.00%, and 26.22%~29.01%; the perpetual annual growth rates of 1.00%, 1.00%, 1.00% and 1.00%; and the pre-tax discount rates of 15.13%, 15.62%, 14.92% and 14.99%, respectively.

The key assumptions used by management for VIU calculation for the impairment test of Little Swan as at 31 December 2021, 2022 and 2023 and 30 April 2024, included: the revenue annual growth rates of 2.00%~11.80%, 2.00%~10.00%, 3.00%~8.70%, and 3.00%~8.70%; the gross margins of 28.34%~28.86%, 29.47%~30.06%, 31.79%~34.17%, and 31.80%~33.59%; the perpetual annual growth rates of 2.00%, 2.00%, 2.00% and 2.00%; and the pre-tax discount rates of 13.17%, 12.83%, 12.41% and 12.31%, respectively.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue annual growth rate	Revenue annual growth rate is estimated over the five-year or six-year forecast period; based on past performance and management's expectations of market development. The management of the Group used a six-year period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose for many years. Based on the industry knowledge and understanding of the market and business cycle, the management considered that before the projections move into a long term stable period, such six-year period projection was reasonable and supportable.
Gross margin	Based on past performance and management's expectations for the future.
Perpetual annual growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long term inflation rates of the relevant countries were relatively stable during the Track Record Period.
Pre-tax discount rate	Estimated by using the weighted average cost of capital ("WACC") method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business.

(c) Impact of possible changes in key assumptions

Based on management's assessment on the recoverable amounts, the headroom of KUKA Group, TLSC Group and Little Swan as follows:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
KUKA Group	2,979,426	2,717,753	2,963,925	2,949,224
TLSC Group	1,006,797	1,521,649	1,682,908	1,570,820
Little Swan	20,731,467	24,965,476	27,501,707	30,130,378

For the sensitivity analysis of KUKA Group conducted during the impairment review, had there been reasonably possible changes with reduction of the revenue annual growth rate of each year during the forecast period by 3.00%, or a reduction of the gross margin of each year during the forecast period by 2.00%, or an increase in pre-tax discount rate by 0.50%, or a reduction of perpetual annual growth rate by 0.50%, it would cause the reduction of the recoverable amount of KUKA Group as follows, if one of the key assumptions was to change while other variable held constant: As at 31 December 2021, the recoverable amount would decrease by RMB1,786,583,000, RMB2,431,230,000, RMB2,764,894,000 and RMB1,957,374,000. As at 31 December 2022, the recoverable amount would decrease by RMB1,384,969,000, RMB2,287,651,000, RMB2,415,974,000 and RMB1,601,096,000. As at 31 December 2023, the recoverable amount would decrease by RMB2,038,488,000, RMB2,755,119,000, RMB2,483,750,000 and RMB1,602,729,000. As at 30 April 2024, the recoverable amount would decrease by RMB1,986,374,000, RMB2,420,519,000, RMB2,239,873,000 and RMB1,401,751,000.

For the sensitivity analysis of TLSC Group conducted during the impairment review, had there been reasonably possible changes with reduction of the revenue annual growth rate of each year during the forecast period by 3.00%, or a reduction of the gross margin of each year during the forecast period by 2.00%, or an increase in pre-tax discount rate by 0.50%, or a reduction of perpetual annual growth rate by 0.50%, it would cause the reduction of the recoverable amount of TLSC Group as follows, if one of the key assumptions was to change while other variable held constant: As at 31 December 2021, the recoverable amount would decrease by RMB206,849,000, RMB842,829,000, RMB265,076,000 and RMB158,882,000. As at 31 December 2022, the recoverable amount would decrease by RMB213,343,000, RMB867,839,000, RMB301,900,000 and RMB192,539,000. As at 31 December 2023, the recoverable amount would decrease by RMB209,664,000, RMB851,739,000, RMB294,897,000 and RMB167,586,000. As at 30 April 2024, the recoverable amount would decrease by RMB204,612,000, RMB832,034,000, RMB276,181,000 and RMB175,233,000.

For the sensitivity analysis of Little Swan conducted during the impairment review, had there been reasonably possible changes with reduction of the revenue annual growth rate of each year during the forecast period by 3.00%, or a reduction of the gross margin of each year during the forecast period by 2.00%, or an increase in pre-tax discount rate by 0.50%, or a reduction of perpetual annual growth rate by 0.50%, it would cause the reduction of the recoverable amount of Little Swan as follows, if one of the key assumptions was to change while other variable held constant: As at 31 December 2021, the recoverable amount would decrease by RMB938,503,000, RMB2,085,850,000, RMB1,080,510,000 and RMB720,077,000. As at 31 December 2022, the recoverable amount would decrease by RMB651,084,000, RMB1,926,141,000, RMB1,742,909,000 and RMB1,032,012,000. As at 31 December 2023, the recoverable amount would decrease by RMB654,842,000, RMB2,276,090,000, RMB1,724,920,000 and RMB1,094,880,000. As at 30 April 2024, the recoverable amount would decrease by RMB721,472,000, RMB2,370,080,000, RMB1,631,080,000 and RMB1,052,210,000.

As disclosed above, the management has considered and assessed reasonably possible changes for the key assumptions and has not identified any instances that would cause the carrying amounts of the CGUs to exceed their recoverable amounts as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively.

(d) Amortisation methods and periods

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following:

(i) Goodwill

Goodwill is measured as described in Note 50.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Trademark rights

The trademark rights are measured at cost when acquired and are amortized over the estimated useful life of 4 to 30 years. The cost of trademark rights obtained in the business combinations involving enterprises not under common control is measured at fair value. As some of the trademarks are expected to attract net cash inflows injected into the Group, management considers that these trademarks have an indefinite useful life and are presented based upon the carrying amount after deducting the provision for impairment.

(iii) Patents and non-patent technologies

Patents are amortized on a straight-line basis based on the statutory period of validity, the period as stipulated by contracts or the beneficial period over their estimated useful life of 2 to 20 years.

(iv) Other intangible assets

Other intangible assets mainly represent the customer relationships, concessions, software, etc. They are recognized at cost or fair value at the date of the acquisition and are subsequently amortized on a straight-line basis over their estimated useful life of 2 to 25 years.

See Note 50.8 for the other accounting policies relevant to intangible assets.

17. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority. The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at 31 December			As at 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Gross deferred tax assets:					
– to be recovered after more than 12 months	2,770,591	3,457,647	4,084,927	3,515,174	4,288,099
– to be recovered within 12 months	7,205,683	8,754,919	10,595,710	9,796,726	11,355,513
	9,976,274	12,212,566	14,680,637	13,311,900	15,643,612
Offsetting against deferred tax liabilities	(1,783,965)	(1,968,270)	(1,909,487)	(1,985,191)	(2,009,763)
Net deferred tax assets	8,192,309	10,244,296	12,771,150	11,326,709	13,633,849
Gross deferred tax liabilities					
– to be recovered after more than 12 months	5,464,949	5,393,222	5,848,421	5,380,057	5,655,609
– to be recovered within 12 months	1,267,466	1,221,603	1,158,876	1,281,388	1,273,659
	6,732,415	6,614,825	7,007,297	6,661,445	6,929,268
Offsetting against deferred tax assets	(1,783,965)	(1,968,270)	(1,909,487)	(1,985,191)	(2,009,763)
Net deferred tax liabilities	4,948,450	4,646,555	5,097,810	4,676,254	4,919,505

(i) Deferred tax assets

The movements in deferred tax assets before offsetting for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024 are as follows:

	Tax Losses	Loss allowance and impairment provision	Employee benefits	Accrued expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	693,098	409,576	426,845	5,305,009	1,787,467	8,621,995
Acquisition of subsidiaries	8,904	23,606	3,679	–	14,154	50,343
Credited/(charged) to consolidated statement of profit or loss	689,665	169,658	(145,010)	328,249	510,466	1,553,028
Credited to other comprehensive income	–	–	19,213	–	–	19,213
Currency translation differences	(20,639)	(6,077)	(19,464)	(102,088)	(120,037)	(268,305)
At 31 December 2021	1,371,028	596,763	285,263	5,531,170	2,192,050	9,976,274

	Tax Losses	Loss allowance and impairment provision	Employee benefits	Accrued expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	1,371,028	596,763	285,263	5,531,170	2,192,050	9,976,274
Credited/(charged) to consolidated statement of profit or loss	115,352	139,193	(35,182)	953,431	1,014,248	2,187,042
Charged to other comprehensive income	–	–	(62,980)	–	–	(62,980)
Currency translation differences	14,242	17,555	3,297	49,875	27,261	112,230
At 31 December 2022	1,500,622	753,511	190,398	6,534,476	3,233,559	12,212,566
At 1 January 2023	1,500,622	753,511	190,398	6,534,476	3,233,559	12,212,566
Acquisition of subsidiaries	339,503	205,877	–	–	5,401	550,781
Credited to consolidated statement of profit or loss	252,277	70,839	674	807,158	604,633	1,735,581
Credited to other comprehensive income	–	–	15,751	–	1,211	16,962
Currency translation differences	34,164	8,711	6,222	45,262	70,388	164,747
At 31 December 2023	2,126,566	1,038,938	213,045	7,386,896	3,915,192	14,680,637
(unaudited)						
At 1 January 2023	1,500,622	753,511	190,398	6,534,476	3,233,559	12,212,566
Credited/(charged) to consolidated statement of profit or loss	42,005	28,690	(34,898)	887,409	80,630	1,003,836
Credited to other comprehensive income	–	–	2,142	–	1,779	3,921
Currency translation differences	15,883	6,534	2,374	17,715	49,071	91,577
At 30 April 2023	1,558,510	788,735	160,016	7,439,600	3,365,039	13,311,900
At 1 January 2024	2,126,566	1,038,938	213,045	7,386,896	3,915,192	14,680,637
Credited/(charged) to consolidated statement of profit or loss	79,873	82,456	(25,405)	959,258	(39,627)	1,056,555
Credited to other comprehensive income	–	–	(4,722)	–	(1,137)	(5,859)
Currency translation differences	(20,790)	(13,790)	(3,445)	(30,066)	(19,630)	(87,721)
At 30 April 2024	2,185,649	1,107,604	179,473	8,316,088	3,854,798	15,643,612

(ii) Deferred tax liabilities

The movements in deferred tax liabilities before offsetting for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024 are as follows:

	Business combinations	Changes in fair value	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	3,415,470	205,628	3,009,098	6,630,196
Acquisition of subsidiaries	309,189	870	–	310,059
(Credited)/Charged to consolidated statement of profit or loss	(244,033)	131,690	413,129	300,786
Charged to other comprehensive income	–	14,976	–	14,976
Currency translation differences	(335,344)	(3,956)	(184,302)	(523,602)
At 31 December 2021	3,145,282	349,208	3,237,925	6,732,415
At 1 January 2022	3,145,282	349,208	3,237,925	6,732,415
Acquisition of subsidiaries	12,403	–	–	12,403
(Credited)/Charged to consolidated statement of profit or loss	(190,637)	(72,730)	96,491	(166,876)
Credited to other comprehensive income	–	(39,513)	–	(39,513)
Currency translation differences	(45,758)	(525)	122,679	76,396
At 31 December 2022	2,921,290	236,440	3,457,095	6,614,825
At 1 January 2023	2,921,290	236,440	3,457,095	6,614,825
Acquisition of subsidiaries	437,873	–	–	437,873
(Credited)/Charged to consolidated statement of profit or loss	(282,397)	(48,220)	123,918	(206,699)
Charged to other comprehensive income	–	13,769	18,344	32,113
Currency translation differences	47,981	268	80,936	129,185
At 31 December 2023	3,124,747	202,257	3,680,293	7,007,297
(unaudited)				
At 1 January 2023	2,921,290	236,440	3,457,095	6,614,825
(Credited)/Charged to consolidated statement of profit or loss	(55,345)	(41,900)	95,303	(1,942)
Charged to other comprehensive income	–	(15,685)	–	(15,685)
Currency translation differences	14,979	(261)	49,529	64,247
At 30 April 2023	2,880,924	178,594	3,601,927	6,661,445
At 1 January 2024	3,124,747	202,257	3,680,293	7,007,297
(Credited)/Charged to consolidated statement of profit or loss	(90,726)	6,528	81,655	(2,543)
Charged to other comprehensive income	–	16,095	–	16,095
Currency translation differences	(24,086)	(386)	(67,109)	(91,581)
At 30 April 2024	3,009,935	224,494	3,694,839	6,929,268

(iii) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of the items below, which were incurred by certain subsidiaries that were not likely to generate taxable:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	13,144,541	13,187,089	13,498,350	13,276,515
Deductible temporary differences	351,814	504,142	1,692,317	1,551,439
	13,496,355	13,691,231	15,190,667	14,827,954

The tax losses not recognized deferred tax assets can be carried forward in future years. As at 31 December 2021, 2022 and 2023 and 30 April 2024, the following table shows unused tax losses based on its expected expiry date:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expiring within 1 year (including 1 year)	74,057	95,687	264,348	146,974
Expiring within 2 years (including 2 years)	188,005	142,962	495,325	447,165
Expiring within 3 years (including 3 years)	228,217	316,508	702,361	680,621
Expiring within 4 years (including 4 years)	385,821	591,687	991,896	975,910
Expiring after 4 years (excluding 4 years)	12,268,441	12,040,245	11,044,420	11,025,845
	13,144,541	13,187,089	13,498,350	13,276,515

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments and other assets				
Prepayments *(a)*	5,241,768	5,174,583	4,767,457	5,373,898
Deductible value-added tax	6,137,776	3,875,519	5,852,464	4,931,827
Prepaid expenses	828,675	856,455	1,047,492	1,065,640
Deferred listing expenses	–	–	30,876	33,989
Others	1,711,806	2,100,042	2,060,175	2,522,141
	13,920,025	12,006,599	13,758,464	13,927,495
Less: non-current portion	(1,830,553)	(1,797,807)	(2,454,756)	(2,532,062)
	12,089,472	10,208,792	11,303,708	11,395,433

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables and other assets				
Other receivables *(d)*	3,147,595	2,249,186	2,233,595	2,011,003
Long-term receivables *(b)*	1,371,022	1,176,968	1,050,627	997,145
Futures margin	739,557	1,208,013	632,773	677,969
	5,258,174	4,634,167	3,916,995	3,686,117
Less: provision for impairment				
– Other receivables	(43,530)	(38,009)	(51,717)	(43,505)
– Long-term receivables	(8,461)	(8,779)	(121,521)	(117,646)
	(51,991)	(46,788)	(173,238)	(161,151)
Less: non-current portion	(871,356)	(614,598)	(250,519)	(183,693)
	4,334,827	3,972,781	3,493,238	3,341,273
Prepayments, other receivables and other assets	16,424,299	14,181,573	14,796,946	14,736,706

(a) The non-current portion of prepayments mainly comprise prepaid construction equipment.

(b) Long-term receivables mainly comprise finance lease receivables.

(c) Movements on the Group's allowance for impairment of other receivables and other assets are as follows:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
At the beginning of the year/period	53,025	51,991	46,788	46,788	173,238
Allowance for impairment	168,049	36,745	146,971	39,178	16,444
Written off and written down	(124,041)	(1,565)	(4,096)	(195)	(2,324)
Reversal	(44,007)	(39,750)	(13,886)	(24,167)	(21,490)
Exchange adjustment	(1,035)	(633)	(2,539)	(3,432)	(4,717)
At the end of the year/period	51,991	46,788	173,238	58,172	161,151

(d) Classification as other receivables

Other receivables are recognized initially at fair value. Majority of other receivables are security deposit and guarantee, current accounts, petty cash to staff and receivables related to stock options. The Group holds the other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method, less provision for impairment. See Note 50.10 for a description of the Group's impairment policies.

The Company

The prepayments, other receivables and other assets of the Company mainly comprise the amounts due from related parties.

19. TRADE AND NOTE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and note receivables at FVOCI	10,273,552	13,526,540	13,330,008	21,385,125

Trade and note receivables at FVOCI were mainly accounts receivable and bank acceptance notes transferred, discounted and endorsed for the purpose of daily treasury management and were qualified for derecognition.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Details are disclosed in Note 3.1(b)(ii).

20. LOAN RECEIVABLES

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loan receivables to individuals	2,217,220	1,820,952	1,555,477	1,274,387
Loan receivables to corporations	19,744,034	13,475,027	14,073,508	14,548,808
	21,961,254	15,295,979	15,628,985	15,823,195
Less: Provision for impairment	(452,727)	(463,929)	(356,755)	(388,042)
	21,508,527	14,832,050	15,272,230	15,435,153
Less: Non-current portion	(851,927)	(693,294)	(975,272)	(518,630)
	20,656,600	14,138,756	14,296,958	14,916,523

By type of collateral held:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured loans	2,211,108	1,818,768	1,553,285	1,272,349
Guaranteed loans	587,936	598,437	481,542	428,683
Pledged loans	19,162,210	12,878,774	13,594,158	14,122,163
	21,961,254	15,295,979	15,628,985	15,823,195

Movement of impairment of loan receivables is analyzed as follows:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At the beginning of the year/period	312,854	452,727	463,929	463,929	356,755
Increase in the current year/period	144,691	25,814	44,273	7,620	60,859
Reversal	(1,748)	(14,612)	(170,274)	(37,161)	(29,544)
Write-off	(3,070)	–	(9,466)	–	(422)
Others	–	–	28,293	1,325	394
At the end of the year/period	452,727	463,929	356,755	435,713	388,042

Loan receivables is subject to the impairment assessment according to IFRS 9, details are disclosed in Note 3.1(b)(ii).

21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Movement of investments in associates and joint ventures is analyzed as follows:

The Group

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At the beginning of the year/period	2,901,337	3,796,705	5,188,817	5,188,817	4,976,109
Additions and transfers	645,837	1,129,210	15,348	–	–
Disposals and transfers	(41,691)	(32,421)	(936,303)	–	(29,813)
Business combination	17,294	–	366,938	–	–
Share of profit, net	560,679	608,278	680,759	224,055	239,455
Share of other comprehensive income	(3,032)	17,391	8,031	17,318	12,450
Share of other equity movement	(3,577)	(1,834)	3,412	(41)	–
Dividends	(286,667)	(349,293)	(360,750)	(132,968)	(136,910)
Currency translation differences	6,525	20,781	9,857	3,190	(8,046)
	3,796,705	5,188,817	4,976,109	5,300,371	5,053,245
Less: Impairment loss	–	–	–	–	–
At the end of the year/period	3,796,705	5,188,817	4,976,109	5,300,371	5,053,245

Investments in associates and joint ventures of the Group mainly included the investments in Guangdong Shunde Rural Commercial Bank Co., Ltd., Hefei Royalstar Motor Co., Ltd., Carrier Midea North America LLC, Foshan Micro Midea Filter Mfg. Co., Ltd, Concepcion Midea Inc., TWENTYTHREEC LLC, ShenZhen CEGN Co., Ltd. and T.G. Battery Co. (Hong Kong) Ltd..

The Company

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At the beginning of the year/period	1,670,583	2,428,841	3,398,523	3,398,523	3,559,731
Additions and transfers	601,761	836,954	942,444	–	–
Disposals and transfers	(14,205)	(20,305)	(832,614)	–	–
Share of profit, net	271,367	260,651	157,844	76,937	98,276
Share of other comprehensive income	8,714	1,616	(960)	12,639	997
Share of other equity movement	(1,535)	(1,625)	(1,455)	(41)	–
Dividends	(107,844)	(107,609)	(104,051)	(96,051)	(128,042)
	2,428,841	3,398,523	3,559,731	3,392,007	3,530,962
Less: Impairment loss	–	–	–	–	–
At the end of the year/period	2,428,841	3,398,523	3,559,731	3,392,007	3,530,962

Investments in associates of the Company mainly included the investments in Guangdong Shunde Rural Commercial Bank Co., Ltd. and Hefei Royalstar Motor Co., Ltd..

Management has assessed the level of influence that the Group and the Company exercises on certain associates and determined that it has significant influence through the board representation and other relevant facts and circumstances, even though the respective shareholding of some investments is below 20%. Accordingly, these investments have been classified as associates. In the opinion of the directors, no investments in associate are material to the Group and the Company.

The Group has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method. The carrying amount and the Group's share of the results of individually immaterial associates and joint ventures are shown in aggregate as below:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates and joint ventures	3,796,705	5,188,817	4,976,109	5,053,245
Aggregate amounts of the Group's share of:				
Profit from operations	560,679	608,278	680,759	239,455
Other comprehensive income	(3,032)	17,391	8,031	12,450
Total comprehensive income	557,647	625,669	688,790	251,905

The Company has interests in a number of individually immaterial associates that are accounted for using the equity method. The carrying amount and the Company's share of the results of individually immaterial associates are shown in aggregate as below:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates	2,428,841	3,398,523	3,559,731	3,530,962
Aggregate amounts of the Company's share of:				
Profit from operations	271,367	260,651	157,844	98,276
Other comprehensive income	8,714	1,616	(960)	997
Total comprehensive income	280,081	262,267	156,884	99,273

The associates and joint ventures of the Group and the Company have been accounted for by using equity method based on the financial information of the associates and joint ventures prepared under the accounting policies generally consistent with those of the Group.

There are no commitment or contingent liabilities relating to the Group and the Company's interest in the associates and joint ventures.

22. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets as per consolidated statements of financial position				
Financial assets at fair value:				
– Other financial assets at FVPL *(Note 24)*	11,792,075	9,633,149	7,478,179	6,988,037
– Other financial assets at FVOCI *(Note 24)*	27,530,069	17,667,661	11,051,350	7,517,965
– Trade and note receivables at FVOCI *(Note 19)*	10,273,552	13,526,540	13,330,008	21,385,125
– Derivative financial instruments *(Note 25)*	1,298,815	5,029,139	3,753,101	5,708,389
Financial assets at amortized costs:				
– Trade and note receivables *(Note 28)*	29,421,354	32,996,102	38,406,699	47,982,254
– Loan receivables *(Note 20)*	21,508,527	14,832,050	15,272,230	15,435,153
– Other receivables *(Note 18)*	3,104,065	2,211,177	2,181,878	1,967,498
– Long-term receivables and futures margin *(Note 18)*	2,102,118	2,376,202	1,561,879	1,557,468
– Other Financial assets at amortized cost *(Note 23)*	59,182,220	111,905,968	138,396,959	133,597,529
– Term deposits and restricted cash *(Note 29(b))*	31,325,517	4,138,131	21,786,586	36,545,868
– Cash and cash equivalents *(Note 29(a))*	40,550,039	51,131,968	59,887,260	64,252,371

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities as per consolidated statements of financial position				
Financial liabilities at fair value				
– Other financial liabilities at FVPL *(Note 34)*	–	1,580,771	1,346,674	1,174,016
– Derivative financial instruments *(Note 25)*	166,649	314,539	415,504	657,081
Financial liabilities at amortized cost:				
– Trade and note payables *(Note 31)*	98,735,566	89,805,646	94,238,073	106,294,118
– Other payables *(Note 33)*	4,288,104	4,322,025	4,442,928	25,276,916
– Borrowings *(Note 30)*	53,381,558	65,267,528	71,466,690	67,899,478
– Lease liabilities *(Note 15)*	2,394,055	2,499,622	3,214,220	3,156,662

23. OTHER FINANCIAL ASSETS AT AMORTIZED COST

The Group

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Constant Return Financial Products	59,182,220	111,905,968	138,396,959	133,597,529
Less: Non-current portion	(35,485,395)	(42,032,707)	(79,121,387)	(79,926,465)
	23,696,825	69,873,261	59,275,572	53,671,064

The Company

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Constant Return Financial Products	44,441,413	96,541,144	119,584,362	111,575,701
Less: Non-current portion	(33,019,381)	(35,423,894)	(70,880,635)	(69,067,190)
	11,422,032	61,117,250	48,703,727	42,508,511

As at 31 December 2021, 2022 and 2023 and 30 April 2024, constant return financial products of the Group and the Company were mainly included term bank deposits with initial terms over one year, custom deposits and certificates of deposits deposited in financial institutions, which were subsequently measured at amortized cost.

Certain other financial assets at amortized cost were pledged as guaranteed deposits for notes payables as at 31 December 2023 and 30 April 2024.

Other Financial assets at amortized cost is subject to the impairment assessment according to IFRS 9, the identified impairment loss was immaterial as at 31 December 2021, 2022 and 2023 and 30 April 2024. Details are disclosed in Note 3.1(b)(ii).

24. OTHER FINANCIAL ASSETS AT FVPL AND FVOCI

(a) Other financial assets at FVPL

The Group

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current:				
– Equity securities *(a)*	5,912,873	6,348,556	5,687,591	5,402,552
Current:				
– Structured deposits	4,285,607	1,606,608	53,750	175,000
– Listed securities	1,319,470	1,264,595	1,726,584	1,400,190
– Others	274,125	413,390	10,254	10,295
	5,879,202	3,284,593	1,790,588	1,585,485
	11,792,075	9,633,149	7,478,179	6,988,037

The Company

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current:				
– Equity securities *(a)*	537,214	347,698	285,170	245,918
Current:				
– Structured deposits	3,050,005	–	–	–
– Listed securities	392,312	274,120	299,001	239,514
	3,442,317	274,120	299,001	239,514
	3,979,531	621,818	584,171	485,432

(a) Equity securities mainly comprise unlisted securities. The fair values of these equity securities are measured using a valuation technique with unobservable inputs and hence classified as Level 3 of the fair value hierarchy. The major assumptions used in the valuation refer to Note 3.3.

(b) Other Financial assets at FVOCI

The Group

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current:				
– Equity securities	45,747	41,359	37,874	37,780
– Transferable certificate of deposits	7,893,935	11,094,259	6,319,047	6,197,249
	7,939,682	11,135,618	6,356,921	6,235,029
Current:				
– Transferable certificate of deposits	19,590,387	6,532,043	4,694,429	1,282,936
	27,530,069	17,667,661	11,051,350	7,517,965

The Company

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current:				
– Transferable certificate of deposit	6,034,563	7,215,301	3,334,059	3,178,619
Current:				
– Transferable certificate of deposit	19,095,262	5,236,623	4,049,224	630,279
	25,129,825	12,451,924	7,383,283	3,808,898

As at 31 December 2021, 2022 and 2023 and 30 April 2024, the cost of the Group's and the Company's transferable certificate of deposits approximated its fair value.

Other financial assets at FVOCI is subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2021, 2022 and 2023 and 30 April 2024. Details are disclosed in Note 3.1(b)(ii).

25. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
– Cross-currency interest rate swaps – used for hedging *(a)*	–	3,374,926	1,924,092	2,843,256
– Cross-currency interest rate swaps – held for trading	–	901,762	1,213,625	1,740,912
– Foreign currency and futures contracts – used for hedging *(b)*	752,950	86,967	392,593	339,285
– Others – held for trading *(c)*	545,865	665,484	222,791	784,936
	1,298,815	5,029,139	3,753,101	5,708,389
Less: Non-current portion	–	(4,276,688)	(2,082,347)	(3,105,590)
	1,298,815	752,451	1,670,754	2,602,799
Liabilities:				
– Cross-currency interest rate swaps – held for trading	–	–	–	20,895
– Foreign currency and futures contracts – used for hedging *(b)*	9,047	79,933	155,554	182,870
– Others – held for trading *(c)*	157,602	234,606	259,950	453,316
	166,649	314,539	415,504	657,081
Less: Non-current portion	–	–	(2,282)	(20,573)
	166,649	314,539	413,222	636,508

Derivatives are used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and are accounted for at FVPL. The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. For information about the methods and assumptions used in determining the fair value of derivatives please refer to Note 3.3.

(a) In 2022, the Group purchased cross-currency interest rate swap to mitigate the cash flow risk associated with the guaranteed borrowings with principal of USD3,419,058,000. Under the swap, a nominal amount of USD3,419,058,000 was exchanged for EUR at an agreed exchange rate, and the USD floating rate (SOFR+0.55% p.a.) was exchanged for the agreed EUR fixed rate. The agreed swap period was scheduled to start in August 2022 and end in August 2025. The Group designated such borrowings as the hedged item, and the change in the value of cross-currency interest rate swap (excluding the foreign currency basis spread) as the hedging instrument for cash flow hedge. There was an economic relationship between the hedging instrument and the hedged item. The cross-currency interest rate swap matched the currency, notional amount and other major terms of borrowings denominated in USD.

The Group included the effective part of the changes in fair value of the cross-currency interest rate swap (excluding the foreign currency basis spread) in "Reserve – cash flow hedges reserve" and transferred them from other comprehensive income to financial cost, net in the period in which the hedging relationship affected profit or loss, in a bid to offset the effect of hedged item on profit or loss for the current period. The changes in fair value of foreign currency basis spread were recorded in "Reserve – Costs of hedging reserve" and the foreign currency basis spread was transferred from other comprehensive income to financial cost, net in the period in which the hedging relationship affected profit or loss.

(b) Foreign currency and futures contracts mainly included foreign currency forwards, foreign currency options and futures contracts.

(c) Others mainly included foreign currency forwards, foreign currency options, futures contracts and cross-currency swaps.

(d) The effects of applying hedge accounting on the Group's reserve are as follows:

		Cash flow hedge reserve		
	Cost of hedging reserve	**Cross-currency interest rate swaps**	**Others**	**Total hedge reserves**
Opening balance 1 January 2021	–	–	311,341	311,341
Add: Change in fair value recognized in OCI	–	–	343,708	343,708
Less: Reclassified from OCI to profit or loss	–	–	(336,420)	(336,420)
Less: Deferred tax	–	–	(14,285)	(14,285)
Closing balance 31 December 2021	–	–	304,344	304,344
Add: Change in fair value of hedging instrument recognized in OCI	–	(651,358)	41,627	(609,731)
Add: Costs of hedging deferred and recognized in OCI	106,716	–	–	106,716
Less: Reclassified from OCI to profit or loss	(36,834)	1,314,415	(342,112)	935,469
Less: Deferred tax	–	–	33,045	33,045
Closing balance 31 December 2022	69,882	663,057	36,904	769,843

		Cash flow hedge reserve		
	Cost of hedging reserve	Cross-currency interest rate swaps	Others	Total hedge reserves
Add: Change in fair value of hedging instrument recognized in OCI	–	(578,010)	167,862	(410,148)
Add: Costs of hedging deferred and recognized in OCI	135,911	–	–	135,911
Less: Reclassified from OCI to profit or loss	(110,878)	286,281	(23)	175,380
Less: Deferred tax	–	–	(11,314)	(11,314)
Closing balance 31 December 2023	94,915	371,328	193,429	659,672
Opening balance 1 January 2023	69,882	663,057	36,904	769,843
Add: Change in fair value of hedging instrument recognized in OCI	–	(638,209)	(142,232)	(780,441)
Add: Costs of hedging deferred and recognized in OCI	10,847	–	–	10,847
Less: Reclassified from OCI to profit or loss	(36,297)	651,425	(21,081)	594,047
Less: Deferred tax	–	–	16,657	16,657
Closing balance 30 April 2023 (unaudited)	44,432	676,273	(109,752)	610,953
Opening balance 1 January 2024	94,915	371,328	193,429	659,672
Add: Change in fair value of hedging instrument recognized in OCI	–	1,271,351	173,542	1,444,893
Add: Costs of hedging deferred and recognized in OCI	31,546	–	–	31,546
Less: Reclassified from OCI to profit or loss	(36,861)	(1,071,492)	(137,460)	(1,245,813)
Less: Deferred tax	–	–	(14,371)	(14,371)
Closing balance 30 April 2024	89,600	571,187	215,140	875,927

26. INVENTORIES

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	33,636,462	34,753,459	35,291,863	28,852,990
Raw materials	9,592,914	8,675,143	8,572,689	9,641,426
Work in progress	2,406,866	2,519,241	3,170,699	2,524,293
Consigned processing materials	596,531	427,838	444,995	446,144
Contract fulfilment costs	232,049	368,584	556,540	413,652
	46,464,822	46,744,265	48,036,786	41,878,505
Less: Provision for impairment loss	(540,383)	(699,368)	(697,531)	(760,652)
	45,924,439	46,044,897	47,339,255	41,117,853

(i) The cost of inventories carried forward to the profit or loss during the year/period is mainly recognized as the cost of revenue. The cost of inventories carried forward to the cost of revenue for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024 amounted to approximately RMB264,561,559,000, RMB260,175,525,000, RMB272,756,390,000, RMB98,602,057,000 and RMB105,744,012,000, respectively.

27. CONTRACT ASSETS

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets *(i)*	3,870,243	4,572,177	4,163,267	4,047,823
Less: allowance for credit losses	(46,767)	(73,221)	(117,342)	(110,602)
	3,823,476	4,498,956	4,045,925	3,937,221

(i) Contract assets are mainly related to robotics and automation system construction service.

(a) Contract assets is subject to the impairment assessment according to IFRS 9, details are disclosed in Note 3.1(b)(ii).

28. TRADE AND NOTE RECEIVABLES AT AMORTIZED COST

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and note receivables				
– Trade receivables	25,495,619	29,570,582	34,367,460	44,618,742
– Note receivables	4,816,538	4,819,885	5,587,562	4,975,310
	30,312,157	34,390,467	39,955,022	49,594,052
Less: allowance for credit losses				
– Trade receivables	(859,179)	(1,332,609)	(1,482,721)	(1,548,984)
– Note receivables	(31,624)	(61,756)	(65,602)	(62,814)
	(890,803)	(1,394,365)	(1,548,323)	(1,611,798)
	29,421,354	32,996,102	38,406,699	47,982,254

(a) The Group has various credit policies for different business operations depending on the requirements of the markets and businesses. The aging analysis of trade receivables based on the invoice date was as follows:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Below 3 months	21,985,394	24,927,697	29,183,011	39,339,270
Between 3 and 6 months	1,638,277	1,627,320	2,047,141	2,362,524
Between 6 months and 1 year	942,730	1,587,150	1,378,882	1,181,015
Between 1 and 2 years	617,355	1,099,842	1,114,153	1,065,931
Over 2 years	311,863	328,573	644,273	670,002
	25,495,619	29,570,582	34,367,460	44,618,742

There was no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

Certain trade and note receivables at amortized cost were pledged for bank loan facilities, notes receivable discounted and notes payables as at 31 December 2021, 2022 and 2023 and 30 April 2024 respectively.

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Details are disclosed in Note 3.1(b)(ii).

Movements on the provision for impairment of trade and note receivables at amortized cost are as follows:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At the beginning of the year/period	876,920	890,803	1,394,365	1,394,365	1,548,323
Allowance for impairment	205,124	741,275	594,362	334,941	236,950
Written off and written down	(92,215)	(55,411)	(75,948)	(4,961)	(11,642)
Reversal	(88,658)	(235,786)	(402,822)	(137,911)	(202,140)
Exchange adjustment	(10,368)	53,484	38,366	(280)	40,307
At the end of the year/period	890,803	1,394,365	1,548,323	1,586,154	1,611,798

(c) The carrying amount of trade receivables approximated their fair values. The provision and reversal of provision for impairment of receivables have been included in the consolidated statements of profit or loss. Amounts charged to the allowance account are written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

(d) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 60 days and are therefore all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 3.1(b).

29. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED CASH

(a) Cash and cash equivalents

The Group

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	38,892,189	50,513,570	57,783,145	57,301,637
Short-term bank deposits with initial terms within three months	1,384,901	446,004	1,956,144	6,137,852
Surplus reserve deposits with the Central Bank	272,949	172,394	147,971	812,882
	40,550,039	51,131,968	59,887,260	64,252,371

The Company

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	21,957,042	27,904,229	29,283,158	32,932,756

(i) Classification as cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statements of financial position. Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

(b) Term deposits and restricted cash

The Group

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Term bank deposits *(i)*	29,767,516	1,911,210	16,848,494	33,499,111
Guarantee deposits *(ii)*	443,893	1,688,278	4,072,963	2,033,671
Statutory reserve deposits with the Central Bank for banking operations	419,718	328,409	415,070	401,383
Interest receivable	694,390	210,234	450,059	611,703
	31,325,517	4,138,131	21,786,586	36,545,868

The Company

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Term bank deposits *(i)*	25,150,000	–	–	–
Guarantee deposits *(ii)*	381,737	588,172	977,444	1,303,456
Interest receivable	665,218	–	–	80,786
	26,196,955	588,172	977,444	1,384,242

(i) Term bank deposits are bank deposits with original maturities over three months and due within one year.

(ii) Guarantee deposits mainly included letter of bank acceptance notes, letters of guarantee and letters of credit.

30. BORROWINGS

The Group

	As at 31 December									As at 30 April		
	2021			2022			2023			2024		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Secured												
Bank loans *(b)*	28,771,097	14,716	28,785,813	588,853	–	588,853	3,094,159	152,966	3,247,125	6,817,970	143,637	6,961,607
Unsecured												
Bank loans *(c)*	4,876,441	19,719,304	24,595,745	10,829,111	50,685,948	61,515,059	19,015,826	45,985,770	65,001,596	11,073,030	46,651,999	57,725,029
Debentures	–	–	–	–	3,163,616	3,163,616	–	3,217,969	3,217,969	–	3,212,842	3,212,842
Total unsecured borrowings	4,876,441	19,719,304	24,595,745	10,829,111	53,849,564	64,678,675	19,015,826	49,203,739	68,219,565	11,073,030	49,864,841	60,937,871
Total borrowings	33,647,538	19,734,020	53,381,558	11,417,964	53,849,564	65,267,528	22,109,985	49,356,705	71,466,690	17,891,000	50,008,478	67,899,478

(a) As at 31 December 2021, 2022 and 2023 and 30 April 2024, the annual interest rate of short-term borrowings were ranged from 0.41% to 9.75%, 1.40% to 15.45%, 2.20% to 7.04% and 2.80% to 28.50%, respectively.

As at 31 December 2021, 2022 and 2023 and 30 April 2024, the annual interest rate range of long-term borrowings were ranged from 0.49% to 5.50%, 0.30% to 5.99%, 0.30% to 4.50% and 0.33% to 4.50%, respectively.

(b) As at 31 December 2021, secured bank loans mainly included a mortgage borrowing with a principal equivalent to approximately RMB26,617,999,000, pledged by 81.04% equity of KUKA Group. Interest was paid on a semi-annual basis, and the principal was due in August 2022 and was reclassified to current liability as at 31 December 2021.

(c) As at 31 December 2021, guaranteed bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB1,956,539,000 guaranteed by the Company, with interest paid every quarter, matured in April 2024; (ii) borrowings with a principal equivalent to approximately RMB3,849,126,000 guaranteed by the Company, with interest paid on a monthly basis, matured in May 2024; (iii) borrowings with a principal equivalent to approximately RMB1,082,955,000 guaranteed by the Company, with interest paid on a monthly basis, matured in June 2025.

As at 31 December 2022, guaranteed bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB2,011,606,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, matured in April 2024; (ii) borrowings with a principal equivalent to approximately RMB4,415,556,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every month, matured in May 2024; (iii) borrowings with a principal equivalent to approximately RMB1,165,874,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every month, matured in June 2025; (iv) after deducting the bank fee, borrowings with a principal equivalent to approximately RMB23,718,315,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every quarter, matured in August 2025; and (v) borrowings with a principal equivalent to approximately RMB3,711,450,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, matured in May 2025.

As at 31 December 2023, guaranteed bank borrowings mainly included: (i) borrowings with a principal equivalent to RMB2,129,843,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, matured in April 2024; (ii) borrowings with a principal equivalent to approximately RMB4,490,432,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every month, matured in May 2024; (iii) borrowings with a principal equivalent to approximately RMB1,185,644,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every month, matured in June 2025; (iv) after deducting the bank fee, borrowings with a principal equivalent to approximately RMB24,157,339,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every quarter, matured in August 2025; and (v) borrowings with a principal equivalent to approximately RMB3,929,600,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, matured in May 2025.

As at 30 April 2024, guaranteed bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB4,505,394,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every month, matured in May 2024; (ii) borrowings with a principal equivalent to approximately RMB1,189,595,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every month, matured in June 2025; (iii) after deducting the bank fee, borrowings with a principal equivalent to approximately RMB24,250,083,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every quarter, matured in August 2025; (iv) borrowings with a principal equivalent to approximately RMB3,822,900,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, matured in May 2025; and (v) borrowings with a principal equivalent to approximately RMB2,750,000,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, matured in April 2027.

(d) At 31 December 2021 and 2022 and 2023 and 30 April 2024, the Group's borrowings were repayable as follows:

	Borrowings			
	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	33,647,538	11,417,964	22,109,985	17,891,000
Between 1 and 2 years	6,225,500	13,047,462	38,383,925	36,273,600
Between 2 and 5 years	13,508,520	40,802,102	10,839,625	13,601,723
Over 5 years	–	–	133,155	133,155
	53,381,558	65,267,528	71,466,690	67,899,478

(e) Fair value

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either the interest payable on those borrowings is close to current market rates, or the borrowings are of a short-term nature.

The Company

	As at 31 December									As at 30 April		
	2021			2022			2023			2024		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	90,000	12,509,900	12,599,900	5,890,000	15,619,900	21,509,900	7,019,900	16,600,000	23,619,900	2,419,900	14,600,000	17,019,900

31. TRADE AND NOTE PAYABLES

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and note payables				
– Trade payables	65,983,559	64,233,225	72,530,465	83,048,129
– Notes payables	32,752,007	25,572,421	21,707,608	23,245,989
	98,735,566	89,805,646	94,238,073	106,294,118

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Below 3 months	60,571,240	58,401,404	67,421,139	74,548,097
Between 3 and 6 months	2,269,335	2,561,447	1,838,583	4,936,835
Between 6 months and 1 year	1,871,896	2,102,026	1,597,946	1,757,631
Over 1 year	1,271,088	1,168,348	1,672,797	1,805,566
	65,983,559	64,233,225	72,530,465	83,048,129

32. CONTRACT LIABILITIES

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities				
– advances on sales and services	21,319,800	25,143,337	38,549,278	32,430,882
– advances for construction projects	2,596,795	2,816,701	3,216,197	3,079,231
	23,916,595	27,960,038	41,765,475	35,510,113

(i) More than 90% of contract liabilities included in the carrying amount as at 31 December 2021, 2022 and 2023, were transferred to operating revenue in following year/period.

(ii) For the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024, more than 4% of the revenue recognized relates to carried-forward contract liabilities.

33. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales rebate accruals	31,307,753	40,041,953	48,311,934	56,537,490
Marketing and transportation expenses accruals	5,689,733	6,118,002	7,908,952	9,915,737
Salaries, wages and benefits	9,360,184	8,640,673	10,509,901	7,082,501
Endorsed note receivables without been derecognized and not yet due	3,002,446	2,647,855	2,951,899	2,082,267
Other taxes payable	2,432,227	2,141,813	1,977,849	2,740,787
Other payables *(a)*	4,288,104	4,322,025	4,442,928	25,276,916
Others	9,217,234	10,031,244	12,789,011	12,034,977
	65,297,681	73,943,565	88,892,474	115,670,675
Less: non-current portion				
– Salaries, wages and benefits	(1,825,016)	(1,488,456)	(1,433,874)	(1,310,411)
– Others	(998,260)	(1,075,459)	(819,422)	(1,071,980)
	62,474,405	71,379,650	86,639,178	113,288,284

(a) Other payables mainly comprise dividend payables, restricted stock repurchase obligations and deposits. As at 30 April 2024, the dividend expected to be paid to the owners of the Company amounted to RMB20,780,278,000, which was paid in May 2024.

The Company

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payments payable to subsidiaries	148,430,832	157,685,237	168,758,484	168,959,415
Dividend payables	–	–	–	20,780,278
Restricted share repurchase obligations	1,563,155	1,269,309	1,020,323	997,555
Taxes payable	1,184,813	718,181	411,715	357,868
Interest payable	1,027,834	597,500	628,620	759,537
Accrued expense	35,932	77,066	147,552	83,809
Salaries, wages and employee benefits	420,536	173,824	169,349	76,581
Others	428,734	401,305	286,523	310,821
	153,091,836	160,922,422	171,422,566	192,325,864

34. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities to fund investors	–	1,580,771	1,346,674	1,174,016

The Group controls a technology industry investment fund, which is a structured entity managed and invested by the Group, as the Group has power over, is exposed to and has rights to variable returns from its involvement with the fund and has the ability to affect those returns through its power over the fund.

For the amount raised from limited partners of the fund, the Group has contractual obligation to settle the liability with the limited partners and the management designates it as a financial liability at FVPL.

35. DEFERRED INCOME

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grant	1,228,459	1,721,092	1,734,932	1,696,417

36. SHARE CAPITAL AND SHARE HELD FOR EMPLOYEE SHARE SCHEME

(a) Share capital

	Year ended 31 December			
	2021		2022	
	Share capital	Number of shares	Share capital	Number of shares
	(RMB'000)	*('000)*	*(RMB'000)*	*('000)*
At the beginning of the year	7,029,976	7,029,976	6,986,564	6,986,564
Issue of shares under share schemes	34,437	34,437	18,602	18,602
Treasury shares cancelled under share schemes	(5,873)	(5,873)	(7,893)	(7,893)
Cancellation of shares	(71,976)	(71,976)	–	–
At the end of the year	6,986,564	6,986,564	6,997,273	6,997,273

	Year ended 31 December 2023	
	Share capital	Number of shares
	(RMB'000)	*('000)*
At the beginning of the year	6,997,273	6,997,273
Issue of shares under share schemes	38,490	38,490
Treasury shares cancelled under share schemes	(9,994)	(9,994)
At the end of the year	7,025,769	7,025,769

	Four months ended 30 April			
	2023		2024	
	Share capital	Number of shares	Share capital	Number of shares
	(RMB'000) *(unaudited)*	*('000)* *(unaudited)*	*(RMB'000)*	*('000)*
At the beginning of the period	6,997,273	6,997,273	7,025,769	7,025,769
Issue of shares under share schemes	26,924	26,924	19,893	19,893
Treasury shares cancelled under share schemes	(2,498)	(2,498)	(921)	(921)
Cancellation of shares	–	–	(69,808)	(69,808)
At the end of the period	7,021,699	7,021,699	6,974,933	6,974,933

(i) The Capital Injection stated in the consolidated statements of changes in equity represents the increase in shareholders' equity resulted from share-based payments and contributions by minority shareholders of subsidiaries.

(b) Shares held for share schemes

	As at 31 December			As at 30 April
	2021	2022	2023	2024
Shares held for share schemes ('000)	194,529	213,279	174,179	103,450

Details	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
				(unaudited)	
At the beginning of the year/period	116,284	194,529	213,279	213,279	174,179
Repurchased shares ('000)	100,000	48,559	–	–	–
Exercised shares ('000)	(15,882)	(20,200)	(26,151)	–	–
Lapsed shares ('000)	(5,873)	(9,609)	(12,949)	(2,498)	(921)
Cancellation of shares ('000)	–	–	–	–	(69,808)
At the end of the year/period	194,529	213,279	174,179	210,781	103,450

37. TREASURY SHARES

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At the beginning of the year/period	6,094,347	14,044,550	14,933,944	14,933,944	12,871,738
Repurchase of shares for share schemes	8,665,148	2,637,021	–	–	–
Repurchase of shares (to be cancelled)	5,000,596	–	–	–	–
Cancellation of shares	(5,000,596)	–	–	–	(5,159,408)
Treasury shares transferred to the grantees or cancelled under share schemes	(714,945)	(1,747,627)	(2,062,206)	(148,456)	(60,596)
At the end of the year/period	14,044,550	14,933,944	12,871,738	14,785,488	7,651,734

(i) In 2021, the Group's repurchased treasury stock amounting to approximately RMB13,665,744,000. As at 31 December 2021, treasury stock mainly comprised treasury stock of approximately RMB9,662,644,000 used for share schemes, as well as restricted share incentive schemes and stock ownership schemes amounting to approximately RMB4,381,906,000 that have not met vesting condition, amounting to approximately RMB14,044,550,000 in total.

(ii) In 2022, the Group's repurchased treasury stock amounting to approximately RMB2,637,021,000. As at 31 December 2022, treasury stock mainly comprised treasury stock of approximately RMB10,837,824,000 used for share schemes, as well as restricted share incentive schemes and stock ownership schemes amounting to approximately RMB4,096,120,000 that have not met vesting condition, amounting to approximately RMB14,933,944,000 in total.

(iii) As at 31 December 2023, treasury stock mainly comprised treasury stock of approximately RMB8,748,331,000 used for share schemes, as well as restricted share incentive schemes and stock ownership schemes amounting to approximately RMB4,123,407,000 that have not met vesting condition, amounting to approximately RMB12,871,738,000 in total.

(iv) As at 30 April 2024, treasury stock mainly comprised treasury stock of approximately RMB3,588,924,000 used for share schemes, as well as restricted share incentive schemes and stock ownership schemes amounting to approximately RMB4,062,810,000 that have not met vesting condition, amounting to approximately RMB7,651,734,000 in total.

(v) Pursuant to the resolutions of shareholder's meeting on 29 January 2024, the use of 69,808,000 repurchased shares have been changed from used for share schemes to cancel and reduce the Company's registered capital. On 7 February 2024, the 69,808,000 repurchased shares have been cancelled, the Company recognized a decrease of RMB69,808,000 in share capital, RMB5,159,408,000 in treasury shares and RMB5,089,600,000 in reserves.

38. RETAINED EARNINGS

The Group

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At the beginning of the year/period	87,057,702	102,979,342	119,675,616	119,675,616	136,282,362
Net profit	28,586,980	29,553,342	33,721,536	11,995,920	13,461,205
Transfer from other comprehensive income *(Note 39)*	2,866	(1,351)	–	–	–
Dividends *(Note 12)*	(11,052,729)	(11,652,025)	(17,144,264)	7,242	(20,776,352)
Appropriation to general reserves *(Note 39)*	(131,938)	–	(19,678)	–	(98,266)
Reversal of general reserves *(Note 39)*	–	47,923	49,152	9,699	3,385
Appropriation to statutory reserves *(Note 39)*	(1,483,539)	(1,253,027)	–	–	–
Others	–	1,412	–	–	–
At the end of the year/period	102,979,342	119,675,616	136,282,362	131,688,477	128,872,334

The Company

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At the beginning of the year/period	25,795,178	28,094,390	27,719,633	27,719,633	27,901,530
Net profit	14,835,480	12,530,295	17,326,161	451,165	480,215
Dividends *(Note 12)*	(11,052,729)	(11,652,025)	(17,144,264)	7,242	(20,776,352)
Appropriation to statutory reserves *(Note 39)*	(1,483,539)	(1,253,027)	–	–	–
At the end of the year/period	28,094,390	27,719,633	27,901,530	28,178,040	7,605,393

39. RESERVES

The Group

	Share-based payments reserves	Share premium	Statutory reserves	General reserves	Special reserves	Hedging	Foreign currency translation	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	1,414,842	18,185,028	7,966,362	587,984	12,730	311,341	(1,793,971)	2,821,757	29,506,073
Appropriation to statutory reserves *(a)*	–	–	1,483,539	–	–	–	–	–	1,483,539
Appropriation to general reserves	–	–	–	131,938	–	–	–	–	131,938
Appropriation to special reserves	–	–	–	–	2,812	–	–	–	2,812
Cancellation of shares	–	(4,928,620)	–	–	–	–	–	–	(4,928,620)
Share-based payment:									
– Share-based compensation expenses	1,516,039	–	–	–	–	–	–	–	1,516,039
– Exercise of the stock option	(325,915)	1,495,004	–	–	–	–	–	–	1,169,089
– Exercise or lapse of other share schemes	(443,612)	193,502	–	–	–	–	–	–	(250,110)
Share of OCI of investments in associates, net of tax	–	–	–	–	–	–	–	(3,032)	(3,032)
Cash flow hedging reserve, net of tax	–	–	–	–	–	(6,997)	–	–	(6,997)
Remeasurement of defined benefit plan, net of tax	–	–	–	–	–	–	–	(7,172)	(7,172)
Other financial assets at FVOCI, net of tax									
– Fair value changes	–	–	–	–	–	–	–	424	424
– Other comprehensive income transfer to retained earnings	–	–	–	–	–	–	–	(2,866)	(2,866)
Transaction with NCI *(Note (44))*	–	–	–	–	–	–	–	100,012	100,012
Currency translation differences	–	–	–	–	–	–	(189,887)	–	(189,887)
Others	–	–	–	–	–	–	–	422,415	422,415
At 31 December 2021	2,161,354	14,944,914	9,449,901	719,922	15,542	304,344	(1,983,858)	3,331,538	28,943,657

	Share-based payments reserves	Share premium	Statutory reserves	General reserves	Special reserves	Hedging	Foreign currency translation	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	2,161,354	14,944,914	9,449,901	719,922	15,542	304,344	(1,983,858)	3,331,538	28,943,657
Appropriation to statutory reserves *(a)*	–	–	1,253,027	–	–	–	–	–	1,253,027
Reversal of general reserves	–	–	–	(47,923)	–	–	–	–	(47,923)
Appropriation to special reserves	–	–	–	–	3,313	–	–	–	3,313
Special reserves utilization	–	–	–	–	(2,505)	–	–	–	(2,505)
Share-based payment:									
– Share-based compensation expenses	983,367	–	–	–	–	–	–	–	983,367
– Exercise of the stock option	(217,453)	1,123,649	–	–	–	–	–	–	906,196
– Exercise or lapse of other share schemes	(648,160)	(560,986)	–	–	–	–	–	–	(1,209,146)
Share of OCI of investments in associates, net of tax	–	–	–	–	–	–	–	17,391	17,391
Cash flow hedging reserve, net of tax	–	–	–	–	–	395,617	–	–	395,617
Cost of hedging, net of tax	–	–	–	–	–	69,882	–	–	69,882
Remeasurement of defined benefit plan, net of tax	–	–	–	–	–	–	–	208,349	208,349
Other financial assets at FVOCI, net of tax									
– Fair value changes	–	–	–	–	–	–	–	(892)	(892)
– Other comprehensive income transfer to retained earnings	–	–	–	–	–	–	–	1,351	1,351
Transaction with NCI *(Note (44))*	–	–	–	–	–	–	–	(1,513,804)	(1,513,804)
Currency translation differences	–	–	–	–	–	–	1,175,615	–	1,175,615
Others	–	–	–	–	–	–	–	9,596	9,596
At 31 December 2022	2,279,108	15,507,577	10,702,928	671,999	16,350	769,843	(808,243)	2,053,529	31,193,091

	Share-based payments reserves	Share premium	Statutory reserves	General reserves	Special reserves	Hedging	Foreign currency translation	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	2,279,108	15,507,577	10,702,928	671,999	16,350	769,843	(808,243)	2,053,529	31,193,091
Appropriation to general reserves	–	–	–	19,678	–	–	–	–	19,678
Reversal of general reserves	–	–	–	(49,152)	–	–	–	–	(49,152)
Appropriation to special reserves	–	–	–	–	7,227	–	–	–	7,227
Special reserves utilization	–	–	–	–	(7,537)	–	–	–	(7,537)
Share-based payment:									
– Share-based compensation expenses	1,208,095	–	–	–	–	–	–	–	1,208,095
– Exercise of the stock option	(536,639)	2,317,783	–	–	–	–	–	–	1,781,144
– Exercise or lapse of other share schemes	(929,959)	(443,137)	–	–	–	–	–	–	(1,373,096)
Share of OCI of investments in associates and joint ventures and OCI reclassified to profit and loss, net of tax	–	–	–	–	–	–	–	7,751	7,751
Cash flow hedging reserve, net of tax	–	–	–	–	–	(135,204)	–	–	(135,204)
Cost of hedging, net of tax	–	–	–	–	–	25,033	–	–	25,033
Remeasurement of defined benefit plan, net of tax	–	–	–	–	–	–	–	(87,280)	(87,280)
Other financial assets at FVOCI, net of tax									
– Fair value changes	–	–	–	–	–	–	–	1,516	1,516
Transaction with NCI *(Note (44))*	–	–	–	–	–	–	–	(54,307)	(54,307)
Currency translation differences	–	–	–	–	–	–	(84,370)	–	(84,370)
Others	–	–	–	–	–	–	–	(11,819)	(11,819)
At 31 December 2023	2,020,605	17,382,223	10,702,928	642,525	16,040	659,672	(892,613)	1,909,390	32,440,770

	Share-based payments reserves	Share premium	Statutory reserves	General reserves	Special reserves	Hedging	Foreign currency translation	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(unaudited)									
At 1 January 2023	2,279,108	15,507,577	10,702,928	671,999	16,350	769,843	(808,243)	2,053,529	31,193,091
Reversal of general reserves	–	–	–	(9,699)	–	–	–	–	(9,699)
Appropriation to special reserves	–	–	–	–	929	–	–	–	929
Special reserves utilization	–	–	–	–	(497)	–	–	–	(497)
Share-based payment:									
– Share-based compensation expenses	486,402	–	–	–	–	–	–	–	486,402
– Exercise of the stock option	(364,647)	1,630,681	–	–	–	–	–	–	1,266,034
– Exercise or lapse of other share schemes	–	(89,058)	–	–	–	–	–	–	(89,058)
Share of OCI of investments in associates and joint ventures, net of tax	–	–	–	–	–	–	–	17,318	17,318
Cash flow hedging reserve, net of tax	–	–	–	–	–	(133,440)	–	–	(133,440)
Cost of hedging, net of tax	–	–	–	–	–	(25,450)	–	–	(25,450)
Remeasurement of defined benefit plan, net of tax	–	–	–	–	–	–	–	(5,539)	(5,539)
Transaction with NCI *(Note (44))*	–	–	–	–	–	–	–	(57,475)	(57,475)
Currency translation differences	–	–	–	–	–	–	(415,585)	–	(415,585)
Others	–	–	–	–	–	–	–	(133)	(133)
At 30 April 2023	2,400,863	17,049,200	10,702,928	662,300	16,782	610,953	(1,223,828)	2,007,700	32,226,898

	Share-based payments reserves	Share premium	Statutory reserves	General reserves	Special reserves	Hedging	Foreign currency translation	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	2,020,605	17,382,223	10,702,928	642,525	16,040	659,672	(892,613)	1,909,390	32,440,770
Appropriation to general reserves	–	–	–	98,266	–	–	–	–	98,266
Reversal of general reserves	–	–	–	(3,385)	–	–	–	–	(3,385)
Appropriation to special reserves	–	–	–	–	1,602	–	–	–	1,602
Special reserves utilization	–	–	–	–	(758)	–	–	–	(758)
Cancellation of shares	–	(5,089,600)	–	–	–	–	–	–	(5,089,600)
Share-based payment:									
– Share-based compensation expenses	539,944	–	–	–	–	–	–	–	539,944
– Exercise of the stock option	(299,300)	1,183,840	–	–	–	–	–	–	884,540
– Exercise or lapse of other share schemes	–	(63,601)	–	–	–	–	–	–	(63,601)
Share of OCI of investments in associates and joint ventures, net of tax	–	–	–	–	–	–	–	12,450	12,450
Cash flow hedging reserve, net of tax	–	–	–	–	–	221,570	–	–	221,570
Cost of hedging, net of tax	–	–	–	–	–	(5,315)	–	–	(5,315)
Remeasurement of defined benefit plan, net of tax	–	–	–	–	–	–	–	12,860	12,860
Other financial assets at FVOCI, net of tax									
– Fair value changes	–	–	–	–	–	–	–	12	12
Currency translation differences	–	–	–	–	–	–	(282,905)	–	(282,905)
Others	–	–	–	–	–	–	–	55	55
At 30 April 2024	2,261,249	13,412,862	10,702,928	737,406	16,884	875,927	(1,175,518)	1,934,767	28,766,505

The Company

	Share-based payments reserves	Share premium	Statutory reserves	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	1,991,079	27,137,117	7,966,362	(20,658)	37,073,900
Appropriation to statutory reserves *(a)*	–	–	1,483,539	–	1,483,539
Cancellation of shares	–	(4,928,620)	–	–	(4,928,620)
Share-based payment:					
– Share-based compensation expenses	1,557,204	–	–	–	1,557,204
– Exercise of the stock option	(325,915)	1,495,004	–	–	1,169,089
– Exercise or lapse of other share schemes	(443,612)	193,502	–	–	(250,110)
Share of OCI of investments in associates, net of tax	–	–	–	8,714	8,714
Others	–	–	–	434,043	434,043
At 31 December 2021	2,778,756	23,897,003	9,449,901	422,099	36,547,759
At 1 January 2022	2,778,756	23,897,003	9,449,901	422,099	36,547,759
Appropriation to statutory reserves *(a)*	–	–	1,253,027	–	1,253,027
Share-based payment:					
– Share-based compensation expenses	1,014,631	–	–	–	1,014,631
– Exercise of the stock option	(217,453)	1,116,321	–	–	898,868
– Exercise or lapse of other share schemes	(648,160)	(560,986)	–	–	(1,209,146)
Share of OCI of investments in associates, net of tax	–	–	–	1,616	1,616
Others	–	–	–	16,702	16,702
At 31 December 2022	2,927,774	24,452,338	10,702,928	440,417	38,523,457
At 1 January 2023	2,927,774	24,452,338	10,702,928	440,417	38,523,457
Share-based payment:					
– Share-based compensation expenses	1,244,929	–	–	–	1,244,929
– Exercise of the stock option	(536,639)	2,317,783	–	–	1,781,144
– Exercise or lapse of other share schemes	(929,959)	(445,614)	–	–	(1,375,573)
Share of OCI of investments in associates and joint ventures, net of tax	–	–	–	(960)	(960)
Others	–	–	–	2,472	2,472
At 31 December 2023	2,706,105	26,324,507	10,702,928	441,929	40,175,469

	Share-based payments reserves	Share premium	Statutory reserves	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(unaudited)					
At 1 January 2023	2,927,774	24,452,338	10,702,928	440,417	38,523,457
Share-based payment:					
– Share-based compensation expenses	496,940	–	–	–	496,940
– Exercise of the stock option	(364,647)	1,630,681	–	–	1,266,034
– Exercise or lapse of other share schemes	–	(89,058)	–	–	(89,058)
Share of OCI of investments in associates and joint ventures, net of tax	–	–	–	12,639	12,639
Others	–	–	–	(41)	(41)
At 30 April 2023	3,060,067	25,993,961	10,702,928	453,015	40,209,971
At 1 January 2024	2,706,105	26,324,507	10,702,928	441,929	40,175,469
Cancellation of shares	–	(5,089,600)	–	–	(5,089,600)
Share-based payment:					
– Share-based compensation expenses	552,926	–	–	–	552,926
– Exercise of the stock option	(299,300)	1,183,840	–	–	884,540
– Exercise or lapse of other share schemes	–	(63,601)	–	–	(63,601)
Share of OCI of investments in associates and joint ventures, net of tax	–	–	–	997	997
At 30 April 2024	2,959,731	22,355,146	10,702,928	442,926	36,460,731

(a) In accordance with the Company Law of the People's Republic of China and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory reserves, and the Company can cease appropriation when the statutory reserves accumulated to more than 50% of the registered capital. The statutory reserves can be used to make up for the losses or increase the share capital after approval from the appropriate authorities.

According to a resolution at the Board of Directors' meeting, the Company appropriated 10% of net profit for the year, amounting to approximately RMB1,483,539,000 and RMB1,253,027,000 to the statutory reserves, respectively, for the years ended 31 December 2021 and 2022.

40. SHARE-BASED PAYMENT

Equity-Settled shared-based payment arrangement

(i) Stock Option Incentive Plans

Pursuant to the eighth stock option incentive plan (the "Eighth Stock Option Incentive Plan") approved at the 2020 annual shareholders' meeting on 21 May 2021, the Company granted 82,260,000 share options to 1,897 incentive participants. The grant date was 4 June 2021, and the exercise price was RMB81.41 per share. The vesting periods for the Eighth Stock Option Incentive Plan are 2 years, 3 years and 4 years from the grant date. According to the Company's performance appraisal and individual performance appraisal, 30%, 30% and 40% of shares will be exercisable respectively.

Pursuant to the ninth stock option incentive plan (the "Ninth Stock Option Incentive Plan") approved at the 2021 annual shareholders' meeting on 20 May 2022, the Company granted 107,693,000 share options to 2,813 incentive participants. The grant date was 8 June 2022, and the exercise price was RMB54.61 per share. The vesting periods for the Ninth Stock Option Incentive Plan are 2 years, 3 years and 4 years from the grant date. According to the Company's performance appraisal and individual performance appraisal, 30%, 30% and 40% of shares will be exercisable respectively.

Based on fair value of the underlying ordinary shares of the Company, the Group has used Black-Scholes Model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	Eighth Stock Option Incentive Plan	Ninth Stock Option Incentive Plan
Exercise price:	RMB81.41	RMB54.61
Effective period:	5 years	5 years
Current price of underlying shares:	RMB77.73	RMB52.99
Estimated fluctuation rate of share price:	35.78%	35.70%
Estimated dividend rate:	2.42%	2.17%
Risk-free interest rate within effective period:	2.34%	2.00%

The fair value of granted shares was RMB1,457,678,000 and RMB1,334,978,000 for the Eighth Stock Option Incentive Plan and Ninth Stock Option Incentive Plan, respectively.

	Year ended 31 December			
	2021		2022	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
	(RMB)	*('000)*	*(RMB)*	*('000)*
Outstanding as at the beginning of the year	49.54	168,231	64.26	198,770
Granted	81.41	82,260	54.61	107,693
Exercised	38.91	(34,437)	52.76	(18,602)
Lapsed	53.11	(17,284)	52.28	(12,313)
Outstanding as at the end of the year	64.26	198,770	61.80	275,548

	Year ended 31 December	
	2023	
	Average exercise price per share option	Number of options
	(RMB)	('000)
Outstanding as at the beginning of the year	61.80	275,548
Exercised	52.40	(38,490)
Lapsed	73.56	(48,900)
Outstanding as at the end of the year	60.66	188,158

	Four months ended 30 April			
	2023		2024	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
	(RMB) (unaudited)	('000) (unaudited)	(RMB)	('000)
Outstanding as at the beginning of the period	61.80	275,548	60.66	188,158
Exercised	52.45	(26,924)	52.28	(19,893)
Outstanding as at the end of the period	62.81	248,624	61.65	168,265

Share options outstanding at the end of the year/period have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price (a)	Share options As at 31 December 2021	2022	2023	As at 30 April 2024
			('000)	('000)	('000)	('000)
7 May 2018	6 May 2024	56.34	24,669	16,401	4,883	62
11 March 2019	10 March 2025	47.17	3,936	2,641	1,409	1,010
30 May 2019	29 May 2025	52.87	34,171	25,352	13,341	9,441
5 June 2020	4 June 2024	50.43	54,254	41,721	15,047	4,274
4 June 2021	3 June 2026	81.41	81,740	81,740	45,785	45,785
8 June 2022	7 June 2027	54.61	–	107,693	107,693	107,693
			198,770	275,548	188,158	168,265

(a) According to the stock option incentive plans, the exercise prices shall be adjusted in accordance with relevant matters between the grant date and the exercise date, including but not limited to the dividends distribution.

The weighted-average remaining contract life for outstanding share options was 3.42 years, 3.29 years, 2.71 years and 2.62 years as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively.

(ii) Restricted Share Incentive Schemes

Pursuant to the restricted shares incentive scheme for 2021 approved at the 2020 annual shareholders' meeting on 21 May 2021 (the "2021 Restricted Shares Incentive Scheme"), the Company granted 9,940,000 restricted shares to 139 incentive participants. The grant date was 4 June 2021, and the granted price was RMB39.92 per share. The vesting periods for restricted shares granted are 2 years, 3 years and 4 years from the grant date. According to the Company's performance appraisal and individual performance appraisal, 30%, 30% and 40% of restricted shares will be vested respectively.

Pursuant to the restricted shares incentive scheme for 2022 approved at the 2021 annual shareholders' meeting on 20 May 2022 (the "2022 Restricted Shares Incentive Scheme"), the Company granted 12,152,500 restricted shares to 191 incentive participants. The grant date was 8 June 2022, and the granted price was RMB26.47 per share. The vesting periods for restricted shares granted are 2 years, 3 years and 4 years from the grant date. According to the Company's performance appraisal and individual performance appraisal, 30%, 30% and 40% of restricted shares will be vested respectively.

Pursuant to the restricted shares incentive scheme for 2023 approved at the 2022 annual shareholders' meeting on 19 May 2023 (the "2023 Restricted Shares Incentive Scheme"), the Company granted 18,325,000 restricted shares to 415 incentive participants. The grant date was 20 June 2023, and the granted price was RMB25.89 per share. The vesting periods for restricted shares granted are 1 year, 2 years and 3 years from the grant date. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of restricted shares will be vested respectively.

The number of restricted shares granted to the Group's incentive participants is summarized as follows:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	('000)	*('000)*	*('000)*	*('000)* *(unaudited)*	*('000)*
Outstanding as at the beginning of the year/period	74,082	62,267	50,211	50,211	39,903
Granted	9,940	12,153	18,325	–	–
Vested	(15,882)	(16,316)	(18,639)	–	–
Lapsed	(5,873)	(7,893)	(9,994)	(2,498)	(921)
Outstanding as at the end of the year/period	62,267	50,211	39,903	47,713	38,982

The Group determines the fair value of restricted shares on the basis of the single-day closing price of the circulating shares on the date when the equity instruments are granted, less the exercise price.

The fair value of granted shares was RMB393,602,000, RMB330,174,000 and RMB580,719,000 for the Restricted Shares Incentive Scheme for 2021, Restricted Shares Incentive Scheme for 2022 and Restricted Shares Incentive Scheme for 2023, respectively.

(iii) Stock Ownership Schemes

Pursuant to the Seventh Global Partner Stock Ownership Scheme approved at the 2020 annual shareholders' meeting on 21 May 2021, the Company granted 2,437,000 shares to incentive participants. The grant date was 21 May 2021, and the granted price was RMB82.70 per share. The vesting periods for employee shares granted are 1 year, 2 years and 3 years from the grant date. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of employee shares plan will be vested respectively.

Pursuant to the Fourth Core Management Team Stock Ownership Scheme approved at the 2020 annual shareholders' meeting on 21 May 2021, the Company granted 1,986,000 shares to incentive participants. The vesting periods for employee shares granted are 1 year, 2 years and 3 years from the grant date. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of employee shares plan will be vested respectively.

Pursuant to the Eighth Global Partner Stock Ownership Scheme approved at the 2021 annual shareholders' meeting on 20 May 2022, the Company granted 3,770,000 shares to incentive participants. The vesting periods for employee shares granted are 1 year, 2 years and 3 years from the grant date. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of employee shares plan will be vested respectively.

Pursuant to the Fifth Core Management Team Stock Ownership Scheme approved at the 2021 annual shareholders' meeting on 20 May 2022, the Company granted 2,827,000 shares to incentive participants. The vesting periods for employee shares granted are 1 year, 2 years and 3 years from the granted date. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of employee shares plan will be vested respectively.

Pursuant to the 2023 Stock Ownership Scheme approved at the 2022 annual shareholders' meeting on 19 May 2023, the Company granted 9,946,000 shares to incentive participants. The vesting periods for employee shares granted are 1 year, 2 years and 3 years from the granted date. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of employee shares plan will be vested respectively.

Pursuant to the 2024 Stock Ownership Scheme approved at the 2023 annual shareholders' meeting on 19 April 2024, the Company granted 20,107,000 shares to incentive participants. The vesting periods for employee shares granted are 2 years, 3 years and 4 years from the granted date. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of employee shares plan will be vested respectively.

The granted shares of stock ownership scheme are derived from the shares repurchased from the secondary market under the special securities account of the Company. The Group determines the fair value of the shares on the basis of the single-day closing price of the circulating shares on the date when the equity instruments are granted, less the exercise price.

The fair value of granted shares were RMB201,500,000, RMB212,200,000, RMB564,849,000 and RMB1,347,548,000 for Seventh Global Partner Stock Ownership Scheme, Eighth Global Partner Stock Ownership Scheme, 2023 Stock Ownership Scheme and 2024 Stock Ownership Scheme, respectively. The fair value of granted shares were RMB164,210,000 and RMB159,090,000 for the Fourth Core Management Team Stock Ownership Scheme and the Fifth Core Management Team Stock Ownership Scheme, respectively.

(iv) Share-based compensation expenses

The expense arising from equity-settled share-based payments for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024 were RMB1,578,070,000, RMB1,028,950,000, RMB1,245,456,000, RMB499,661,000 and RMB556,320,000, respectively.

An accumulated amount of RMB2,161,354,000, RMB2,279,108,000, RMB2,020,605,000, RMB2,400,863,000 and RMB2,261,249,000 respectively, for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024 has been recognized as share-based payments reserves.

41. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before income tax for the year/period	33,738,737	34,958,466	40,279,324	14,354,961	16,232,066
Adjustments for:					
Interest income *(Note (6))*	(4,780,157)	(5,081,372)	(5,977,068)	(1,858,654)	(1,926,114)
Finance cost – net *(Note (10))*	898,055	1,109,247	2,287,559	876,171	(104,987)
Depreciation and amortization of non-current assets	6,491,339	6,505,385	7,346,760	2,249,171	2,526,356
Net (gains)/losses on disposal of property, plant and equipment and other non-current assets *(Note (7))*	(58,257)	59,854	60,868	(12,331)	(72,859)
Net impairment losses on financial assets and contract assets *(Note (3.1)(b))*	384,501	538,108	235,002	179,526	56,212

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Impairment provision for investments in associates and joint ventures	–	6,179	–	–	–
Impairment provision for inventories and other assets	482,370	502,762	403,399	202,343	218,570
Share of profit of associates and joint ventures, net *(Note (21))*	(560,679)	(608,278)	(680,759)	(224,055)	(239,455)
Net (gains)/losses on financial instruments *(Note (7))*	(1,731,713)	519,286	262,395	(5,092)	(79,239)
Net losses on other assets	93,025	132,109	181,295	2,827	(352)
Net foreign exchange losses/(gains)	485,220	(288,492)	17,251	66,853	241,798
Share-based compensation expenses and others	1,578,169	1,028,950	1,261,836	496,220	556,038
Changes in working capital:					
Increase in trade and note receivables	(1,022,166)	(10,141,150)	(8,012,781)	(11,510,261)	(18,611,026)
(Increase)/decrease in contract assets	(670,733)	(269,229)	547,562	(54,829)	39,118
(Increase)/decrease in loan receivables	(4,065,830)	6,665,275	(333,006)	(2,172,095)	(194,209)
(Increase)/decrease in inventories	(15,201,834)	(423,933)	206,064	13,880,552	5,898,851
Increase/(decrease) in trade and note payables	13,081,493	(9,089,349)	1,989,270	(10,096,786)	12,092,542
Increase/(decrease) in contract liabilities	9,424,503	2,573,501	12,251,616	(2,679,505)	(6,000,934)
Increase in other payables and accruals	1,436,864	13,543,384	14,174,995	10,307,784	6,987,753
Changes in other assets and liabilities	545,303	(784,537)	(1,949,716)	162,765	2,085,923
Cash generated from operations	40,548,210	41,456,166	64,551,866	14,165,565	19,706,052

(b) Non-cash activities

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Purchase of inventories and long-term assets by bank acceptance notes	62,462,970	55,682,577	65,413,361	20,258,441	19,825,947
Addition of right-of-use assets	3,628,730	1,784,120	3,044,727	683,532	520,978
	66,091,700	57,466,697	68,458,088	20,941,973	20,346,925

(c) Net debt reconciliation

	Liabilities from financing activities			
	Bank borrowings and others	Debentures	Leases liabilities	Total
At 1 January 2021	59,243,062	3,030,785	2,492,539	64,766,386
Financing cash flows	(2,191,548)	(3,000,371)	(1,210,462)	(6,402,381)
Operating cash flows	178,878	–	–	178,878
Interest paid for borrowings	(1,328,444)	(72,342)	–	(1,400,786)
Acquisition of subsidiaries	–	–	3,420	3,420
Interest expense accrued	1,210,733	41,928	111,745	1,364,406
Other non-cash movements *(i)*	(3,587,612)	–	996,813	(2,590,799)
At 31 December 2021	53,525,069	–	2,394,055	55,919,124
At 1 January 2022	53,525,069	–	2,394,055	55,919,124
Financing cash flows	5,555,533	2,844,696	(1,102,503)	7,297,726
Operating cash flows	(178,878)	–	–	(178,878)
Interest paid for borrowings	(1,696,802)	(86,510)	–	(1,783,312)
Interest expense accrued	1,600,220	118,922	111,773	1,830,915
Other non-cash movements *(i)*	3,545,368	286,508	1,096,297	4,928,173
At 31 December 2022	62,350,510	3,163,616	2,499,622	68,013,748
At 1 January 2023	62,350,510	3,163,616	2,499,622	68,013,748
Financing cash flows	1,274,059	(500,000)	(1,430,001)	(655,942)
Interest paid for borrowings	(2,002,477)	(119,177)	–	(2,121,654)
Acquisition of subsidiaries	3,425,076	522,497	56,876	4,004,449
Interest expense accrued	2,559,961	96,809	151,334	2,808,104
Other non-cash movements *(i)*	880,697	54,224	1,936,389	2,871,310
At 31 December 2023	68,487,826	3,217,969	3,214,220	74,920,015
At 1 January 2023	62,350,510	3,163,616	2,499,622	68,013,748
Financing cash flows	10,476,492	–	(473,030)	10,003,462
Interest paid for borrowings	(400,944)	(43,616)	–	(444,560)
Interest expense accrued	759,284	28,843	37,238	825,365
Other non-cash movements *(i)*	(474,456)	(19,398)	590,151	96,297
At 30 April 2023 (unaudited)	72,710,886	3,129,445	2,653,981	78,494,312
At 1 January 2024	68,487,826	3,217,969	3,214,220	74,920,015
Financing cash flows	(3,450,038)	–	(462,457)	(3,912,495)
Interest paid for borrowings	(395,627)	(46,277)	–	(441,904)
Interest expense accrued	577,438	30,162	49,871	657,471
Other non-cash movements *(i)*	(121,325)	10,988	355,028	244,691
At 30 April 2024	65,098,274	3,212,842	3,156,662	71,467,778

(i) The other non-cash movement included borrowings mainly resulted from currency translation differences and lease liability mainly resulted from the new leases contract entered during the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024.

42. BUSINESS COMBINATIONS

(a) Acquisition during the year ended 31 December 2021

Beijing Wandong Medical Technology Co., Ltd. ("Wandong Medical")

In May 2021, the Group acquired 29.09% equity interests of Wandong Medical at a cash consideration of RMB2,297,093,000 from a third party. The transaction was made as part of the Group's strategy to develop its medical equipment business. The Group actually obtained the control right of Wandong Medical.

The fair value of the net assets acquired was RMB4,380,284,000 at the acquisition date, resulting an increase in goodwill of RMB1,106,701,000 and an increase in non-controlling interests of RMB3,189,892,000 The goodwill is attributable to the market prospect arising from entering into the medical equipment industry sector. It will not be deductible for tax purposes.

The acquired business contributed a total revenue of RMB765,625,000 and net profit of RMB57,053,000 to the Group for the period from the acquisition date to 31 December 2021. If the acquisition had occurred on 1 January 2021, revenue and net profit of Wandong Medical for the year ended 31 December 2021 would be RMB1,156,175,000 and RMB33,460,000, respectively.

The total net cash outflow from the acquisition of Wandong Medical was RMB1,693,766,000.

Acquisition-related costs of RMB4,883,000 were included in general and administrative expenses in the consolidated statements of profit or loss and in operating cash flows in the consolidated statements of cash flows.

In addition to disclosed above, there were no material acquisitions during the year ended 31 December 2021 individually and collectively.

(b) Acquisition during the year ended 31 December 2022

The Group acquired Midea Capital Corporation Limited and its subsidiaries (including structured entities) in January 2022, Wuhan TTium Motor Technology Co., Ltd. and its subsidiaries in April 2022 and KONG Intelligent Environment (Xi'an) Co., Ltd (formerly known as Shanxi Construction Investment Co., Ltd.) in May 2022. The Group actually obtained the control right of these companies.

The aggregated cash considerations were RMB268,563,000 and the aggregated fair value of the net assets acquired were RMB235,077,000 at the acquisition date, resulting an aggregated increase in goodwill of RMB118,239,000 and an aggregated increase in non-controlling interests of RMB84,753,000. The goodwill is attributable to the market prospect arising from entering into new industry sector. It will not be deductible for tax purposes.

The acquired businesses contributed an aggregated total revenue of RMB31,626,000 and aggregated net loss of RMB27,512,000 to the Group for the period from the acquisition date to 31 December 2022. If these acquisitions had occurred on 1 January 2022, the aggregated contributed revenue and net loss for the year ended 31 December 2022 would be RMB34,045,000 and RMB31,140,000, respectively.

The aggregated net cash inflow from these acquisitions was RMB303,252,000.

Aggregated acquisition-related costs of RMB778,000 were included in general and administrative expenses in the consolidated statements of profit or loss and in operating cash flows in the consolidated statements of cash flows.

In addition to disclosed above, there were no other acquisitions during the year ended 31 December 2022.

(c) Acquisition during the year ended 31 December 2023

Shenzhen Clou

In November 2022, the Group acquired 8.95% equity interests of Shenzhen Clou at a cash consideration of RMB836,954,000 from a third party. The transaction was made as part of the Group's strategy to further develop its green energy solutions business. The Group has significant influence over Shenzhen Clou.

In May 2023, the Group further acquired 13.84% issued non-public share of Shenzhen Clou at a cash consideration of RMB828,094,000, and obtained the control right of Shenzhen Clou.

The investments of 8.95% in Shenzhen Clou before acquisition date were deemed as having been disposed and were remeasured to fair value at the date of deemed disposal, the resulting gains of RMB147,899,000 from the remeasurements were recognized in the profit or loss in accordance with IFRS 3 — Business Combinations. The acquisition-date fair value of the previously held 8.95% equity interests were RMB981,908,000 and the total acquisition consideration were RMB1,810,002,000.

The fair value of the net assets acquired was RMB3,298,914,000 at the acquisition date, resulting an increase in goodwill of RMB1,074,462,000 and an increase in non-controlling interests of RMB2,563,374,000. The goodwill is attributable to the synergy effects be derived from integration with the green energy solutions sector. It will not be deductible for tax purposes.

The acquired business contributed a total revenue of RMB3,090,363,000 and net loss of RMB433,904,000 to the Group for the period from the acquisition date to 31 December 2023. If the acquisition had occurred on 1 January 2023, revenue and net loss of Shenzhen Clou for the year ended 31 December 2023 would be RMB4,199,965,000 and RMB890,689,000, respectively.

The total net outflow of cash from the acquisition of Shenzhen Clou was RMB463,137,000.

Acquisition-related costs of RMB5,841,000 were included in general and administrative expenses in the consolidated statements of profit or loss and in operating cash flows in the consolidated statements of cash flows.

In addition to disclosed above, there were no material acquisition during the year ended 31 December 2023.

For Wandong Medical and Shenzhen Clou, the Group obtains de facto control over them and accounted for these investees as subsidiaries of the Group under IFRS 10, even if the Group owns less than 51% of the equity interest. The Group can own a majority of the effective voting rights amongst the shareholders who actively participate in shareholders' meetings and has the practical ability to direct the relevant activities of these investees after considering all the relevant facts and circumstances, including but not limited to: i) the Group is the single largest shareholder of Wandong Medical and Shenzhen Clou; ii) the commitment of the second largest shareholder not to obtain shares, nor to expand voting rights through concerted action agreement or any other way; iii) relative size of the remaining dispersed shareholdings and their past voting patterns; and iv) right to nominate four out of the six executive directors and most key management personnel.

(d) Accounting policy choice for non-controlling interests

For the non-controlling interests in aforementioned acquirees, the Group elected to recognize the non-controlling interests at its proportionate share of the acquired net identifiable assets.

43. DISPOSAL OF SUBSIDIARIES

Major transactions of disposal of subsidiaries during the Track Record Period had no significant impact on the Group's consolidated financial statements.

44. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Group acquired certain equity interests of certain subsidiaries from non-controlling shareholders, and the difference between consideration paid and the carrying amount of equity interest acquired was recognized as an increase of RMB100,012,000 in reserves for the year ended 31 December 2021 and a decrease of RMB1,513,804,000, RMB54,307,000, RMB57,475,000 and Nil in reserves for the year ended 31 December 2022 and 2023 and the four months ended 30 April 2023 and 2024, respectively. Major transactions during the Track Record Period as follows:

(a) Major transactions during the year ended 31 December 2021

In July 2021, the Group acquired additional 20% equity interests of GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd., 20% equity interests of Anhui Meizhi Compressor Co., Ltd. and 20% equity interests of Guangdong Midea Commercial Air-Conditioning Equipment Co., Ltd. from non-controlling interests at a consideration of RMB359,708,000. The Group recognized a decrease in other reserves of RMB106,958,000 and decrease in non-controlling interests of RMB252,750,000.

(b) Major transactions during the year ended 31 December 2022

In March 2022, the Group acquired additional 16.37% equity interests of Wandong Medical through the non-public shares issued. The Group injected RMB2,062,132,000, recognized a decrease in other reserves of RMB463,965,000 and an increase in non-controlling interests of RMB448,120,000.

In June 2022, the Group acquired additional 40% equity interests of Guangdong Meizhi Compressor Limited and 40% equity interests of Guangdong Meizhi Precision-Manufacturing Co., from non-controlling interests at a consideration of RMB1,641,063,000. The Group recognized a decrease in other reserves of RMB447,237,000 and decrease in non-controlling interests of RMB1,193,826,000.

For the year ended 31 December 2022, the Group acquired additional 4.69% equity interests of KUKA AG from non-controlling interests at a consideration of RMB1,167,262,000. The Group recognized a decrease in other reserves of RMB656,235,000 and decrease in non-controlling interests of RMB511,027,000.

(c) Major transactions during the year ended 31 December 2023

In March 2023, Midea Innovation Investment Co., Ltd. injected RMB200,000,000 in Guangdong Meicloud Technology Co., Ltd. to acquire its 13.54% equity interests. The Group recognized a decrease in other reserves of RMB63,830,000 and an increase in non-controlling interests of RMB63,830,000.

Except for the aforementioned non-controlling interests' transactions, other transactions made no significant impact on the Group's Historical Financial Information.

45. RELATED PARTY TRANSACTIONS

(a) Parent entities

Name	Type	Place of incorporation	Ownership interest			
			As at 31 December			As at 30 April
			2021	2022	2023	2024
Midea Holding Co., Ltd. . . .	Ultimate parent entity	Foshan	31.05%	31.00%	30.87%	31.10%

The Company's ultimate holding company is Midea Holding Co., Ltd., and the ultimate controlling person is Mr. He Xiangjian.

(b) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties maybe individuals or other entities.

The directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024:

Name of the related party	Relationship with the Group
Orinko Advanced Plastics Co., Ltd. and its subsidiaries	Controlled by immediate family members of the Company's ultimate controlling shareholder
Infore Group Co., Ltd and its subsidiaries	Controlled by immediate family members of the Company's ultimate controlling shareholder
Midea Real Estate Holding Limited and its subsidiaries	Controlled by the Company's ultimate controlling shareholder
Carrier Global Corporation and its subsidiaries	Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries

The following transactions and balances were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. In addition to those disclosed elsewhere in the Historical Financial Information, the Group has the following transactions with related parties:

(c) Transactions with related parties

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Purchases of goods and services:					
Controlled by immediate family members of the Company's ultimate controlling shareholder	3,013,798	1,422,368	1,442,426	424,115	447,525
Associates and joint ventures of the Group	654,657	658,775	859,288	217,112	290,556
Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries	468,195	395,726	358,684	193,686	227,054
Controlled by the Company's ultimate controlling shareholder	8,149	24,045	36,915	9,221	12,382
	4,144,799	2,500,914	2,697,313	844,134	977,517

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of goods and rendering of services:					
Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries	2,592,759	2,638,339	3,721,933	1,465,288	1,606,797
Associates and joint ventures of the Group	691,182	792,561	939,683	454,008	344,076
Controlled by the Company's ultimate controlling shareholder	222,778	252,484	474,962	152,870	145,019
Controlled by immediate family members of the Company's ultimate controlling shareholder	5,304	9,196	11,270	6,108	19,086
	3,512,023	3,692,580	5,147,848	2,078,274	2,114,978
Interest income:					
Associates and joint ventures of the Group	223,659	366,918	293,347	99,974	109,335
Dividend income:					
Associates and joint ventures of the Group *(Note (21))*	286,667	349,293	360,750	132,968	136,910

(d) Balance with related parties

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents				
Associates and joint ventures of the Group	4,214,084	8,518,339	4,604,976	4,365,245
Other financial assets at amortized cost				
Associates and joint ventures of the Group	–	2,658,912	5,900,564	5,966,846
Other financial assets at FVOCI				
Associates and joint ventures of the Group	2,004,554	–	–	–
Trade and note receivables at amortized cost				
Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries	491,902	220,187	283,153	601,237
Associates and joint ventures of the Group	181,981	233,308	183,835	255,701
Controlled by the Company's ultimate controlling shareholder	60	7,652	75,472	94,481
Controlled by immediate family members of the Company's ultimate controlling shareholder	2,516	28,189	3,222	20,752
	676,459	489,336	545,682	972,171

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and note payables				
Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries	32,130	142,300	106,645	177,869
Associates and joint ventures of the Group	119,310	98,202	269,155	230,086
Controlled by immediate family members of the Company's ultimate controlling shareholder	497,519	103,743	204,348	69,845
Controlled by the Company's ultimate controlling shareholder	610	516	897	1,739
	649,569	344,761	581,045	479,539
Contract liabilities				
Controlled by the Company's ultimate controlling shareholder	10,760	20,520	7,693	10,556
Controlled by immediate family members of the Company's ultimate controlling shareholder	1,290	2,307	534	3,901
Associates and joint ventures of the Group	5,016	8,114	28,588	10,598
	17,066	30,941	36,815	25,055
Prepayments, other receivables and other assets				
Associates and joint ventures of the Group	5,455	800	1,777	5,057
Other payables and accruals				
Controlled by the Company's ultimate controlling shareholder	1,699	3,328	1,600	2,372
Controlled by immediate family members of the Company's ultimate controlling shareholder	367	502	69	1,208
Associates and joint ventures of the Group	1,462	1,601	18,873	2,876
	3,528	5,431	20,542	6,456

Other financial assets at amortized cost and other financial assets at FVOCI were non-trade in nature. Trade and note receivables at amortized cost, trade and note payables, contract liabilities, prepayments, other receivables and other assets and other payables and accruals were trade in nature.

The non-trade in nature balances as at 30 April 2024 are other financial assets at amortized cost, which will be mature until July 2026 according to the agreements. The Group intends to settle the balances in accordance with the terms of deposits after the completion of the initial listing of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

(e) Key management compensation

Compensation of the key management personnel of the Group, including amounts paid to the Company's Directors as disclosed in Note 9, was as follows:

	Year ended 31 December			Four months ended 30 April	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Fee	1,800	1,800	1,800	600	600
Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	69,345	95,076	120,684	14,315	15,563
Share-based compensation expenses	118,993	114,805	124,707	43,210	51,445
	190,138	211,681	247,191	58,125	67,608

The short-term benefits disclosed above include RMB36,170,000, RMB16,990,000, RMB73,726,000, RMB3,124,000 and RMB3,645,000 of bonuses payable under a short-term incentive scheme which were unpaid as at year/period end and are included in other payables and accruals. The share-based payments provided to key management personnel consist of stock option incentive plans, restricted share incentive schemes and stock ownership schemes which are equity-settled, see note 40.

46. COMMITMENTS

Capital Commitments

	As at 31 December			As at 30 April
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for purchase of property, plant and equipment	5,990,809	5,145,982	4,005,911	2,872,559

In April 2024, the Group entered into an agreement with Arbonia AG to acquire all the equity interests of climate division. The acquisition consideration of the transaction is EUR648.8 million. The payment of the consideration has not been made and the transaction has not been completed up to the date of this report, which is subject to the fulfillment of certain closing conditions including regulatory approvals.

47. CONTINGENCIES

As at 31 December 2021, 2022 and 2023 and 30 April 2024 the amounts of the maximum potential loss in tax disputes involving Brazilian subsidiary with 51% interests held by the Company were approximately BRL614 million (equivalent to RMB702 million), BRL741 million (equivalent to RMB990 million), BRL735 million (equivalent to RMB1,075 million) and BRL733 million (equivalent to RMB1,007 million), respectively, some cases have lasted for more than 10 years. The above amounts included the principal, penalty, interest, etc. The original shareholders of Brazilian subsidiary have agreed to compensate the Company according to verdict results of the above tax disputes. The maximum compensation amount is about BRL157 million (equivalent to RMB179 million, RMB210 million, RMB230 million and RMB216 million as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively). As at the date of this report, the relevant cases were still ongoing. Upon consulting the Group's external legal counsel, management believes that the probability of losing the lawsuits is low. Accordingly, management has made necessary provision based on its best estimate.

48. SUBSEQUENT EVENTS

In June 2024, the Group entered an agreement with HERITAGE B to acquire 97.38% equity interests of Teka Industrial, S.A. which design and manufacture household appliances and sinks. The acquisition consideration of the transaction is EUR175 million. The transaction has not been completed up to the date of this report and is subject to the required approvals by relevant regulators.

49. INVESTMENTS IN SUBSIDIARIES

As at the date of this report and during the Track Record Period, the Company's principal subsidiaries are as follows:

				Percentage of equity interest									
				As at 31 December						As at 30 April		As at the date of this report	
				2021		2022		2023		2024			
Name	Place of Incorporation and Operation	Principal Activities	Issued ordinary/registered share capital	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
			('000)										
Anhui Meizhi Precision Manufacturing Co., Ltd.	Mainland China	Manufacturing and sales of air conditioner parts, such as electric motors, gas compressors and mechanical and electrical equipment	RMB842,105	95.00%	5.00%	95.00%	5.00%	95.00%	5.00%	95.00%	5.00%	95.00%	5.00%
Annto Logistics Supply Chain Technology Co., Ltd.	Mainland China	Logistics and warehousing services	RMB540,000	–	75.61%	–	75.61%	–	73.85%	–	73.85%	–	73.85%
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	Mainland China	Manufacturing and sales of air conditioners, refrigerators and freezers	RMB50,000	95.00%	5.00%	95.00%	5.00%	95.00%	5.00%	95.00%	5.00%	95.00%	5.00%
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Mainland China	Manufacturing of small appliances, such as electrothermal steamer pots and pressure cookers	USD42,000	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%
Foshan Shunde Midea Household Appliances Industry Co., Ltd.	Mainland China	Investment holding	RMB5,500,000	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	Mainland China	Manufacturing of kitchen appliances, such as dishwashers, range hoods, ovens, sterilizers and gas and heating appliances	USD46,000	75.00%	25.00%	75.00%	25.00%	75.00%	25.00%	75.00%	25.00%	75.00%	25.00%

Name	Place of Incorporation and Operation	Principal Activities	Issued ordinary/registered share capital	Percentage of equity interest									
				As at 31 December						As at 30 April		As at the date of this report	
				2021		2022		2023		2024			
				Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
			('000)										
GD Midea Air-Conditioning Equipment Co., Ltd.	Mainland China	Manufacturing and sales of residential air conditioners	RMB854,000	73.00%	7.00%	73.00%	7.00%	73.00%	7.00%	73.00%	7.00%	73.00%	7.00%
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	Mainland China	Manufacturing and sales of residential air conditioners	USD6,928	93.00%	7.00%	93.00%	7.00%	93.00%	7.00%	93.00%	7.00%	93.00%	7.00%
GD Midea Heating & Ventilating Equipment Co., Ltd.	Mainland China	Manufacturing of commercial air conditioners	RMB500,000	90.00%	10.00%	90.00%	10.00%	90.00%	10.00%	90.00%	10.00%	90.00%	10.00%
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Mainland China	Manufacturing of small appliances, such as dishwashers, range hoods, ovens, sterilizers and gas and heating appliances	RMB1,055,224	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	Mainland China	Manufacturing and sales of residential air conditioners	RMB640,000	75.00%	25.00%	75.00%	25.00%	75.00%	25.00%	75.00%	25.00%	75.00%	25.00%
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	Mainland China	Manufacturing and sales of air conditioners and heating and ventilating equipment	RMB1,060,000	99.00%	1.00%	99.00%	1.00%	99.00%	1.00%	99.00%	1.00%	99.00%	1.00%
Hefei Midea Refrigerator Co., Ltd.	Mainland China	Manufacturing of refrigerators, freezers and refrigeration products	USD92,110	75.00%	25.00%	75.00%	25.00%	75.00%	25.00%	75.00%	25.00%	75.00%	25.00%

Name	Place of Incorporation and Operation	Principal Activities	Issued ordinary/registered share capital	Percentage of equity interest: As at 31 December 2021 Direct	2021 Indirect	2022 Direct	2022 Indirect	2023 Direct	2023 Indirect	As at 30 April 2024 Direct	2024 Indirect	As at the date of this report Direct	As at the date of this report Indirect
			('000)										
Hubei Midea Refrigerator Co., Ltd.	Mainland China	Manufacturing of refrigerators, freezers and refrigeration products	RMB850,000	97.00%	3.00%	97.00%	3.00%	97.00%	3.00%	97.00%	3.00%	97.00%	3.00%
KUKA AG	Germany	Manufacturing and sales of robots and robot-based products and solutions	EUR103,416	–	95.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%
Midea Capital Corporation Limited *(a)*	Mainland China	Investment in companies providing capital market and business-related services	RMB50,000	49.00%	–	95.00%	5.00%	95.00%	5.00%	95.00%	5.00%	95.00%	5.00%
Midea Electric Netherlands (I) B.V.	Netherlands	Investment holding	EUR25	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%
Midea Electric Trading (Singapore) Co. Pte. Ltd.	Singapore	Export trade of household appliances	SGD479,712	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%
Midea Group (Shanghai) Co., Ltd.	Mainland China	Manufacturing and sales of intelligent home appliances and automation solutions	RMB1,000,000	90.00%	10.00%	90.00%	10.00%	90.00%	10.00%	90.00%	10.00%	90.00%	10.00%
Midea Group Finance Co., Ltd.	Mainland China	Providing financial services for companies within the Group	RMB3,500,000	95.00%	5.00%	95.00%	5.00%	95.00%	5.00%	95.00%	5.00%	95.00%	5.00%
Midea Innovation Investment Co., Ltd.	Mainland China	Investment holding	RMB100,000	85.00%	15.00%	85.00%	15.00%	85.00%	15.00%	85.00%	15.00%	85.00%	15.00%
Midea International Corporation Company Limited	Hong Kong	Investment holding	USD23,800	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–

Name	Place of Incorporation and Operation	Principal Activities	Issued ordinary/registered share capital	Percentage of equity interest									
				As at 31 December						As at 30 April		As at the date of this report	
				2021		2022		2023		2024			
				Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
			('000)										
Midea Investment Development Company Limited	British Virgin Islands	Investment in home appliances manufacturers	Nil	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%
Ningbo Midea United Materials Supply Co. Ltd.	Mainland China	Wholesale and retail of raw materials and components	RMB480,000	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–
TLSC	Japan	Manufacturing of home and kitchen appliances, office appliances, and industrial appliances	JPY100,000	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%
Toshiba Consumer Marketing Corporation	Japan	Manufacturing and sales of home appliances	JPY100,000	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%
Wuhu Maty Air-Conditioning Equipment Co., Ltd. . . .	Mainland China	Manufacturing of air conditioners and refrigeration equipment	RMB830,000	87.00%	13.00%	87.00%	13.00%	87.00%	13.00%	87.00%	13.00%	87.00%	13.00%
Wuhu Annto Logistics Technology Co., Ltd. . . .	Mainland China	Logistics and warehousing services	RMB198,063	–	75.61%	–	75.61%	–	73.85%	–	73.85%	–	73.85%
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd..	Mainland China	Manufacturing of kitchen appliances, such as range hoods, gas appliances, dishwashers, garbage disposers, sterilizers and water heaters	RMB60,000	90.00%	10.00%	90.00%	10.00%	90.00%	10.00%	90.00%	10.00%	90.00%	10.00%
Wuhu Midea Life Appliances Mfg Co., Ltd.	Mainland China	Manufacturing and sales of small and smart home appliances	RMB60,000	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–

Name	Place of Incorporation and Operation	Principal Activities	Issued ordinary/registered share capital	Percentage of equity interest									
				As at 31 December						As at 30 April		As at the date of this report	
				2021		2022		2023		2024			
				Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
			('000)										
Wuxi Little Swan Electric Co., Ltd.	Mainland China	Manufacturing and sales of laundry appliances	RMB732,488	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–
Zhejiang Meizhi Compressor Co., Ltd.	Mainland China	Manufacturing and sales of air conditioner parts, such as gas compressors and refrigeration, electrical and mechanical equipment	RMB50,000	100.00%	–	100.00%	–	100.00%	–	100.00%	–	100.00%	–

(a) The Group held 49% equity interest in Midea Capital Corporation Limited ("Midea Capital") which accounted for as an investment in associate under equity method as at 31 December 2021. In January 2022, the Group further acquired 51% equity interest of Midea Capital. Upon the completion of above acquisition, the Group increased its shareholding in Midea Capital from 49% to 100% and Midea Capital became a consolidated subsidiary of the Group.

(b) During the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2023 and 2024, the increase of the investments in subsidiaries was mainly due to the capital injections, addition of new subsidiaries and deemed investments arising from share-based compensation.

The statutory auditors of the subsidiaries of the Group during the Track Record Period are set out below:

		Name of statutory auditors		
Company name	**Note**	**2021**	**2022**	**2023**
Anhui Meizhi Precision Manufacturing Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Annto Logistics Supply Chain Technology Co., Ltd.		Grant Thornton Zhitong Certified Public Accountants LLP	Grant Thornton Zhitong Certified Public Accountants LLP	Grant Thornton Zhitong Certified Public Accountants LLP
Chongqing Midea Air-Conditioning Equipment Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Foshan Shunde Midea Household Appliances Industry Co., Ltd.		RSM China CPA LLP	RSM China CPA LLP	RSM China CPA LLP
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
GD Midea Air-Conditioning Equipment Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
GD Midea Heating & Ventilating Equipment Co., Ltd.		RSM China CPA LLP	RSM China CPA LLP	RSM China CPA LLP
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Guangzhou Hualing Refrigerating Equipment Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Hefei Midea Heating & Ventilating Equipment Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Hefei Midea Refrigerator Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Hubei Midea Refrigerator Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	Hubei Zhibo Certified Public Accountants
KUKA AG		PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Midea Capital Corporation Limited		ZhongHui Certified Public Accountants LLP	ZhongHui Certified Public Accountants LLP	ZhongHui Certified Public Accountants LLP
Midea Electric Netherlands (I) B.V.	*(a)*	–	–	–
Midea Electric Trading (Singapore) Co. Pte. Ltd.		PricewaterhouseCoopers LLP	PricewaterhouseCoopers LLP	PricewaterhouseCoopers LLP
Midea Group (Shanghai) Co. Ltd.		RSM China CPA LLP	RSM China CPA LLP	RSM China CPA LLP
Midea Group Finance Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Midea Innovation Investment Co., Ltd.		RSM China CPA LLP	RSM China CPA LLP	RSM China CPA LLP

Company name	Note	Name of statutory auditors 2021	2022	2023
Midea International Corporation Company Limited		PricewaterhouseCoopers	PricewaterhouseCoopers	PricewaterhouseCoopers
Midea Investment Development Company Limited.	*(a)*	–	–	–
Ningbo Midea United Materials Supply Co. Ltd. . .		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
TLSC		PricewaterhouseCoopers Aarata LLC	PricewaterhouseCoopers Aarata LLC	PricewaterhouseCoopers Japan LLC
Toshiba Consumer Marketing Corporation		PricewaterhouseCoopers Aarata LLC	PricewaterhouseCoopers Aarata LLC	PricewaterhouseCoopers Japan LLC
Wuhu Maty Air-Conditioning Equipment Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Wuhu Annto Logistics Technology Co., Ltd.		Grant Thornton Zhitong Certified Public Accountants LLP	Grant Thornton Zhitong Certified Public Accountants LLP	Grant Thornton Zhitong Certified Public Accountants LLP
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.. .		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Wuhu Midea Life Appliances Mfg Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Wuxi Little Swan Electric Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Zhejiang Meizhi Compressor Co., Ltd.		PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP

(a) No audited financial statements were issued for these companies for the years ended 31 December 2021, 2022 and 2023 as they were not required to issue audited financial statements under the statutory requirements of their places of incorporation.

(b) The English names of the Mainland China companies are direct translation or transliteration of their Chinese registered names.

(c) The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

(d) In the opinion of the directors, no non-controlling interests in subsidiaries are material to the Group.

50. SUMMARY OF OTHER ACCOUNTING POLICIES

50.1 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 50.2).

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognized at cost.

(c) Joint ventures

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognized at cost in the consolidated statement of financial position.

(d) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 50.9.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

If the ownership interest in an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

50.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

50.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment test of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill.

50.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the Historical Financial Information are presented in RMB, which is also the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;

- income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

50.5 Leases

(i) The Group as the lessee:

The Group's accounting policy for leases is explained in Note 15.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

- amounts expected to be payable by the Group under residual value guarantees

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The Group also has interests in leasehold land and land use rights for use in its operations. Lump sum payments were made upfront to acquire these land interests from their previous registered owners or governments in the jurisdictions where the land is located. There are no ongoing payments to be made under the term of the land leases, other than insignificant lease renewal costs or payments based on rateables value set by the relevant government authorities. These payments are stated at cost and are amortized over the term of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

(ii) The Group as the lessor:

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

50.6 Property, plant and equipment

The Group's accounting policy for property, plant and equipment is explained in Note 14. All property, plant and equipment are stated at historical costs less accumulated depreciation and accumulated impairment charges. Historical costs include expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the periods in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 50.9).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statement of comprehensive income.

Construction in progress mainly represents property, plant and equipment under construction and is stated at cost less impairment losses. It will be reclassified to the relevant property, plant and equipment category upon completion and depreciation begins when the relevant assets are available for use.

50.7 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, including properties under construction for such purpose, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. Such properties are measured initially at cost, including related transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties.

Depreciation is calculated on the straight-line basis to write off the cost to its residual value over its estimated useful life. The estimated useful lives are as follows:

Buildings	20 to 40 years
Land use rights	30 to 50 years

The carrying amounts of investment properties measured using the cost method are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. As at 31 December 2021, 2022 and 2023 and 30 April 2024, the fair values are not materially different from their original cost.

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of the retirement or disposal.

50.8 Intangible assets

The Group's accounting policy for intangible assets is explained in Note 16.

Research and development

All research costs are charged to the statement of profit or loss as incurred.

Development costs are capitalised only when all the following conditions are met:

- the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; and
- its intention to complete and its ability to use or sell the asset; and
- how the asset will generate economic benefits (including demonstration that the product derived from the intangible asset or the intangible asset itself will be marketable or, in the case of internal use, the usefulness of the intangible asset as such); and
- the availability of technical and financial resources to complete the project and procure the use or sale of the intangible asset; and
- the ability to measure reliably the expenditure during the development.

Self-developed systems and software, when the development is done and ready for use, are stated at cost less any impairment losses. The development costs are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding ten years.

50.9 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

50.10 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses), net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), net, and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in 'other (losses)/gains, net' in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

50.11 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)

- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or

- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 25. Movements in the hedging reserve in shareholders' equity are shown in Note 39.

(i) Cash flow hedge that quantity for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other income or other gains/(losses), net.

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognized within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognized within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognized in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other gains/(losses), net.

50.12 Financial liabilities

Financial liabilities are classified as financial liabilities at amortized cost and financial liabilities at FVPL at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortized cost, including trade and note payables, other payables and accruals, borrowings and customer deposit. Such financial liabilities are initially recognized at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

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

50.13 Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method when issued. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using first-in-first-out method.

50.14 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

50.15 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, short-term bank deposits with initial terms within three months and surplus reserve deposits with the Central Bank. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Restricted and pledged bank deposits are not included in cash and cash equivalents.

50.16 Share capital and capital reserve

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

50.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

50.18 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

50.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

50.20 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

50.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future (Note 17).

(iii) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

50.22 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's defined contribution plans mainly include basic pensions and unemployment insurance, while the defined benefit plans are TLSC Group and KUKA Group, etc. provide supplemental retirement benefits beyond the national regulatory insurance system.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(v) Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(vi) Supplementary retirement benefits

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligations less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method at the interest rate of treasury bonds with similar obligation term and currency. The charges related to supplementary retirement benefits (including current service costs, historical service costs and gains or losses on settlement) and net interest are recognized in profit or loss for the current period or included in the cost of an asset, and the changes arising from remeasurement in net liabilities or net assets of defined benefit plans are recognized in other comprehensive income.

50.23 Share-based payments

Share-based payments can be distinguished into equity-settled share-based payments and cash-settled share-based payments. Equity-settled share-based payments are transactions of the Group settled through the payment of shares or other equity instruments in consideration for receiving services.

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of grant and the capital reserve is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognizing services rendered during the period in relevant costs or expenses and crediting the capital reserve accordingly at the fair value on the date of grant according to the best estimates conducted by the Group at each date of the end of the reporting period during the pending period. The fair value of equity instruments is determined using the binomial option pricing model. For details see Note 40. Share-based payment.

No expense is recognized for awards that do not ultimately vest due to non-fulfillment of non-market conditions and/or vesting conditions. For the market or non-vesting condition under the share-based payments agreement, it should be treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that other performance condition and/or vesting conditions are satisfied.

Where the terms of an equity-settled share-based payment are modified, as a minimum, services obtained are recognized as if the terms had not been modified. In addition, an expense is recognized for any modification which increases the total fair value of the instrument ranted or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. Where employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the pending period, equity-settled share-based payments are deemed cancelled. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the new awards are treated as if they were a modification of the original award.

50.24 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

50.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 7 below. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income from financial instruments is calculated by effective interest method and recognized in profit or loss for the current period. Interest income comprises premiums or discounts, or the amortization based on effective rates of other difference between the initial carrying amount and the due amount of interest-earning assets.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and the interest income or interest costs based on effective rates. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the financial instruments or applicable shorter period are discounted to the current carrying amount of the financial instruments. When calculating the effective interest rate, the Group estimates cash flows by considering all contractual terms of the financial instrument (e.g., early repayment options, similar options, etc.), but without considering future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income from impaired financial assets is calculated at the interest rate that is used for discounting estimated future cash flow when measuring the impairment loss.

50.26 Dividend income

Dividend income is recognized when the right to receive dividend payment is established.

50.27 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

50.28 Government grants

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

50.29 Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate of the other entity (or a associate of a member of a group of which the other entity is a member).

(iii) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(iv) The entity is controlled or jointly controlled by a person identified in (a).

(v) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(vi) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2024 and up to the date of this report.

The following is the text of a report set out on pages IA-1 to IA-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. The information set out below is the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 and does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purpose only.

pwc 羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE DIRECTORS OF MIDEA GROUP CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages IA-3 to IA-39, which comprises the interim condensed consolidated statement of financial position of Midea Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2024 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended and selected explanatory notes (together, the "Interim Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Other Matter

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2023. The comparative information for the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows, and related explanatory notes, for the period ended 30 June 2023 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
9 September 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 30 June	
		2024	**2023**
		RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Revenue	*4*	218,121,839	197,795,614
Cost of revenue	*7*	(159,630,449)	(148,352,436)
Gross profit		58,491,390	49,443,178
Selling and marketing expenses	*7*	(21,455,813)	(17,133,161)
General and administrative expenses	*7*	(6,964,685)	(5,904,217)
Research and development expenses	*7*	(7,662,534)	(6,613,944)
Net impairment losses on financial assets and contract assets		(35,208)	(219,212)
Other income	*5*	4,426,954	3,652,611
Other (losses)/gains, net	*6*	(1,611,408)	160,218
Operating profit		25,188,696	23,385,473
Finance income	*8*	697,281	471,856
Finance costs	*8*	(866,073)	(2,097,825)
Finance costs, net		(168,792)	(1,625,969)
Share of profit of associates and joint ventures, net	*18*	431,939	348,545
Profit before income tax		25,451,843	22,108,049
Income tax expense	*9*	(4,310,369)	(3,578,648)
Profit for the period		21,141,474	18,529,401
Attributable to:			
Owners of the Company		20,804,395	18,232,839
Non-controlling interests		337,079	296,562
		21,141,474	18,529,401
Earnings per share for profit attributable to owners of the Company:	*11*		
– Basic (RMB per share)		3.02	2.67
– Diluted (RMB per share)		3.01	2.66

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit for the period	21,141,474	18,529,401
Other comprehensive loss:		
Items that may be reclassified to profit or loss, net of tax		
– Other comprehensive income that will be transferred subsequently to profit or loss under the equity method, net of tax	12,565	35,908
– Cash flow hedging reserves, net of tax	(214,144)	(133,849)
– Currency translation differences of foreign operations	(542,790)	181,669
– Others, net of tax	(22,748)	(25,644)
Items that will not be reclassified to profit or loss, net of tax		
– Changes arising from remeasurement of defined benefit plan, net of tax	15,515	(21,788)
– Changes in fair value of investments in other equity instruments, net of tax	48	–
Other comprehensive (loss)/income for the period, net of tax	(751,554)	36,296
Attributable to:		
Owners of the Company	(491,428)	17,025
Non-controlling interests	(260,126)	19,271
Total comprehensive income for the period	20,389,920	18,565,697
Attributable to:		
Owners of the Company	20,312,967	18,249,864
Non-controlling interests	76,953	315,833

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2024	As at 31 December 2023
		RMB'000 *(Unaudited)*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	37,055,607	36,382,765
Right-of-use assets	*13*	11,024,196	11,501,892
Investment properties		1,234,600	1,293,629
Intangible assets	*14*	39,393,006	40,860,697
Deferred tax assets		13,806,344	12,771,150
Prepayments, other receivables and other assets	*15*	2,915,946	2,705,275
Investments in associates and joint ventures	*18*	4,840,550	4,976,109
Loan receivables	*17*	564,901	975,272
Derivative financial instruments	*21*	2,931,156	2,082,347
Other financial assets at amortized cost	*19*	81,596,068	79,121,387
Other financial assets at fair value through other comprehensive income	*20*	5,175,236	6,356,921
Other financial assets at fair value through profit or loss	*20*	4,304,815	5,687,591
Total non-current assets		204,842,425	204,715,035
Current assets			
Inventories	*22*	40,329,230	47,339,255
Contract assets	*23*	3,617,571	4,045,925
Trade and note receivables at amortized cost	*24*	49,799,076	38,406,699
Trade and note receivables at fair value through other comprehensive income	*16*	19,892,103	13,330,008
Prepayments, other receivables and other assets	*15*	14,510,502	14,796,946
Loan receivables	*17*	13,958,685	14,296,958
Derivative financial instruments	*21*	1,556,841	1,670,754
Other financial assets at amortized cost	*19*	52,141,221	59,275,572
Other financial assets at fair value through other comprehensive income	*20*	1,287,344	4,694,429
Other financial assets at fair value through profit or loss	*20*	2,745,091	1,790,588
Term deposits and restricted cash	*25*	50,449,220	21,786,586
Cash and cash equivalents	*25*	51,500,714	59,887,260
Total current assets		301,787,598	281,320,980
Total assets		506,630,023	486,036,015

	Note	As at 30 June 2024	As at 31 December 2023
		RMB'000 (Unaudited)	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	26	43,070,309	49,356,705
Lease liabilities	13	1,911,438	2,047,319
Deferred tax liabilities		4,911,543	5,097,810
Other payables and accruals	29	2,343,846	2,253,296
Deferred income	31	1,740,573	1,734,932
Derivative financial instruments	21	2,798	2,282
Total non-current liabilities		53,980,507	60,492,344
Current liabilities			
Trade and note payables	27	108,203,156	94,238,073
Contract liabilities	28	34,683,769	41,765,475
Borrowings	26	27,682,979	22,109,985
Lease liabilities	13	1,130,176	1,166,901
Customer deposits		59,932	88,960
Derivative financial instruments	21	699,476	413,222
Other financial liabilities at fair value through profit or loss	30	1,075,388	1,346,674
Current tax liabilities		3,785,921	3,477,253
Other payables and accruals	29	99,044,845	86,639,178
Total current liabilities		276,365,642	251,245,721
Total liabilities		330,346,149	311,738,065
EQUITY			
Share capital	32	6,980,152	7,025,769
Treasury shares	33	(6,497,464)	(12,871,738)
Reserves	35	28,162,413	32,440,770
Retained earnings	34	136,151,033	136,282,362
Equity attributable to owners of the Company		164,796,134	162,877,163
Non-controlling interests		11,487,740	11,420,787
Total equity		176,283,874	174,297,950
Total equity and liabilities		506,630,023	486,036,015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000 *(Note 32)*	*RMB'000* *(Note 33)*	*RMB'000* *(Note 35)*	*RMB'000* *(Note 34)*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2024 (Unaudited)							
Balance at 1 January 2024	7,025,769	(12,871,738)	32,440,770	136,282,362	162,877,163	11,420,787	174,297,950
Comprehensive income:							
Profit for the period	–	–	–	20,804,395	20,804,395	337,079	21,141,474
Other comprehensive loss	–	–	(491,428)	–	(491,428)	(260,126)	(751,554)
Total comprehensive (loss)/income	–	–	(491,428)	20,804,395	20,312,967	76,953	20,389,920
Transactions with owners							
Capital injection *(Note 32, Note 35)*	25,112	–	1,098,850	–	1,123,962	30,064	1,154,026
Share-based compensation expenses	–	–	780,439	–	780,439	24,906	805,345
Appropriation to general reserves	–	–	162,738	(162,738)	–	–	–
Reversal of general reserves	–	–	(3,366)	3,366	–	–	–
Cancellation of shares *(Note 32, Note 33, Note 35)*	(69,808)	5,159,408	(5,089,600)	–	–	–	–
Dividends *(Note 10)*	–	–	–	(20,776,352)	(20,776,352)	(63,746)	(20,840,098)
Appropriation to special reserves	–	–	4,638	–	4,638	10,445	15,083
Special reserves utilization	–	–	(3,361)	–	(3,361)	(10,095)	(13,456)
Exercise or lapse (repurchases and cancellation) of other share schemes *(Note 32, Note 33, Note 35)*	(921)	1,214,866	(740,707)	–	473,238	–	473,238
Others	–	–	3,440	–	3,440	(1,574)	1,866
Balance at 30 June 2024	6,980,152	(6,497,464)	28,162,413	136,151,033	164,796,134	11,487,740	176,283,874

	Attributable to owners of the Company						
	Share capital	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 32)	*(Note 33)*	*(Note 35)*	*(Note 34)*			
Six months ended 30 June 2023 (Unaudited)							
Balance at 1 January 2023	6,997,273	(14,933,944)	31,193,091	119,675,616	142,932,036	8,988,529	151,920,565
Comprehensive income:							
Profit for the period	–	–	–	18,232,839	18,232,839	296,562	18,529,401
Other comprehensive income	–	–	17,025	–	17,025	19,271	36,296
Total comprehensive income	–	–	17,025	18,232,839	18,249,864	315,833	18,565,697
Transactions with owners							
Capital injection *(Note 32, Note 35)*	27,406	–	1,289,426	–	1,316,832	17,897	1,334,729
Non-controlling interests arising from business combinations	–	–	–	–	–	2,551,324	2,551,324
Share-based compensation expenses	–	–	558,688	–	558,688	21,862	580,550
Appropriation to general reserves	–	–	5,972	(5,972)	–	–	–
Dividends *(Note 10)*	–	–	–	(17,181,616)	(17,181,616)	(62,054)	(17,243,670)
Appropriation to special reserves	–	–	1,768	–	1,768	472	2,240
Special reserves utilization	–	–	(1,397)	–	(1,397)	(349)	(1,746)
Exercise or lapse (repurchases and cancellation) of other share schemes *(Note 32, Note 33, Note 35)*	(2,498)	1,114,904	(546,056)	–	566,350	–	566,350
Transaction with NCI	–	–	(64,559)	–	(64,559)	(27,335)	(91,894)
Others	–	–	(12,102)	–	(12,102)	67,743	55,641
Balance at 30 June 2023	7,022,181	(13,819,040)	32,441,856	120,720,867	146,365,864	11,873,922	158,239,786

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2024	Six months ended 30 June 2023
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations	36(a)	38,100,311	33,667,847
Interest received		641,822	417,700
Income tax paid		(5,253,963)	(4,300,873)
Net cash generated from operating activities		33,488,170	29,784,674
Cash flows from investing activities:			
Disposal of subsidiaries, net of cash disposed		(215,770)	(66,892)
Proceeds from acquisition of subsidiaries, net of cash acquired		–	373,816
Proceeds from disposal of investments in associates and joint ventures		26,015	–
Proceeds from disposal of financial assets		58,932,362	56,866,188
Payments for purchase of financial assets		(78,156,904)	(84,964,587)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets		382,397	113,016
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		(3,734,576)	(2,794,669)
Interest received and others		1,550,444	3,065,690
Dividends received from associates		580,478	360,750
Net cash used in investing activities		(20,635,554)	(27,046,688)
Cash flows from financing activities:			
Proceeds from share schemes		1,167,830	1,877,123
Payments for repurchase of shares and refund the exercise price of lapsed restricted shares		(22,768)	(68,089)
Transactions with non-controlling interests		20,000	(166,562)
Proceeds from borrowings		19,407,555	14,310,153
Repayments of borrowings		(19,083,158)	(3,772,807)
Receipt from the deposit related to the bond insurance of subsidiaries		–	265,000
Interests paid		(805,920)	(878,830)
Dividends paid to the Company's shareholders		(20,780,278)	(17,188,858)
Dividends paid to non-controlling interests in subsidiaries		(84,424)	(100,216)
Related payments of lease liabilities		(726,899)	(728,765)
Listing expenses paid		(5,224)	–
Others		(63,870)	13,923
Net cash used in financing activities		(20,977,156)	(6,437,928)
Net decrease in cash and cash equivalents		(8,124,540)	(3,699,942)
Cash and cash equivalents at beginning of the period		59,887,260	51,131,968
Exchange (losses)/gains on cash and cash equivalents		(262,006)	128,769
Cash and cash equivalents at end of the period	25	51,500,714	47,560,795

I. NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE GROUP

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

The Company and its subsidiaries (hereinafter collectively referred to as "the Group") are principally engaged in manufacturing and sales of residential air-conditioner, central air-conditioner, heating and ventilation systems, kitchen appliances, refrigerators, washing machines and various small appliances, elevators, high-voltage inverters, low-voltage inverters, medical imaging products, robotics and automation system. The Group also carried out other businesses including provision of the smart supply chain; sale, wholesale and processing of raw materials of household electrical appliances; and financial businesses involving customer deposits, interbank lending and borrowings, consumption credits, buyer's credits and finance leases.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation

This interim condensed consolidated financial information, comprising interim condensed consolidated statement of financial position as at 30 June 2024, the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months ended 30 June 2024 (collectively referred to as the "Interim Financial Information"), has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standard Board ("IASB").

The Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the historical financial information for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024 (the "Historical Financial Information") as disclosed in Appendix I to the prospectus issued by the Company.

This Interim Financial Information contains consolidated financial statements and selected explanatory notes. The selected notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the latest annual consolidated financial statements as at and for the year ended 31 December 2023. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards ("IFRS"). Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the Historical Financial Information and notes thereto.

2.2 New standards and interpretations adopted

The adoption of new and amended standards and interpretation as described below.

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16. . .	Lease Liability in a sales and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024

The adoption of new and amended standards and interpretation did not have material impact on the Interim Financial Information.

2.3 New standards and interpretations not yet been adopted

Amended standards that have been issued but not yet effective and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to IAS 21 . . .	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Financial Instruments Standards	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture	To be determined

The above new standards, new interpretations and amended standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.4 Critical Accounting Estimates and Judgements

The preparation of the interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the Historical Financial Information.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, other price risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the directors and senior management of the Group.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Historical Financial Information. There were no significant changes in any material risk management policies during the six months ended 30 June 2024.

3.2 Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2023 and the six months ended 30 June 2024.

The Group monitors capital on the basis of the asset-liability ratio and the asset-liability ratio as at 30 June 2024 and 31 December 2023 were as follows:

	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	
Total assets (RMB'000)	506,630,023	486,036,015
Total liabilities (RMB'000)	330,346,149	311,738,065
Asset-liability ratio	65.20%	64.14%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2024 and 31 December 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(a) Fair value hierarchy

As at 30 June 2024 and 31 December 2023, the financial assets and liabilities measured at fair value on a recurring basis by the above three levels were analyzed below:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)				
As at 30 June 2024				
Financial assets:				
Trade and note receivables at FVOCI *(Note 16)*	–	19,892,103	–	19,892,103
Derivative financial instruments *(Note 21)*	–	4,487,997	–	4,487,997
Other financial assets at FVPL *(Note 20(a))*	2,258,780	486,311	4,304,815	7,049,906
Other financial assets at FVOCI *(Note 20(b))*	–	6,424,870	37,710	6,462,580
Total financial assets	2,258,780	31,291,281	4,342,525	37,892,586
Financial liabilities:				
Other financial liabilities at FVPL *(Note 30)*	–	–	1,075,388	1,075,388
Derivative financial instruments *(Note 21)*	–	702,274	–	702,274
Total financial liabilities	–	702,274	1,075,388	1,777,662

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023				
Financial assets:				
Trade and note receivables at FVOCI *(Note 16)*	–	13,330,008	–	13,330,008
Derivative financial instruments *(Note 21)*	–	3,753,101	–	3,753,101
Other financial assets at FVPL *(Note 20(a))*	1,726,584	64,004	5,687,591	7,478,179
Other financial assets at FVOCI *(Note 20(b))*	–	11,013,476	37,874	11,051,350
Total financial assets	1,726,584	28,160,589	5,725,465	35,612,638
Financial liabilities:				
Other financial liabilities at FVPL *(Note 30)*	–	–	1,346,674	1,346,674
Derivative financial instruments *(Note 21)*	–	415,504	–	415,504
Total financial liabilities	–	415,504	1,346,674	1,762,178

The timing of transfers is determined at the date of the event or change in circumstances that caused the transfers. During the period, there was no transfer between Level 1 and Level 2 or between Level 2 and Level 3.

(b) Valuation techniques used to determine fair values

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow approach, market comparable company approach and net assets approach. The inputs of the valuation technique mainly include risk-free interest rate, floating rate, foreign exchange rate, volatility, financial data of target companies, market multiple of comparable companies and discount for lack of marketability.

Assets and liabilities subject to Level 2 fair value measurement were mainly included trade and note receivables at FVOCI, structured deposits in other financial assets at FVPL, transferable certificate of deposit in other financial assets at FVOCI and derivative financial instruments are evaluated by discounted cash flows approach, market approach and income approach.

Assets and liabilities subject to Level 3 fair value measurement were mainly included unlisted securities of other financial assets at FVPL and other financial assets at FVOCI, and financial liabilities at FVPL. These assets and liabilities were measured mainly using market approach, net asset value and consensus pricing. The judgement of Level 3 of the fair value hierarchy is based on the materiality of unobservable inputs towards calculation of whole fair value. Significant unobservable inputs mainly include the financial data of targeted companies, market multiple of comparable companies and discount for lack of marketability.

The Group did not change any valuation techniques in determining the level 2 and level 3 fair values.

The following table presents the changes in level 3 items:

Reconciliation of Level 3 fair value measurements	Financial assets at FVOCI and FVPL	
	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Opening balance	5,725,465	6,389,915
Additions	–	159,090
Disposals/settlements	(67,227)	(160,792)
Transfer out of Level 3 *(a)*	(1,345,172)	(69,044)
Changes in fair value recognized in other comprehensive income	48	–
Changes in fair value recognized in profit or loss	22,922	(171,611)
Currency translation differences	6,489	39,070
Closing balance	4,342,525	6,186,628

Reconciliation of Level 3 fair value measurements	Other financial liabilities at FVPL	
	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Opening balance	1,346,674	1,580,771
Disposals/settlements	(63,870)	(150,903)
Changes in fair value recognized in profit or loss	(207,416)	4,451
Closing balance	1,075,388	1,434,319

(a) For the six months ended 30 June 2024 and 2023, certain financial assets were transferred out of level 3 of fair value hierarchy classifications mainly as a result of the conversion of restricted listed securities into tradable listed securities.

(b) For the six months ended 30 June 2024, the Group's own credit risk on other financial liabilities at FVPL was not considered to be a significant input factor.

4. SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

The Group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, examines the Group's performance both from a product and geographic perspective and has identified four reportable segments of its business:

- Heating & ventilation, as well as air-conditioner (hereinafter referred to as "HVAC"): this part of the business comprises manufacturing and sales of household air-conditioner, central air-conditioner, heating and ventilation system and other related products in domestic and other countries.

- Consumer appliances: this part of the business manufacturing and sales of kitchen appliances, refrigerators, washing machines, all kinds of small household appliances and other related products in domestic and other countries.

- Robotics and automation system: this part of the business manufacturing and sales of robots, automation systems, inverter and elevator servo systems, new energy vehicles parts and other related products in domestic and other countries.

- Others: this part of the business includes a) Annto Logistics service platform of intelligent supply chain business integration solution; b) Wandong Medical, engaged in medical device products and related services; c) the entire value chain of the industrial internet service platform which performs home appliance raw material sales and wholesale; and d) financial services such as deposits taking, inter-bank borrowing, consumer credit, loan receiving and financial leasing mainly in China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that net impairment losses on financial assets and contract assets, other income (excluding interest income), other gains/losses (excluding net foreign exchange gains/losses), share of profit of associates and joint ventures, impairment provision for inventories and other assets and impairment provision for investments in associates and joint ventures are excluded from such measurement.

(b) Segment information

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

Segment information for the six months ended 30 June 2024 is as follows:

(Unaudited)	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Inter-segment elimination	Total
Revenue from external customers	111,400,967	81,564,415	16,016,279	9,140,178	–	218,121,839
Inter-segment revenue	2,226,979	450,163	316,178	4,851,504	(7,844,824)	–
Operating costs and expenses	(100,223,126)	(72,827,039)	(16,131,918)	(13,089,474)	7,555,413	(194,716,144)
Segment profit	13,404,820	9,187,539	200,539	902,208	(289,411)	23,405,695
Other profit or loss						2,046,148
Total profit before income tax						25,451,843
Total assets	227,906,262	193,792,328	51,374,621	253,562,975	(220,006,163)	506,630,023
Total liabilities	162,792,152	141,948,534	34,297,072	258,616,781	(267,308,390)	330,346,149
Investments in associates and joint ventures	490,991	124,297	43,698	4,181,564	–	4,840,550
Share of profit of associates and joint ventures, net	279,988	1,871	(244)	150,324	–	431,939
Net impairment losses/(reversal) on financial assets and contract assets	6,262	(33,927)	4,347	109,672	(51,146)	35,208
Depreciation and amortization	1,238,444	941,895	718,340	941,576	(4,473)	3,835,782

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

(Unaudited)	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Inter-segment elimination	Total
Revenue from external customers	102,081,554	72,090,725	16,415,970	7,207,365	–	197,795,614
Inter-segment revenue	1,700,542	431,191	207,239	3,143,282	(5,482,254)	–
Operating costs and expenses	(91,806,007)	(64,097,603)	(16,569,793)	(9,179,970)	5,266,038	(176,387,335)
Segment profit	11,976,089	8,424,313	53,416	1,170,677	(216,216)	21,408,279
Other profit or loss						699,770
Total profit before income tax						22,108,049
Share of profit of associates and joint ventures, net	176,833	1,860	1,014	168,838	–	348,545
Net impairment losses/(reversal) on financial assets and contract assets	109,005	73,334	(16,427)	19,570	33,730	219,212
Depreciation and amortization	1,111,247	991,929	619,591	548,159	28,881	3,299,807

Revenue from external customers is derived from sales of the Heating & ventilation, air conditioner, consumer appliances, robotics and automation system, and other businesses.

There was no customer who individually contributed 10% or more of the Group's revenue for the period.

The timing of revenue recognition is shown in the table below.

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Revenue recognized at a point in time		
Heating & ventilation, as well as air-conditioner	111,133,446	101,964,051
Consumer appliances	81,552,187	72,082,444
Robotics and automation system	7,988,683	7,868,157
Other segments and unallocated	7,689,796	5,458,158
Revenue recognized over time		
Robotics and automation system	8,014,833	8,535,080
Heating & ventilation, as well as air-conditioner	262,581	109,313
Other segments and unallocated	574,427	912,290

The Company is domiciled in Mainland China. The amount of the Group's revenue from external customers by location of the customers is shown in the table below:

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Mainland China	127,045,708	117,259,490
Other countries or regions	91,076,131	80,536,124
	218,121,839	197,795,614

(c) Assets and liabilities related to contracts with customers

The assets and liabilities related to contracts with customers refer to Note 23 and Note 28.

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Interest income *(a)*	3,042,813	2,863,080
Government grants *(b)*	687,887	789,531
Additional deduction for VAT *(c)*	696,254	–
	4,426,954	3,652,611

(a) Interest income

Interest income from other financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 6 below. Interest income on other financial assets at amortized cost and other financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

(b) Government grants

The government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments, to reward the Group's support and contribution for the development of local economies. As at 30 June 2024 and 31 December 2023, there were no unfulfilled conditions or contingencies relating to these government grants.

(c) Additional deduction for VAT

Pursuant to the Notice on the Additional Value-added Tax ("VAT") Credit Policy for Advanced Manufacturing Enterprises (Announcement [2023] No. 43) issued by the Ministry of Finance and the State Taxation Administration in September 2023, advanced manufacturing enterprises are eligible for a 5% additional VAT deduction based on deductible input VAT.

6. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Net gains on financial instruments *(a)*	375,360	45,265
Net foreign exchange (losses)/gains	(2,209,120)	188,039
Net gains on disposal of property, plant and equipment and other assets	114,007	8,525
Others	108,345	(81,611)
	(1,611,408)	160,218

(a) Net gains on financial instruments mainly include net gains on derivative financial instruments, other financial assets at FVPL and other financial liabilities at FVPL.

7. EXPENSES BY NATURE

Expenses included in cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses are analyzed as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Raw materials and consumables used	130,636,444	120,842,630
Employee benefit expenses	21,784,419	19,789,282
Installation and after-sales expenses	5,007,967	4,856,446
Transportation and insurance charges	10,447,979	8,332,156
Advertising and promotion expenses	11,269,849	8,202,326
Depreciation and amortization	3,835,782	3,299,807
Auditors' remuneration	5,275	3,405
Listing expenses	1,414	–
Others	12,724,352	12,677,706
	195,713,481	178,003,758

8. FINANCE COSTS, NET

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Finance income:		
Interest income from financial assets held for cash management purposes *(a)*	641,822	417,700
Reclassification from cost of hedge reserves	55,459	54,156
	697,281	471,856

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Finance costs:		
Interest and finance charges paid/payable for borrowings	(990,207)	(1,466,460)
Interest and finance charges paid/payable for lease liabilities *(Note 13(b))*	(74,478)	(59,223)
Net exchange gains/(losses) on foreign currency borrowings	198,612	(572,142)
	(866,073)	(2,097,825)
Finance costs, net	(168,792)	(1,625,969)

(a) Interest income represents interest income from cash and cash equivalent, including bank balances and term deposits with initial terms within three months.

9. TAXATION

(a) Income tax expense

Income tax expense is recognized based on management's best knowledge of the income tax rates expected for the financial year.

The following table sets forth the component of income tax expenses of the Group for the six months ended 30 June 2024 and 2023:

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Current income tax	5,625,048	5,274,130
Deferred income tax	(1,314,679)	(1,695,482)
	4,310,369	3,578,648

(i) PRC corporate income tax ("CIT")

The income tax provision of the Group in respect of its operations in mainland China was calculated at tax rate of 25% on the assessable profits for the periods presented, based on the existing legislation, interpretation and practices in respect thereof.

Certain subsidiaries of the Company in the Mainland of China were approved as high-tech Enterprise, and they were subject to a preferential corporate income tax rate of 15% during the period.

Certain subsidiaries of the Company were entitled to other tax concessions, mainly including the preferential tax rate of 15% applicable to some subsidiaries located in certain areas of the Mainland of China upon fulfillment of certain requirements of the respective local governments application conditions of relevant preferential policies.

During the period, certain subsidiaries of the Company located in mainland China fulfill the micro and small enterprises qualification under Chinese corporate income tax system. Therefore, these subsidiaries were subject to the effective income tax rate of 5%.

The Company's subsidiaries in Mainland China other than those mentioned above are subject to enterprise income tax at the rate of 25%.

(ii) Cayman Islands and British Virgin Islands corporate income tax

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are not subject to tax on their income or capital gains.

(iii) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the period.

(iv) Corporate income tax in other jurisdictions

The income tax rates of the subsidiaries in Singapore, Brazil, Japan, Italy, Germany, Israel, Egypt, USA and Vietnam are 17%, 34%, 34.01%, 24%, 32%, 23%, 22.5%, 21% and 20%, respectively.

Midea Electric Trading (Singapore) Co., Pte Ltd., the Company's subsidiary, was awarded with the Certificate of Honor for Development and Expansion (No. 587) by the Singapore Economic Development Board and subject to the applicable preferential income tax rate of 6% during the period.

Under the investment preferential BOI policy of the Thailand Board of Investment, eligible subsidiaries in Thailand are not subject to tax on their BOI business income which belongs to the preferential policy during the period.

Income tax on profit arising from other jurisdictions, including Singapore, Brazil, Japan, Italy, Germany, Israel, Egypt, the USA and Vietnam had been calculated on the estimated assessable profit for the period at the respective rates prevailing in the relevant jurisdictions.

(v) Additional Deduction for research and development expense

According to the relevant laws and regulations promulgated by the State Council of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Additional Deduction"). The State Taxation Administration of The People's Republic of China ("STA") further announced in March 2021 that manufacturing enterprises engaging in research and development activities would entitle to claim 200% of their research and development expenses as Accelerated Deduction since 1 January 2021. The STA further announced in March 2023 that eligible enterprises would entitle to claim 200% of their research and development expenses as Additional Deduction since 1 January 2023. The Group has made its best estimate for the Additional Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the period.

(vi) Withholding tax ("WHT")

According to the New Enterprise Income Tax Law ("New EIT Law"), distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 10% or treaty tax rate, depending on the country of incorporation of the foreign investors, upon the distribution of profits to overseas-incorporated immediate holding companies. As at 30 June 2024 and 31 December 2023, the Group has recognized deferred tax liabilities in relation to withholding taxes for the earnings of the Mainland China subsidiaries to be remitted in the foreseeable future.

As at 30 June 2024 and 31 December 2023, the Group does not have plans to require some overseas subsidiaries to distribute their unremitted earnings in the foreseeable future, and intends to retain them to operate and expand its business in overseas. Accordingly, no deferred income tax liability related to WHT on unremitted earnings of these subsidiaries was accrued as at the end of each reporting period.

(vii) OECD Pillar Two model rules

The Organisation for Economic Co-operation and Development ("OECD") published Pillar Two model rules in December 2021, with the effect that a jurisdiction may enact domestic tax laws ("Pillar Two legislation") to implement the Pillar Two model rules on a globally agreed common approach. Pillar Two legislation applies to a member of a multinational group within the scope of the Pillar Two model rules, which the Group is reasonably expected to fall into. It imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate determined by the Pillar Two model rules on a jurisdictional basis is below a minimum rate of 15%.

The Group has reviewed its corporate structure in light of the introduction of Pillar Two model rules in various jurisdictions and engaged external tax specialists to assist them with applying the legislation and determining the related impact.

As at 30 June 2024, the Group mainly operates in the Mainland of China, in which exposures to Pillar Two income taxes might exist although the legislation is not yet substantively enacted or enacted. The Group applies the IAS 12 exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

For those jurisdictions where the Pillar Two legislation was enacted but not effective at the reporting date, the Group has no related current tax exposure. However, certain subsidiaries of the Company are located in jurisdictions mainly including Netherlands, Japan, Germany and Italy where Pillar Two legislation was effective since 1 January 2024, and the Group's assessment indicates that there is no material related current tax exposure in these jurisdictions for the six months ended 30 June 2024.

10. DIVIDENDS

	Six months ended 30 June	
	2024	**2023**
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Ordinary A shares		
Final dividends in respect of the previous year, declared and paid during the period (tax inclusive)	20,780,278	17,188,858
Dividends of lapsed restricted shares	(3,926)	(7,242)
	20,776,352	17,181,616

The final dividends of RMB25 and RMB30 per 10 shares (tax inclusive) in respect of the years ended 31 December 2022 and 2023 were approved by the Annual General Meeting of the Company.

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2024 and 2023, excluding ordinary shares held for share schemes as these shares are not considered outstanding for earnings per share calculation purposes.

	Six months ended 30 June	
	2024	**2023**
	(Unaudited)	*(Unaudited)*
Profit attributable to owners of the Company (RMB'000)	20,804,395	18,232,839
Less: Dividends payable to expected vested restricted shares (RMB'000)	(105,952)	(78,122)
Profit attributable to owners of the Company used in calculating basic EPS (RMB'000)	20,698,443	18,154,717
Weighted average number of ordinary shares in issue (thousand shares)	6,863,659	6,802,764
Basic EPS (RMB per share)	3.02	2.67

(b) Diluted

The share schemes granted by the Company and the subsidiaries have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share schemes (collectively forming the denominator for computing the diluted EPS).

For the six months ended 30 June 2024 and 2023, the Restricted Share Incentive Schemes and Stock Ownership Schemes granted by the Group's subsidiaries had either anti-dilutive effect or insignificant dilutive effect to the Group's diluted earnings per share.

	Six months ended 30 June	
	2024	**2023**
	(Unaudited)	*(Unaudited)*
Adjusted profit attributable to owners of the Company used in calculating diluted EPS (RMB'000)	20,722,969	18,164,127
Weighted average number of ordinary shares in issue (thousand shares)	6,863,659	6,802,764
Adjustments for potential shares arising from share schemes (thousand shares)	21,075	13,202
Weighted average number of ordinary shares used in calculating diluted EPS (thousand shares)	6,884,734	6,815,966
Diluted EPS (RMB per share)	3.01	2.66

12. PROPERTY, PLANT AND EQUIPMENT

	As at 30 June	As at 31 December
	2024	**2023**
	RMB'000 *(Unaudited)*	*RMB'000*
Buildings	15,834,001	15,390,258
Overseas land	1,413,436	1,382,410
Machinery and equipment	11,800,881	11,687,212
Motor vehicles	236,294	248,737
Electronic equipment and others	2,250,819	2,229,346
Construction in progress	4,774,313	4,681,220
Leasehold improvements	745,863	763,582
Total	37,055,607	36,382,765

(a) Certain property, plant and equipment as at 30 June 2024 and 31 December 2023 respectively, were pledged as securities for bank loan facilities and financing lease.

(b) Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Six months ended 30 June	
	2024	**2023**
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Cost of revenue	1,261,643	1,147,212
General and administration expenses and research and development expenses	786,551	685,799
Selling and marketing expenses	149,050	148,708
	2,197,244	1,981,719

13. LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts recognized in the consolidated statement of financial position

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Right-of-use assets		
Buildings	2,643,768	2,804,826
Machinery and equipment	171,280	157,036
Land use rights and others	6,724,078	6,845,052
Trademark use rights	1,485,070	1,694,978
	11,024,196	11,501,892
Lease liabilities		
Current	1,130,176	1,166,901
Non-current	1,911,438	2,047,319
	3,041,614	3,214,220

Certain Leasehold land and land use rights were pledged as securities for bank loan facilities as at 30 June 2024 and 31 December 2023.

(b) Amounts recognized in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	Six months ended 30 June 2024	Six months ended 30 June 2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Depreciation charge of right-of-use assets		
Buildings	589,676	499,888
Machinery and equipment	51,336	43,043
Land use rights and others	108,607	91,374
Trademark use rights	22,640	25,307
	772,259	659,612
Interest expense (included in finance cost) *(Note 8)*	74,478	59,223
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	524,111	444,830
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses and administrative expenses)	4,317	2,301
Expense relating to variable lease payments not included in lease liabilities (included in operating expenses and administrative expenses)	227,062	172,775

The total cash outflow for leases during the six months ended 30 June 2024 and 2023 were approximately RMB1,536,961,000 and RMB1,400,080,000, respectively.

14. INTANGIBLE ASSETS

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Goodwill	29,986,897	30,858,237
Patents and non-patent technologies	2,663,541	2,814,995
Trademark rights	4,678,034	4,827,900
Others	2,064,534	2,359,565
	39,393,006	40,860,697

(a) Amortization of the Group's intangible assets has been recognized as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Cost of revenue	428,016	348,719
Research and development expenses	4,842	4,822
General and administration expenses	60,998	54,623
	493,856	408,164

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Prepayments and other assets		
Prepayments *(a)*	5,840,158	4,767,457
Deductible value-added tax	5,023,914	5,852,464
Prepaid expenses	1,065,480	1,047,492
Deferred listing expenses	53,671	30,876
Others	2,451,781	2,060,175
	14,435,004	13,758,464
Less: non-current portion	(2,780,657)	(2,454,756)
	11,654,347	11,303,708
Other receivables and other assets		
Other receivables	1,906,339	2,233,595
Long-term receivables *(b)*	940,680	1,050,627
Futures margin	320,764	632,773
	3,167,783	3,916,995
Less: provision for impairment		
– Other receivables	(58,584)	(51,717)
– Long-term receivables	(117,755)	(121,521)
	(176,339)	(173,238)
Less: non-current portion	(135,289)	(250,519)
	2,856,155	3,493,238
Prepayments, other receivables and other assets	14,510,502	14,796,946

(a) The non-current portion of prepayments mainly comprise prepaid construction equipment.

(b) Long-term receivables mainly comprise finance lease receivables.

16. TRADE AND NOTE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June	As at 31 December
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	
Trade and note receivables at FVOCI	19,892,103	13,330,008

Trade and note receivables at FVOCI were mainly accounts receivable and bank acceptance notes transferred, discounted and endorsed for the purpose of daily treasury management and were qualified for derecognition.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9.

17. LOAN RECEIVABLES

	As at 30 June	As at 31 December
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	
Loan receivables to individuals	1,228,100	1,555,477
Loan receivables to corporations	13,606,455	14,073,508
	14,834,555	15,628,985
Less: provision for impairment	(310,969)	(356,755)
	14,523,586	15,272,230
Less: non-current portion	(564,901)	(975,272)
	13,958,685	14,296,958

By type of collateral held:

	As at 30 June	As at 31 December
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	
Unsecured loans	1,224,871	1,553,285
Guaranteed loans	416,680	481,542
Pledged loans	13,193,004	13,594,158
	14,834,555	15,628,985

Impairment on loan receivables is measured as either 12-month expected credit losses or lifetime credit loss. On such basis, the Group's loan receivables was mainly concentrated in Stage 1.

18. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Movement of investments in associates and joint ventures is analyzed as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
At the beginning of the period	4,976,109	5,188,817
Additions	34,819	–
Disposals and transfers	(29,813)	(866,729)
Business combination	–	372,439
Share of profit, net	431,939	348,545
Share of other comprehensive income	12,565	36,188
Share of other equity movement	3,488	471
Dividends	(585,221)	(360,750)
Currency translation differences	(3,336)	12,229
	4,840,550	4,731,210
Less: impairment loss	–	–
At the end of the period	4,840,550	4,731,210

Investments in associates and joint ventures of the Group mainly included the investments in Guangdong Shunde Rural Commercial Bank Co., Ltd., Hefei Royalstar Motor Co., Ltd., Carrier Midea North America LLC, Foshan Micro Midea Filter Mfg. Co., Ltd, Concepcion Midea Inc., TWENTYTHREEC LLC, ShenZhen CEGN Co., Ltd. and T.G. Battery Co. (Hong Kong) Ltd..

There was no associate nor joint venture of the Group as at 30 June 2024 which, in the opinion of the directors, was material to the Group.

19. OTHER FINANCIAL ASSETS AT AMORTIZED COST

	As at 30 June	As at 31 December
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000*
Constant Return Financial Products	133,737,289	138,396,959
Less: non-current portion	(81,596,068)	(79,121,387)
	52,141,221	59,275,572

As at 30 June 2024 and 31 December 2023, constant return financial products of the Group were mainly included term bank deposits with initial terms of over one year, custom deposits and certificates of deposits deposited in financial institutions, which were subsequently measured at amortized cost.

Certain other financial assets at amortized cost were pledged as guaranteed deposits for notes payables as at 30 June 2024 and 31 December 2023.

Other Financial assets at amortized cost are subject to the impairment assessment according to IFRS 9, the identified impairment loss was immaterial as at 30 June 2024 and 31 December 2023.

20. OTHER FINANCIAL ASSETS AT FVPL AND FVOCI

(a) Other financial assets at FVPL

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Non-current:		
– Equity securities *(a)*	4,304,815	5,687,591
Current:		
– Structured deposits	425,937	53,750
– Listed securities	2,258,780	1,726,584
– Others	60,374	10,254
	2,745,091	1,790,588
	7,049,906	7,478,179

(a) Equity securities mainly comprise unlisted securities. The fair values of these equity securities are measured using a valuation technique with unobservable inputs and hence classified as Level 3 of the fair value hierarchy.

(b) Other Financial assets at FVOCI

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Non-current:		
– Equity securities	37,710	37,874
– Transferable certificate of deposits	5,137,526	6,319,047
	5,175,236	6,356,921
Current:		
– Transferable certificate of deposits	1,287,344	4,694,429
	6,462,580	11,051,350

As at 30 June 2024 and 31 December 2023, the cost of the Group's transferable certificate of deposits approximated its fair value.

Other financial assets at FVOCI is subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 30 June 2024 and 31 December 2023.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Assets:		
– Cross-currency interest rate swaps – used for hedging *(a)*	2,480,383	1,924,092
– Cross-currency interest rate swaps – held for trading	638,821	1,213,625
– Foreign currency and futures contracts – used for hedging *(b)*	590,216	392,593
– Others – held for trading *(c)*	778,577	222,791
	4,487,997	3,753,101
Less: non-current portion	(2,931,156)	(2,082,347)
	1,556,841	1,670,754
Liabilities:		
– Cross-currency interest rate swaps – held for trading	12,041	–
– Foreign currency and futures contracts – used for hedging *(b)*	40,782	155,554
– Others – held for trading *(c)*	649,451	259,950
	702,274	415,504
Less: non-current portion	(2,798)	(2,282)
	699,476	413,222

(a) In 2022, the Group purchased cross-currency interest rate swap to mitigate the cash flow risk associated with the guaranteed borrowings with principal of USD3,419,058,000. Under the swap, a nominal amount of USD3,419,058,000 was exchanged for EUR at an agreed exchange rate, and the USD floating rate (SOFR+0.55% p.a.) was exchanged for the agreed EUR fixed rate. The agreed swap period was scheduled to start in August 2022 and end in August 2025. The Group designated such borrowings as the hedged item, and the change in the value of cross-currency interest rate swap (excluding the foreign currency basis spread) as the hedging instrument for cash flow hedge. There was an economic relationship between the hedging instrument and the hedged item. The cross-currency interest rate swap matched the currency, notional amount and other major terms of borrowings denominated in USD.

(b) Foreign currency and futures contracts mainly included foreign currency forwards, foreign currency options and futures contracts.

(c) Others mainly included foreign currency forwards, foreign currency options, futures contracts and cross-currency swaps.

22. INVENTORIES

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Finished goods	28,841,855	35,291,863
Raw materials	9,076,934	8,572,689
Work in progress	2,230,292	3,170,699
Consigned processing materials	487,216	444,995
Contract fulfilment costs	433,345	556,540
	41,069,642	48,036,786
Less: provision for impairment loss	(740,412)	(697,531)
	40,329,230	47,339,255

23. CONTRACT ASSETS

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Contract assets *(i)*	3,726,090	4,163,267
Less: allowance for credit losses	(108,519)	(117,342)
	3,617,571	4,045,925

(i) Contract assets are mainly related to robotics and automation system construction service.

(a) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9.

24. TRADE AND NOTE RECEIVABLES AT AMORTIZED COST

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Trade and note receivables		
– Trade receivables	45,356,052	34,367,460
– Note receivables	5,998,161	5,587,562
	51,354,213	39,955,022
Less: allowance for credit losses		
– Trade receivables	(1,496,825)	(1,482,721)
– Note receivables	(58,312)	(65,602)
	(1,555,137)	(1,548,323)
	49,799,076	38,406,699

(a) The Group has various credit policies for different business operations depending on the requirements of the markets and businesses. The aging analysis of trade receivables based on the invoice date was as follows:

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Below 3 months	40,072,709	29,183,011
Between 3 and 6 months	2,617,254	2,047,141
Between 6 months and 1 year	989,585	1,378,882
Between 1 and 2 years	992,616	1,114,153
Over 2 years	683,888	644,273
	45,356,052	34,367,460

There was no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

Certain trade and note receivables at amortized cost were pledged for bank loan facilities, notes receivable discounted and notes payables as at 30 June 2024 and 31 December 2023, respectively.

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9.

(c) The carrying amount of trade receivables approximated their fair values. The provision and reversal of provision for impairment of receivables have been included in the consolidated statement of profit or loss. Amounts charged to the allowance account are written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

25. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Cash at banks and in hand	46,763,532	57,783,145
Short-term bank deposits with initial terms within three months	4,659,719	1,956,144
Surplus reserve deposits with the Central Bank	77,463	147,971
	51,500,714	59,887,260

(b) Term deposits and restricted cash

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Term bank deposits *(i)*	46,484,306	16,848,494
Guarantee deposits *(ii)*	2,445,616	4,072,963
Statutory reserve deposits with the Central Bank for banking operations	1,008,560	415,070
Interest receivable	510,738	450,059
	50,449,220	21,786,586

(i) Term bank deposits are bank deposits with original maturities of over three months and due within one year.

(ii) Guarantee deposits mainly included letter of bank acceptance notes, letters of guarantee and letters of credit.

26. BORROWINGS

	As at 30 June 2024			As at 31 December 2023		
	Current	Non-current	Total	Current	Non-current	Total
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*
Secured						
Bank loans	10,334,467	153,302	10,487,769	3,094,159	152,966	3,247,125
Unsecured						
Bank loans	17,348,512	39,679,123	57,027,635	19,015,826	45,985,770	65,001,596
Debentures	–	3,237,884	3,237,884	–	3,217,969	3,217,969
Total unsecured borrowings	17,348,512	42,917,007	60,265,519	19,015,826	49,203,739	68,219,565
Total borrowings	27,682,979	43,070,309	70,753,288	22,109,985	49,356,705	71,466,690

(a) As at 30 June 2024 and 31 December 2023, the annual interest rate of short-term borrowings were ranged from 1.20% to 6.29%, and 2.20% to 7.04%, respectively.

As at 30 June 2024 and 31 December 2023, the annual interest rate range of long-term borrowings were ranged from 0.33% to 4.50% and 0.30% to 4.50%, respectively.

(b) At 30 June 2024 and 31 December 2023, the Group's borrowings were repayable as follows:

	Borrowings	
	As at 30 June	**As at 31 December**
	2024	**2023**
	RMB'000	*RMB'000*
	(Unaudited)	
Within 1 year	27,682,979	22,109,985
Between 1 and 2 years	29,346,379	38,383,925
Between 2 and 5 years	13,590,775	10,839,625
Over 5 years	133,155	133,155
	70,753,288	71,466,690

(c) Fair value

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either the interest payable on those borrowings is close to current market rates, or the borrowings are of a short-term nature.

27. TRADE AND NOTE PAYABLES

	As at 30 June	**As at 31 December**
	2024	**2023**
	RMB'000	*RMB'000*
	(Unaudited)	
Trade and note payables		
– Trade payables	84,966,347	72,530,465
– Notes payables	23,236,809	21,707,608
	108,203,156	94,238,073

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at 30 June	**As at 31 December**
	2024	**2023**
	RMB'000	*RMB'000*
	(Unaudited)	
Below 3 months	76,817,556	67,421,139
Between 3 and 6 months	4,045,302	1,838,583
Between 6 months and 1 year	2,174,366	1,597,946
Over 1 year	1,929,123	1,672,797
	84,966,347	72,530,465

28. CONTRACT LIABILITIES

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Contract liabilities		
– advances on sales and services	31,482,850	38,549,278
– advances for construction projects	3,200,919	3,216,197
	34,683,769	41,765,475

(i) More than 90% of contract liabilities included in the carrying amount as at 31 December 2023 were transferred to operating revenue during the period.

29. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Sales rebate accruals	59,921,101	48,311,934
Marketing and transportation expenses accruals	10,248,829	7,908,952
Salaries, wages and benefits	7,852,629	10,509,901
Endorsed note receivables without been derecognized and not yet due	3,380,315	2,951,899
Other taxes payable	3,072,070	1,977,849
Other payables *(a)*	4,031,055	4,442,928
Others	12,882,692	12,789,011
	101,388,691	88,892,474
Less: non-current portion		
– Salaries, wages and benefits	(1,282,442)	(1,433,874)
– Others	(1,061,404)	(819,422)
	99,044,845	86,639,178

(a) Other payables mainly comprise restricted stock repurchase obligations and deposits.

30. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Liabilities to fund investors	1,075,388	1,346,674

31. DEFERRED INCOME

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Government grants	1,740,573	1,734,932

32. SHARE CAPITAL

	Six months ended 30 June			
	2024		2023	
	Share capital	Number of shares	Share capital	Number of shares
	(RMB'000) *(Unaudited)*	*('000)* *(Unaudited)*	*(RMB'000)* *(Unaudited)*	*('000)* *(Unaudited)*
At the beginning of the period	7,025,769	7,025,769	6,997,273	6,997,273
Issue of shares under share schemes	25,112	25,112	27,406	27,406
Treasury shares cancelled under share schemes	(921)	(921)	(2,498)	(2,498)
Cancellation of shares *(Note 33(i))*	(69,808)	(69,808)	–	–
At the end of the period	6,980,152	6,980,152	7,022,181	7,022,181

33. TREASURY SHARES

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
At the beginning of the period	12,871,738	14,933,944
Cancellation of shares *(i)*	(5,159,408)	–
Treasury shares transferred to the grantees or cancelled under share schemes	(1,214,866)	(1,114,904)
At the end of the period	6,497,464	13,819,040

(i) Pursuant to the resolutions of shareholder's meeting on 29 January 2024, the use of 69,808,000 repurchased shares have been changed from used for share schemes to cancel and reduce the Company's registered capital. On 7 February 2024, the 69,808,000 repurchased shares have been cancelled, the Company recognized a decrease of RMB69,808,000 in share capital, RMB5,159,408,000 in treasury shares and RMB5,089,600,000 in reserves.

(ii) As at 30 June 2024, treasury stock mainly comprised treasury stock of approximately RMB2,102,866,000 (As at 31 December 2023: RMB8,748,331,000) used for share schemes, as well as restricted shares and employee share incentive plan amounting to approximately RMB4,394,598,000 (As at 31 December 2023: RMB4,123,407,000) that have not met vesting condition, amounting to approximately RMB6,497,464,000 (As at 31 December 2023: RMB12,871,738,000) in total.

34. RETAINED EARNINGS

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
At the beginning of the period	136,282,362	119,675,616
Net profit	20,804,395	18,232,839
Dividends *(Note 10)*	(20,776,352)	(17,181,616)
Appropriation to general reserves *(Note 35)*	(162,738)	(5,972)
Reversal of general reserves *(Note 35)*	3,366	–
At the end of the period	136,151,033	120,720,867

35. RESERVES

Six months ended 30 June 2024 (Unaudited)	Share-based payments reserves	Share premium	Statutory reserves	General reserves	Special reserves	Hedging	Foreign currency translation	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	2,020,605	17,382,223	10,702,928	642,525	16,040	659,672	(892,613)	1,909,390	32,440,770
Appropriation to general reserves	–	–	–	162,738	–	–	–	–	162,738
Reversal of general reserves	–	–	–	(3,366)	–	–	–	–	(3,366)
Appropriation to special reserves	–	–	–	–	4,638	–	–	–	4,638
Special reserves utilization	–	–	–	–	(3,361)	–	–	–	(3,361)
Cancellation of shares *(Note 33(i))*	–	(5,089,600)	–	–	–	–	–	–	(5,089,600)
Share-based payment:									
– Share-based compensation expenses	780,439	–	–	–	–	–	–	–	780,439
– Exercise of the stock option	(381,130)	1,479,980	–	–	–	–	–	–	1,098,850
– Exercise or lapse of other share schemes	(487,140)	(253,567)	–	–	–	–	–	–	(740,707)
Share of OCI of investments in associates and joint ventures, net of tax	–	–	–	–	–	–	–	12,565	12,565
Cash flow hedging reserve, net of tax	–	–	–	–	–	(208,372)	–	–	(208,372)
Cost of hedging, net of tax	–	–	–	–	–	(22,748)	–	–	(22,748)
Remeasurement of defined benefit plan, net of tax	–	–	–	–	–	–	–	15,515	15,515
Other financial assets at FVOCI, net of tax									
– Fair value changes	–	–	–	–	–	–	–	(38)	(38)
Currency translation differences	–	–	–	–	–	–	(288,350)	–	(288,350)
Others	–	–	–	–	–	–	–	3,440	3,440
At 30 June 2024	1,932,774	13,519,036	10,702,928	801,897	17,317	428,552	(1,180,963)	1,940,872	28,162,413

Six months ended 30 June 2023 (Unaudited)	Share-based payments reserves	Share premium	Statutory reserves	General reserves	Special reserves	Hedging	Foreign currency translation	Other reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	2,279,108	15,507,577	10,702,928	671,999	16,350	769,843	(808,243)	2,053,529	31,193,091
Appropriation to general reserves	–	–	–	5,972	–	–	–	–	5,972
Appropriation to special reserves	–	–	–	–	1,768	–	–	–	1,768
Special reserves utilization	–	–	–	–	(1,397)	–	–	–	(1,397)
Share-based payment:									
– Share-based compensation expenses	558,688	–	–	–	–	–	–	–	558,688
– Exercise of the stock option	(371,001)	1,660,427	–	–	–	–	–	–	1,289,426
– Exercise of lapse of other share schemes	(603,393)	57,337	–	–	–	–	–	–	(546,056)
Share of OCI of investments in associates and joint ventures, net of tax	–	–	–	–	–	–	–	35,908	35,908
Cash flow hedging reserve, net of tax	–	–	–	–	–	(124,535)	–	–	(124,535)
Cost of hedging, net of tax	–	–	–	–	–	(25,644)	–	–	(25,644)
Remeasurement of defined benefit plan, net of tax	–	–	–	–	–	–	–	(21,788)	(21,788)
Transaction with NCI	–	–	–	–	–	–	–	(64,559)	(64,559)
Currency translation differences	–	–	–	–	–	–	153,084	–	153,084
Others	–	–	–	–	–	–	–	(12,102)	(12,102)
At 30 June 2023	1,863,402	17,225,341	10,702,928	677,971	16,721	619,664	(655,159)	1,990,988	32,441,856

(i) Pursuant to the 2024 Stock Ownership Scheme approved at the 2023 annual shareholders' meeting on 19 April 2024, the Company granted a total of 20,107,000 shares to incentive participants. The vesting periods for the employee shares granted are 2 year, 3 years and 4 years from the granted date. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of employee shares plan will be vested respectively.

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Six months ended 30 June	
	2024	2023
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Profit before income tax for the period	25,451,843	22,108,049
Adjustments for:		
Interest income *(Note 5)*	(3,042,813)	(2,863,080)
Finance costs, net *(Note 8)*	168,792	1,625,969
Depreciation and amortization of non-current assets *(Note 7)*	3,835,782	3,299,807
Net gains on disposal of property, plant and equipment and other assets *(Note 6)*	(114,007)	(8,525)
Net impairment losses on financial assets and contract assets	35,208	219,212
Impairment provision for inventories and other assets	332,436	191,272
Share of profit of associates and joint ventures, net *(Note 18)*	(431,939)	(348,545)

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Net gains on financial instruments *(Note 6)*	(375,360)	(45,265)
Net losses on other assets	13,030	87,359
Net foreign exchange losses/(gains)	262,006	(128,769)
Share-based compensation expenses and others	805,708	580,995
Changes in working capital:		
Increase in trade and note receivables	(19,761,614)	(11,913,343)
Decrease/(increase) in contract assets	363,287	(231,754)
Decrease/(increase) in loan receivables	794,430	(3,314,277)
Decrease in inventories	6,703,865	14,200,052
Increase/(decrease) in trade and note payables	14,444,386	(6,022,479)
Decrease in contract liabilities	(6,945,681)	(797,210)
Increase in other payables and accruals	13,152,448	16,471,919
Changes in other assets and liabilities	2,408,504	556,460
Cash generated from operations	38,100,311	33,667,847

37. RELATED PARTY TRANSACTIONS

(a) Parent entities

Name	Type	Place of incorporation	Ownership interest	
			As at 30 June	As at 31 December
			2024	2023
			(Unaudited)	
Midea Holding Co., Ltd.	Ultimate parent entity	Foshan	31.08%	30.87%

The Company's ultimate holding company is Midea Holding Co., Ltd., and the ultimate controlling person is Mr. He Xiangjian.

(b) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties maybe individuals or other entities.

The directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group during the period:

Name of the related party	Relationship with the Group
Orinko Advanced Plastics Co., Ltd. and its subsidiaries	Controlled by immediate family members of the Company's ultimate controlling shareholder
Infore Group Co., Ltd and its subsidiaries	Controlled by immediate family members of the Company's ultimate controlling shareholder
Midea Real Estate Holding Limited and its subsidiaries	Controlled by the Company's ultimate controlling shareholder
Carrier Global Corporation and its subsidiaries	Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries

(c) Transactions with related parties

The following transactions were carried out between the Group and its related parties during the six months ended 30 June 2024 and 2023. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

	Six months ended 30 June	
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*
Purchases of goods and services:		
Controlled by immediate family members of the Company's ultimate controlling shareholder	642,188	670,333
Associates and joint ventures of the Group	459,963	352,810
Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries	281,522	232,006
Controlled by the Company's ultimate controlling shareholder	20,822	17,491
	1,404,495	1,272,640
Sales of goods and rendering of services:		
Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries	2,677,848	1,985,541
Associates and joint ventures of the Group	555,646	574,775
Controlled by the Company's ultimate controlling shareholder	195,917	208,288
Controlled by immediate family members of the Company's ultimate controlling shareholder	39,230	16,772
	3,468,641	2,785,376
Interest income:		
Associates and joint ventures of the Group	167,993	145,197
Dividend income:		
Associates and joint ventures of the Group *(Note 18)*	585,221	360,750

(d) Balance with related parties

	As at 30 June	As at 31 December
	2024	2023
	RMB'000 *(Unaudited)*	*RMB'000*
Cash and cash equivalents		
Associates and joint ventures of the Group	4,891,067	4,604,976
Other financial assets at amortized cost		
Associates and joint ventures of the Group	6,000,260	5,900,564
Trade and note receivables at amortized cost		
Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries	1,017,508	283,153
Associates and joint ventures of the Group	296,764	183,835
Controlled by the Company's ultimate controlling shareholder	87,427	75,472
Controlled by immediate family members of the Company's ultimate controlling shareholder	17,268	3,222
	1,418,967	545,682

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Trade and note payables		
Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries	137,076	106,645
Associates and joint ventures of the Group	264,982	269,155
Controlled by immediate family members of the Company's ultimate controlling shareholder	67,560	204,348
Controlled by the Company's ultimate controlling shareholder	2,472	897
	472,090	581,045
Contract liabilities		
Controlled by the Company's ultimate controlling shareholder	9,836	7,693
Controlled by immediate family members of the Company's ultimate controlling shareholder	5,147	534
Associates and joint ventures of the Group	16,397	28,588
	31,380	36,815
Prepayments, other receivables and other assets		
Associates and joint ventures of the Group	3,160	1,777
Controlled by the Company's ultimate controlling shareholder	2,093	283
	5,253	2,060
Other payables and accruals		
Controlled by the Company's ultimate controlling shareholder	1,995	1,600
Controlled by immediate family members of the Company's ultimate controlling shareholder	1,376	69
Associates and joint ventures of the Group	3,031	18,873
	6,402	20,542

38. CONTINGENCIES

As at 30 June 2024, the amount of the maximum potential loss in tax disputes involving Brazilian subsidiary with 51% interests held by the Company was approximately BRL697 million (equivalent to RMB894 million), and some cases have lasted for more than 10 years. The above amount included the principal, penalty, interest, etc. The original shareholders of Brazilian subsidiary have agreed to compensate the Company according to verdict results of the above tax disputes. The maximum compensation amount is about BRL157 million (equivalent to RMB202 million). As at the date of this report, the relevant cases were still ongoing. Upon consulting the Group's external legal counsel, management believes that the probability of losing the lawsuits is low. Accordingly, management has made necessary provision based on its best estimate.

39. COMMITMENTS

(a) Capital Commitments

	As at 30 June 2024	As at 31 December 2023
	RMB'000 *(Unaudited)*	*RMB'000*
Contracted, but not provided for purchase of property, plant and equipment	3,867,051	4,005,911

In April 2024, the Group entered into an agreement with Arbonia AG to acquire all the equity interests of climate division. The acquisition consideration of the transaction is EUR648.8 million. In June 2024, the Group entered into an agreement with HERITAGE B to acquire 97.38% equity interests of Teka Industrial, S.A.. The acquisition consideration of the transaction is EUR175 million. The payments of these considerations have not been made and these transactions have not been completed up to the date of this report, which are subject to the fulfillment of certain closing conditions including regulatory approvals.

40. SUBSEQUENT EVENTS

Except for the above events as disclosed elsewhere in this report, there are no other significant events that occurred subsequent to 30 June 2024.

The following information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the Company's reporting accountant, as set out in Appendix I to this document, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 April 2024 and based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2024 as derived from the Accountant's Report, the text of which is set out in Appendix I to this document, and adjusted as described below.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 30 April 2024 or any future dates:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2024	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$52.00 per H Share	**119,258,506**	**23,073,289**	**142,331,795**	**19.01**	**20.84**
Based on an Offer Price of HK$54.80 per H Share	**119,258,506**	**24,320,146**	**143,578,652**	**19.18**	**21.03**

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2024 is derived from the Accountant's Report as set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 30 April 2024 of approximately RMB156,962,038,000, with an adjustment for the intangible assets attributable to the owners of the Company as at 30 April 2024 of approximately RMB37,703,532,000.

(2) The estimated net proceeds from the Global Offering are based on 492,135,100 Offer Shares and the indicative Offer Price of HK$52.00 and HK$54.80 per H Share respectively, after deduction of the underwriting fees and other related listing expenses (excluding listing expenses of RMB4,339,000 which have been accounted for in the consolidated statements of profit or loss prior to 30 April 2024) and takes no account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option, any Shares that may be issued by the Company pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time under the Share Schemes or any Shares which may be issued or repurchased by the Company after the Latest Practicable Date.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 7,485,265,951 Shares were in issue, assuming that the Global Offering had been completed on 30 April 2024 but does not take into account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option, any Shares that may be issued by the Company pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time under the Share Schemes or any Shares which may be issued or repurchased by the Company after the Latest Practicable Date.

(4) For the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets per Share, the translation of Renminbi amounts into Hong Kong dollars was at the rate of RMB1.00 to HK$1.0962. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2024.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Midea Group Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Midea Group Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 April 2024 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 9 September 2024, in connection with the proposed initial public offering of the H Shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering of the H Shares on the Group's financial position as at 30 April 2024 as if the proposed initial public offering of the H Shares had taken place at 30 April 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the four months ended 30 April 2024 on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering of the H Shares at 30 April 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
9 September 2024

TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of the H shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of the H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, and has not taken in to account the expected change or amendment to the relevant laws or policies and does not constitute any opinion or advice. The discussion does not deal with all possible tax consequences relating to an investment in the H shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change or adjustment and may have retrospective effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC and other tax consequences of owning and disposing of the H shares.

Taxation In mainland China

Tax on Dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), or the Individual Income Tax Law, amended by the SCNPC on 31 August 2018 and effective on 1 January 2019, and the Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) amended by the State Council on 18 December 2018 and effective on 1 January 2019, dividends paid by PRC companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC on 7 September 2015 and effective on 8 September 2015, where an individual holds the shares of a listed company obtained from the public offering for more than one year and transfers the stock of the listed company on the stock market, the dividend and bonus income shall be temporarily exempted from individual income tax. Where an individual acquires shares of a listed company from the public offering and transfers the stock of the listed company on the stock market, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), or the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, executed on 21 August 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), or the Fifth Protocol, issued by The State Administration of Taxation and effective on 6 December 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, amended by the SCNPC and effective on 29 December 2018, and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), or the Implementation Rules of the EIT Law, amended by the State Council and effective on 23 April 2019, a non-resident enterprise is subject to a 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Administration of Taxation and effective on 6 November 2008, a PRC resident enterprise is required to withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise holders of H Shares which are derived out of profit generated since 2008. The Reply on the Collection of Enterprise Income Tax on Dividends Received by Non-resident Enterprises from Holding B Shares and Other Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) promulgated by the State Administration of Taxation and effective 24 July 2009 further provides that PRC-resident enterprises listed on Chinese and overseas stock exchanges by issuing stocks (including A shares, B shares and overseas shares) must withhold enterprise income tax at a flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

According to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification.

Tax related to equity transfer income

Individual Investors

Under the Individual Income Tax Law and its implementation rules, individuals are subject to individual income tax at a rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Pursuant to the Circular on Continuing the Temporary Exemption of Individual Income Tax on Gains from Share Transfers by Individuals (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》), which was promulgated by the MOF and The State Administration of Taxation and became effective on 30 March 1998, from 1 January 1997, income of individuals from the transfer of shares in listed companies continues to be temporarily exempted from individual income tax. The State Administration of Taxation does not specify whether to continue to exempt individuals from personal income tax on the income from the transfer of shares in listed company in the newly revised EIT Law and Implementation Rules of the EIT Law.

Enterprise Investors

Under the EIT Law and its implementation rules, a non-PRC resident enterprise is subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. The aforementioned income tax payable by non- PRC resident enterprises is subject to source withholding, and the payer is the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted under applicable tax treaties or arrangements.

Shanghai-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 31 October 2014 and effective on 17 November 2014, transfer spread income derived by mainland enterprises from stock investment listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax according to law. For dividends and bonuses received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for providing the register of mainland individual investors to the H-share companies and withhold individual income tax at the rate of 20% on behalf of the H-share companies.

Pursuant to the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen- Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which promulgated on 21 August 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax from 5 December 2019 to 31 December 2027.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividends derived by mainland enterprises from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect are included in their total income and subject to Enterprise Income Tax according to law. Pursuant to which, dividend income obtained by mainland resident enterprises from holding H shares for 12 consecutive months shall be exempted from enterprise income tax according to law. H-share companies shall not withhold income tax on dividends and bonus income for mainland enterprises investors. The tax payable shall be declared and paid by the enterprise itself.

Shenzhen-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 5 November 2016 and effective on 5 December 2016, transfer spread income derived by mainland enterprises from stock investment listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax according to law. For dividends and bonuses received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for providing the register of mainland individual investors to the H- share companies and the H-share companies shall withhold individual income tax at the rate of 20% on behalf of the investors.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 4 December 2019 and effective on 5 December 2019 and the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen- Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds which promulgated on 21 August 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax from 5 December 2019 to 31 December 2027.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividends derived by mainland enterprises investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect are included in their total income and subject to Enterprise Income Tax according to law. In particular, dividend and bonus income obtained by mainland resident enterprises from holding H shares for 12 consecutive months shall be exempted from enterprise income tax according to law. H-share companies shall not withhold income tax on dividends and bonus income for mainland enterprises. The tax payable shall be declared and paid by the enterprise itself.

Stamp Duty

According to the Stamp Duty Law of the People's Republic of China (《中華人民共和國印花稅法》), which was promulgated on 10 June 2021 and came into effect on 1 July 2022, the disposal of H Shares by non-mainland China investors outside of the mainland China is not subject to the requirements of the Stamp Duty Law of the People's Republic of China.

Estate duty

According to PRC law, no estate duty is currently levied in the mainland China.

MAJOR TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), enterprises and other income-generating organizations (hereinafter collectively referred to as "enterprises") within the territory of the People's Republic of China are the taxpayers of enterprise income tax and shall pay enterprise income tax in accordance with the provisions of the EIT Law. The Enterprise Income Tax rate is 25%.

Enterprises are classified into resident enterprises and non-resident enterprises. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income has no actual connection to such establishment or place of business, shall pay enterprise income tax on its income within the PRC and withhold at source, where the payer is the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Meanwhile, any gains realized on the transfer of shares by such investors are subject to enterprise income tax and shall be withheld at source if such gains are regarded as income derived from the transfer of property within the PRC.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) amended by the State Council and became effective on 19 November 2017 and the Detailed Rules for the Implementation of the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則) amended by the MOF on 28 October 2011 and effective on 1 November 2011, all entities and individuals in the PRC engaging in the sale of goods, the provision of processing, repairs and replacement services, and the importation of goods are required to pay value-added tax. For taxpayers selling or importing goods, the general tax rate shall be 17% unless otherwise specified in the aforesaid regulations.

According to the Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32), promulgated by the MOF and the State Administration of Taxation on 4 April 2018, and became effective as of 1 May 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (2019 No. 39 of MOF, State Administration of Taxation and General Administration of Customs), promulgated by the MOF, the State Administration of Taxation and the General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

FOREIGN EXCHANGE ADMINISTRATION IN THE PRC

The lawful currency of the PRC is the Renminbi. The SAFE, authorized by the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

Pursuant to the Regulations of the People's Republic of China on Foreign Exchange Control (《中華人民共和國外匯管理條例》) amended by the State Council and became effective on 5 August 2008, all international payments and transfers are classified into current account items and capital account items. The PRC does not impose restrictions on international payments and transfers under current account items. Foreign exchange income from the current account of PRC enterprises may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions of the State. The retention or sale of foreign exchange receipts under capital accounts to financial institutions engaging in settlement and sale of foreign exchange shall be subject to the approval of foreign exchange administrative authorities, unless otherwise stipulated by the State.

Pursuant to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on 20 June 1996 and became effective on 1 July 1996, the remaining restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained.

According to relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprise that need to distribute profits to their shareholders in foreign exchange and Chinese enterprise that need to pay fixed dividends in foreign exchange in accordance with the requirements shall pay from its foreign exchange account or pay at the designated foreign exchange bank by a resolution of the board of directors on the distribution of profits.

According to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (國務院關於取消和調整一批行政審批項目等事項的決定) promulgated by the State Council and effective on 23 October 2014, the administrative approval of the SAFE and its branches on matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing has been canceled.

According to the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) promulgated by the SAFE and became effective on 26 December 2014, the relevant provisions on foreign exchange administration of domestic joint stock companies (hereinafter referred to as "domestic companies") listed overseas are as follows:

(i) The SAFE and its branches and the Foreign Exchange Management Department, or the Foreign Exchange Bureau, supervise, manage and inspect the business registration, account opening and use, cross-border income and expenditure, and capital exchange involved in the overseas listing of domestic companies.

(ii) A domestic company shall, within 15 working days after the completion of the overseas listing and issuance, register the overseas listing with the Foreign Exchange Bureau at the place where it is registered with relevant material.

(iii) After the overseas listing of a domestic company, its domestic shareholders who intend to increase or reduce their shareholding in an overseas listed company according to relevant regulations shall register the overseas shareholding with the local foreign exchange bureau at the place where the domestic shareholders are located within 20 working days prior to the proposed increase or reduction of shareholding with relevant materials.

(iv) A domestic company (other than banking financial institutions) shall, by virtue of its registration certificate for overseas listing business, open a "special foreign exchange account for overseas listing of domestic companies" with a domestic bank for its initial offering (or additional offering) and repurchase business to handle the remittance and transfer of funds for the relevant business.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued on 13 February 2015 and came into effect on 1 June 2015, the SAFE has cancelled the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued and implemented by the SAFE on 9 June 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment by the SAFE in due time in accordance with international revenue and expenditure situations.

This Appendix summarizes certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III – Taxation and Foreign Exchange" to this document. This Appendix also contains a summary of laws and regulatory provisions of the PRC Company Law. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which is important to the potential investors. For a discussion of laws and regulations which are relevant to our Company's business, see "Regulatory Overview" in this document.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》), or the Constitution, and is made up of written laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, special administrative region law and international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》), or the Legislation Law, which was amended by the NPC on 13 March 2023 and became effective on 15 March 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into autonomous regions for approval before implementation.

The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries, commissions, PBOC, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but which contravene the Constitution and the Legislation Law; the SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law; the State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments; the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees; the standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level; the people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on 10 June 1981, the Supreme People's Court shall give interpretation on questions involving the specific application of laws and decrees in court trials. The Supreme People's Procuratorate shall interpret all issues involving the specific application of laws and decrees in the procuratorial work. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》) amended by the SCNPC on 26 October 2018 and becoming effective on 1 January 2019, the PRC People's Court is made up of the Supreme People's Court, the local people's courts, and other special people's courts. The local people's courts are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels.

According to the Constitution and the Law of Organization of the People's Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) revised by SCNPC on 26 October 2018 and taking effect on 1 January 2019, the People's Procuratorate is the law supervision organ of the state. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, and judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法(2023年修訂)》), or the PRC Civil Procedure Law, adopted by the SCNPC on 1 September 2023 and effective on 1 January 2024 sets forth the requirements for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the object of the action is located. However, the choice of the court cannot be in conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must have the same litigation rights and obligations as a PRC citizen, legal person or other organizations when initiating or defending any proceedings at a people's court. If a foreign court limits the litigation rights of PRC citizens and enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must engage a PRC lawyer if such person needs to engage a lawyer in initiating or defending any proceedings at a people's court. Under an international treaty or the principle of reciprocity signed or acceded to by the PRC, the people's court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the PRC's sovereignty, security or public interest, the people's court shall decline the request.

All parties must comply with legally effective civil judgments and rulings. If any party to a civil action refuse to comply with a judgment or order made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless among other exceptions, the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE PRC COMPANY LAW, TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company established in the PRC seeking a listing on The Stock Exchange of Hong Kong Limited is mainly subject to the following laws and regulations of the PRC.

The PRC Company Law (《中華人民共和國公司法》), or the Company Law, was adopted by the Fifth Standing Committee Meeting of the Eighth NPC on 29 December 1993 and came into effect on 1 July 1994, and was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023. The latest revised Company Law came into effect on 1 July 2024.

The Trial Measures and its five interpretative guidelines promulgated by the CSRC on 17 February 2023 came into effect on 31 March 2023 and were applicable to the direct and indirect overseas share subscription and listing of domestic companies.

According to the Trial Measures and its interpretative guidelines, where a domestic company directly offering and listing overseas, it shall formulate its articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》), or the Guidelines for Articles of Association, in place of the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas which ceased to apply from 31 March 2023. The Guidelines for Articles of Association were promulgated by the CSRC on 16 December 1997 and last amended on 15 December 2023.

Set out below is a summary of the major provisions of the Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

General Provisions

"A joint stock limited company" means a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters shall convene an inaugural meeting of the company within 30 days after the share capital has been paid-up and shall notified all subscribers the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only the presence of promoters and subscribers holding more than 50% of the total number of shares. Powers to be exercised at the inaugural meeting include but not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be casted by subscribers presented at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority.

Registered Shares

Under the Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property rights, land use rights, shareholding or claims.

The Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf. The domestic unlisted shares mentioned in the preceding paragraph refer to the shares that have been issued by domestic enterprises but have not been listed or listed for trading on domestic exchanges. Domestic unlisted shares shall be centrally registered and deposited with domestic securities registration and settlement institutions. The registration and settlement arrangements of overseas listed shares shall be subject to the provisions of overseas listing places.

Under the Company Law, a joint stock limited company is required to maintain a register of shareholders, detailing the following information: (i) the name and domicile of each shareholder; (ii) the class and number of shares subscribed for by each shareholder; (iii) the serial number of shares if issued in paper form; and (iv) the date on which each shareholder acquired the shares.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Increase in Share Capital

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' general meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to existing shareholders, if any. If no par value stock is issued, the proceeds from the issuance of the new stocks shall be included into the registered capital. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announce the prospectus.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) to prepare a balance sheet and a property list;

(ii) a company makes a resolution at shareholders' general meeting to reduce its registered capital;

(iii) a company shall inform its creditors within 10 days and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days after the approval of resolution of reducing registered capital;

(iv) the creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice;

(v) when a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the articles of association of a joint stock limited company.

Share Buy-Back

Under the Company Law, a company shall not purchase its own shares. Except for any following circumstances:

(i) reducing the registered capital;

(ii) merging with other company that holds the shares of the company;

(iii) using the shares for employee stocks plan or equity incentives;

(iv) with respect to shareholders voting against any resolution adopted at the shareholders' general meeting on the merger or division of our Company, the right to demand our Company to acquire the shares held by them;

(v) using the shares for the conversion of convertible corporate bonds issued by the listed company;

(vi) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (i) to (ii) above shall be subject to the resolution of the general meeting; the purchase of shares of a company for reasons specified in the case of (iii), (v) and (vi) above shall be subject to the resolution of the Board meeting attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorization from the general meeting.

Following the purchase of a company's shares by a company in accordance with the above provisions, such shares shall be canceled within 10 days from the date of buy-back in the case of item (i) above; such shares shall be transferred or canceled within six months in the case of items (ii) and (iv) above; the total numbers of share of our Company held by a company shall not exceed 10% of the total issued shares of a company, and shall be transferred or canceled within three years in the case of items (iii), (v) and (vi) above.

Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder should affect a transfer of his shares on securities established exchange according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes of registration in the share register provided in the foregoing requirement shall be affected during a period of 20 days prior to the convening of shareholder's general meeting or 5 days prior to the record date for a company's distribution of dividends. If any law, administrative regulation, or any provision by the securities regulatory authority of the State Council specifies otherwise for the modification of the register of shareholders of a listed company, such provisions should prevail.

Under the Company Law, shares issued by a company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of accompany are listed and traded on a securities exchange. The directors, supervisors and senior management of the company should declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year should not exceed 25% of the total shares they hold of the company. Shares of a company held by its directors, supervisors and senior management shall not be transferred within one year from the date of a company's listing on a securities exchange, nor within six months after their resignation from their positions with a company.

If the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee cannot exercise the pledge right within such restricted period.

Shareholders

Under the Company Law and Guidelines for Articles of Association the rights of a shareholder of ordinary shares of a company include:

(i) to receive dividends and other forms of distributions in proportion to their shareholdings;

(ii) to attend or appoint a proxy to attend shareholders' general meetings and to exercise voting rights;

(iii) to supervise and manage a company's business operations, and to present proposals or to raise inquiries;

(iv) to transfer shares in accordance with laws, administrative regulations and the provisions of the articles of association;

(v) to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations;

(vi) in the event of the winding-up or liquidation of a company, to participate in the distribution of remaining property of a company in proportion to the number of shares held;

(vii) other rights conferred by laws, administrative regulations and the articles of association.

The obligations of a shareholder of ordinary shares of a company include:

(i) to comply with the articles of association;

(ii) to pay subscription money according to the number of shares subscribed and the method of subscription;

(iii) not to abuse their shareholders' rights to damage the interests of a company or other shareholders; not to abuse the independent legal person status of a company and the limited liability of shareholders to damage the interests of the creditors of a company;

(iv) other obligations conferred by laws, administrative regulations and the articles of association.

Shareholder's General Meetings

Under the Company Law, the shareholders' general meeting of a joint stock limited company is made up of all shareholders. The shareholders' general meeting is the organ of authority of a company, which exercises the following functions and powers:

(i) to elect and replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;

(ii) to examine and approve reports of the board of directors;

(iii) to examine and approve reports of the supervisory committee;

(iv) to examine and approve a company's profit distribution plans and loss recovery plans;

(v) to resolve on the increase or reduction of a company's registered capital;

(vi) to resolve on the issuance of corporate bonds;

(vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;

(viii) to amend the company's articles of association;

(ix) other functions and powers specified in provision of the articles of association.

Under the Company Law, annual shareholders' general meetings are required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the articles of association;

(ii) when the unrecovered losses of a company amount to one-third of the total paid-up share capital;

(iii) shareholders individually or jointly holding 10% or more of the company's shares request;

(iv) when deemed necessary by the Board;

(v) the Supervisory Committee proposes to convene the meeting;

(vi) other circumstances as stipulated in the articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

If the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board should convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

If the shareholders who separately or aggregately hold more than 10% of the shares of the company request to convene an interim shareholders' meeting, the board of directors and the board of supervisors should, within 10 days after the receipt of such request, decide whether to hold an interim shareholders' meeting and reply to the shareholders in writing.

Notice of general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

Shareholders who individually or jointly hold more than 1% of the company's shares may put forward interim proposals and submit them to the convener in writing 10 days before the general meeting of shareholders. The convener shall issue a supplementary notice of the general meeting of shareholders within two days after receiving the proposal and announce the contents of the interim proposal.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders' general meeting, and it should clarify the matters, power and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting.

Under the Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, except the shareholders of classified shares. However, shares held by the company itself are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting in accordance with the provisions of the articles of association or the resolutions of the shareholders' general meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the shareholders' general meeting, and shareholders may consolidate their voting rights when casting a vote.

Under the Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' general meeting.

Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Directors

Under the Company Law, a joint stock limited company should have a board of directors, which consists of more than three members. The term of office of a director shall be stipulated in the articles of association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. All directors and supervisors shall be noticed 10 days before the meeting for every meeting. The Board exercises the following functions and powers:

(i) to convene shareholder's general meetings and report its work to the shareholder's general meetings;

(ii) to implement the resolutions of the shareholder's general meeting;

(iii) to decide on a company's business plans and investment plans;

(iv) to formulate a company's profit distribution plan and loss recovery plan;

(v) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;

(vi) to formulate plans for cake, division, dissolution or change of corporate form of a company;

(vii) to decide on the internal management structure of a company;

(viii) to decide on the appointment or dismissal of the manager of a company and their remuneration;

(ix) To decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration;

(x) to formulate a company's basic management system;

(xi) other functions and powers specified in the articles of association or granted by the shareholders' meeting.

Board meetings shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

Under the Company Law, a person may not serve as a director of a company if he/she is:

(i) a person without capacity or with restricted capacity;

(ii) a person who has been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property, or disrupting the order of the socialist market economy, or has been deprived of political rights due to a crime, where a five-year period has not elapsed since the date of completion of the sentence; if he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension period;

(iii) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, where less than three years have elapsed since the date of the revocation of the business license of the company or enterprise or the order for closure; and

(v) being listed as one of "dishonest persons subject to enforcement" by the people's court due to his/her failure to pay off a relatively large amount of due debts.

The board of directors shall have one chairman, who shall be elected by more than half of all the directors. The chairman shall exercise the following functions and powers (including but not limited to):

(i) to preside over shareholders' general meetings and convene and preside over board meetings;

(ii) to examine the implementation of resolutions of the Board;

(iii) to sign the securities issued by a company;

(iv) to exercise other powers conferred by the Board.

Supervisors

Under the Company Law, a joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee shall comprise shareholder representatives and an appropriate proportion of the company's staff representatives, of which the proportion of staff representatives shall not be less than one-third and the specific proportion shall be stipulated in the articles of association. Employee representatives of the supervisory committee shall be democratically elected by the company's employees at the employee representative assembly, employee general meeting or otherwise. Directors or senior management may not act concurrently as supervisors.

The Supervisory Committee exercises the following powers:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or resolutions of shareholders' general meetings;

(iii) to demand rectification by a director or senior management when the acts of such persons are harmful to the company's interest;

(iv) to propose the convening of extraordinary general meetings, and to convene and preside over shareholders' general meetings when the Board fails to perform the duty of convening and presiding over shareholders' general meetings under the Company Law;

(v) to submit proposals to the shareholders' general meeting;

(vi) to initiate legal proceedings against directors and senior management in accordance with the Company Law;

(vii) other functions and powers specified in the articles of association.

Managers and Senior Management

Under the Company Law, a company should have a manager who is appointed or removed by the board of directors. The manager is responsible to the board of directors and exercise his/her functions and powers according to the Articles of Association or the authorization of the board of directors. The manager attends the meetings of the board of directors as a non-voting member.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), financial controller, secretary of the board of directors and other personnel as stipulated in the articles of association of the company.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

Directors, supervisors and senior management are prohibited from:

(i) embezzling the company's property or misappropriating of the company's capital;

(ii) depositing the company's capital into accounts under his own name or the name of other individuals;

(iii) giving bribes or accepting any other illegal proceeds by taking advantage of their power;

(iv) accept and possess commissions paid by a third party for transactions conducted with the company;

(v) unauthorized divulgence of confidential business information of the company; or

(vi) other acts in violation of their fiduciary duty to the company.

If any director, supervisor or senior management directly or indirectly concludes a contract or conducts a transaction with the company, he/she should report the matters relating to the conclusion of the contract or transaction to the board of directors or shareholders' meeting, subject to the approval of the board of directors or shareholders according to the articles of association.

The provisions of the preceding paragraph shall apply if any near relatives of the directors, supervisors or senior management, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management or any of their near relatives, or any related parties with any other related-party relationship with the directors, supervisors or senior management, concludes a contract or conducts a transaction with the company.

Neither director, supervisor or senior management may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

(i) where he/she has reported to the board of directors or the shareholders' meeting and has been approved by a resolution of the board of directors or the shareholders' meeting according to the Articles of Association; or

(ii) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the Articles of Association.

Where any director, supervisor or senior management fails to report to the board of directors or the shareholders' meeting and obtain an approval by resolution of the board of directors or the shareholders' meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare a financial and accounting reports which shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company can no longer withdraw statutory reserve fund if it has accumulated to more than 50% of the registered capital. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the general meeting or the shareholders' general meeting.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except for profit distributions that are not in proportion to the number of shares held in accordance with the provisions of the Articles of Association of the joint stock limited company.

The premium over the nominal value of the shares of a joint stock limited company from the issue of shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

The reserve fund of the company shall be used to make up losses of the company, expand the production and operation of the company or increase the capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. When the statutory reserve fund is converted to increase registered capital, the balance of the statutory reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounts other than those provided by law.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting, the board of directors or the board of supervisors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Guidelines for Articles of Association provides that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the general meeting of shareholders.

Profit Distribution

Where a company distributes profits to shareholders in violation of the provisions of the Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders, directors, supervisors, and senior management personnel who are responsible for causing losses to the company shall bear compensation liability.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved for the following reasons:

(i) the term of business stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;

(ii) the general meeting or the shareholders' general meeting resolves to dissolve the company;

(iii) dissolution is necessary due to a merger or division of the company;

(iv) the business license is revoked, or the business license is ordered to be closed or revoked in accordance with laws;

(v) where the company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company with the support of the judgment.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the company is dissolved in accordance with sub-paragraph (i) above, it may carry on its existence by amending its articles of association or upon a resolution of the shareholders' meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting. Where the company is dissolved pursuant to sub-paragraphs (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's Articles of Association or it is otherwise elected by the shareholders' meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation group. The people's court shall accept such request and organize a liquidation group to carry out the liquidation in a timely manner.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

(i) to liquidate the company's property and respectively prepare balance sheet and list of property;

(ii) to notify creditors by notice or public announcement;

(iii) to deal with the outstanding business of the company involved in the liquidation;

(iv) to pay all outstanding taxes and taxes arising in the course of liquidation;

(v) to liquidate claims and debts;

(vi) distributing the remaining property of the company after paying off debts;

(vii) to participate in civil litigations on behalf of the company.

The liquidation group shall notify the company's creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice.

The remaining property of the company after the payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to their shareholdings.

During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If the liquidation committee, having thoroughly examined the company's assets and having prepared a balance sheet and an inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall file an application to a people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' general meeting or the people's court for confirmation, and submit to the company registration authority to apply for cancelation of the company's registration.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

Overseas Listing

According to the Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of this article. Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by Chinese companies in the mainland China or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On 29 March 1998, the State Council consolidated the above two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council and effective on 22 April 1993 provide the application and approval procedures for public offerings of shares, trading in shares, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information with respect to a listed company, investigation and penalties and dispute arbitration.

The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), which were promulgated by the State Council and came into effect on 25 December 1995, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》), or the PRC Securities Law, which was amended by the Standing Committee of the NPC on 28 December 2019 and came into effect on 1 March 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities in the PRC, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》), or the Arbitration Law, amended by the Standing Committee of the NPC on September 1 2017 and effective on January 1 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the PRC Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people's court will refuse to take legal action brought by a party in the people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement according to the PRC Civil Procedure Law. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people's court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on 24 January 2000 and effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People's Court on 26 November 2020 and effective on 27 November 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

This Appendix mainly provides investors with an overview of the Articles of Association. As the following information is in summary form, it does not contain all the information that may be important to investors.

SHARES AND REGISTERED CAPITAL

The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank *pari passu* with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by any entity or individual.

INCREASE, DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase and Decrease of Shares

According to the operation and development needs of the Company, subject to the laws and regulations, the Company may increase the capital by the following ways upon approval of special resolutions at the Shareholders' general meeting:

(i) Public issuance of shares;

(ii) Non-public issuance of shares;

(iii) Distribution of bonus shares to existing shareholders;

(iv) Converting the reserve funds into share capital;

(v) Other means approved by the laws, administrative regulations or approved by the CSRC.

Our Company may decrease our registered share capital and shall comply with the procedures stipulated in Company Law of the PRC and the Articles of Association.

Repurchase of Shares

Company shall not to repurchase its own shares, unless otherwise under the circumstances:

(i) Reduce our Company's registered capital;

(ii) Merger with other companies which hold our shares;

(iii) Using the shares as an employee stock ownership plan or equity incentive plan;

(iv) Purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a Shareholders' general meeting upon their request;

(v) Use of shares for conversion of convertible corporate bonds issued by the Company;

(vi) Necessary for the Company to maintain its value and protect the interests of the shareholders.

A resolution shall be passed at the Shareholders' general meeting when the Company is to repurchase its own shares under the circumstances (i) and (ii) set out above. In case of the circumstances stipulated in (iii), (v) and (vi) above, a resolution of the Company's Board shall be passed by more than two-thirds of the Directors attending the Board meeting. After the Company has repurchased its own shares in accordance with the circumstances above, the shares so repurchased shall be canceled within ten days from the date of purchase (under the circumstance set out in (i) above), or shall be transferred or canceled within six months (under the circumstances set out in (ii) and (iv) above). If the Company repurchases its shares under the circumstances set out in (iii), (v) and (vi) above, the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or canceled within three years.

If the share repurchase is made under the circumstances stipulated in (iii), (v) or (vi) above, it shall be conducted by way of open centralized trading.

Transfer of Shares

Shares of the Company held by the founders shall not be transferred within one year from the date of incorporation of the Company. Shares of the Company that were issued prior to a public issue shall not be transferred within one year from the date on which shares of the Company are listed and traded on the stock exchange.

The Directors, Supervisors and senior management of the Company shall notify the Company of their holdings of shares in the Company and the changes therein. The shares transferrable by them during each year of their tenures shall not exceed 25% of their total holdings of shares in the Company. The shares in the Company held by them shall not be transferred within one year from the date on which the Company's shares are listed for trading. The shares in the Company held by them shall not be transferred within half a year from their departure from the Company. Where the listing rules of the place where the Company's shares are listed provide otherwise in respect of the restrictions on the transfer, such rules shall prevail.

Any gains from sale of Company's shares or other securities with an equity nature by the Directors, Supervisors and senior management members or shareholders holding 5% or more of the Company's shares within six months after their purchase of the same, and any gains from the purchase of the shares or other securities with an equity nature by any of the aforesaid parties within six months after sale of the same shall be disgorged and paid to the Company, and the Board of Directors of the Company shall be responsible for recovering such gains from the abovementioned parties. However, a securities company which holds 5% or more of the Company's shares as a result of its undertaking of the untaken shares in an offer, sale those Company's shares shall not be subject to the six-month time limit as set out above.

Shares or other securities with the nature of equity held by Directors, Supervisors, senior executives and individual shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, or held by them by using other people's accounts.

If the Board of Directors of the Company fails to comply with the above paragraph of this Article, the Shareholders are entitled to request the Board of Directors to do so within 30 days. If the Board of Directors of the Company fails to comply within the aforesaid period, the Shareholders are entitled to initiate litigation directly in the People's Court in their own names for the interest of the Company. And if the Board of Directors fails to implement the provisions set forth in this Article, the responsible Directors shall bear joint and several liability in accordance with law.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

Shareholders

The Company shall make a register of shareholders in accordance with evidentiary documents provided by the securities registration authorities. The register of Shareholders is sufficient evidence to prove that the Shareholders hold the Company's Shares. The original register of Shareholders of overseas listed foreign shares listed in Hong Kong is kept in Hong Kong and is available for inspection by Shareholders, but the Company may suspend the registration of Shareholders in accordance with applicable laws and regulations and the securities regulatory rules of the place where the Company's Shares are listed. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

The rights of our shareholders are as follows:

(i) To receive distribution of dividends and other forms of benefits according to the number of shares held;

(ii) To legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the General Meeting and exercise corresponding voting rights;

(iii) To supervise operational activities of our Company, provide suggestions or submit queries;

(iv) To transfer, grant and pledge the Company's shares held according to the provisions of the laws, administrative regulations and the Articles of Association;

(v) To read the Articles of Association, the list of Shareholders, Company bond stubs, General Meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;

(vi) To participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;

(vii) To require our Company to acquire the shares from Shareholders voting against any resolutions adopted at the General Meeting concerning the merger and division of the Company;

(viii) Other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules where our Company's shares are listed, or the Articles of Association.

Where any Shareholder demands to read the relevant information or obtain any of the aforesaid materials, he shall submit to the Company written documents proving the class(es) and number of shares he holds. The Company shall provide the relevant information or materials in accordance with the Shareholder's demand after verifying the Shareholder's identity.

In the event that any resolution of the Shareholders' general meeting or resolution of the Board of Directors violates laws or administrative regulations, the Shareholder is entitled to request the People's Court to deem it as invalid. In the event that the convening procedure or voting method of the Shareholders' general meeting or the Board meeting violates any of laws, administrative regulations or the Articles of Association, or any resolution of which violates the Articles of Association, the Shareholder is entitled to request the People's Court to overturn the resolution within 60 days upon the resolution was adopted.

The obligations of Shareholders are as follows:

(i) To abide by laws, administrative regulations and the Articles of Association;

(ii) To provide Share capital according to the Shares subscribed for and Share participation methods;

(iii) Not to return Shares unless prescribed otherwise in laws and administrative regulations;

(iv) Not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors;

(v) To perform other duties prescribed in laws, administrative regulations and the Articles of Association.

Any company Shareholder who abuses Shareholders' rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any Shareholder who abuses the status of the Company as an independent legal entity or the limited liability of Shareholders to evade debts and seriously damages the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

In the event of any loss caused to our Company as a result of violation of any laws, administrative regulations or Articles of Association by the Directors or senior management when performing their duties in our Company, the Shareholders holding more than 1% shares separately or jointly for over 180 consecutive days may submit a written request to the Board of Supervisors to file an action with the people's court. Where supervisors violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to our Company, the Shareholders may submit a written request to the Board of Directors to file an action with the people's court.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the court for the interest of our Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the shareholder(s) specified in this Articles of Association may file an action with the court pursuant to the provisions of the preceding two paragraphs.

In the event of a director or senior management person violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the court.

The controlling Shareholders and actual controllers of the Company shall not use their connected relationship to damage the legitimate interests of the Company; Who violate Articles of Association and cause losses to the Company shall be liable for compensation.

Controlling Shareholders and ultimate controllers of the Company shall have a duty of care to the Company and Public Shareholders. Controlling Shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the lawful interests of the Company or of public Shareholders in any way such as via the distribution of profits, an asset reorganization, external investments, the use of Company's funds or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the Company or of public Shareholders.

General Provisions for Shareholders' General Meetings

The General Meetings are divided into annual general Shareholders' meetings and extraordinary general Shareholders' meetings. The annual general shareholders' meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

The Shareholders' general meeting is the organ of authority of the Company, which exercises its powers in accordance with the PRC Company Law:

(i) To decide on the Company's operational policies and investment plans;

(ii) To elect or remove the Directors and Supervisors (other than the employee representatives) and to decide on matters relating to the remuneration of Directors and Supervisors;

(iii) To examine and approve reports of the Board of Directors;

(iv) To examine and approve reports of the Board of Supervisors;

(v) To examine and approve the Company's proposed annual financial budget and final accounts;

(vi) To examine and approve the Company's proposals for profit distribution plans and loss recovery plans;

(vii) To decide on any increase or decrease of the Company's registered capital;

(viii) To decide on the issue of corporate bonds by the Company;

(ix) To decide on matters such as merger, division, dissolution and liquidation or change of corporate form of the Company;

(x) To amend the Articles of Association;

(xi) Resolution on appointment and dismissal of an accounting firm by the Company;

(xii) To examine and approve the provision of guarantees stipulated in Article 42;

(xiii) To examine matters relating to the purchases and disposals of the Company's material assets within one year, which exceed 30% of the Company's latest audited total assets;

(xiv) To examine and approve matters relating to changes in the use of proceeds;

(xv) To examine and approve the equity incentive plans and employee stock ownership plans;

(xvi) To examine adjustments to the profit distribution plan;

(xvii) To decide on the purchase of the Company's shares under the circumstances stipulated in Article 24 (1) and (2) of the Company's Articles of Association;

(xviii) To examine other matters as required by the laws, administrative regulations, departmental rules, the Articles of Association of the Company or the securities regulatory rules of the place where the Company's shares are listed, which shall be decided by the Shareholders' general meeting.

The external guarantee matters of the Company shall be submitted to the Board of Directors or the General Meeting for deliberation. The following acts of external guarantee of the Company shall be submitted to the General Meeting for deliberation and approval:

(i) Any guarantee to be provided after the total amount of external guarantees provided by the Company and the subsidiaries it controls has at least or exceeded 50% of the Company's net assets as audited in the latest period;

(ii) Basis of the cumulative guarantee amount in the last 12 months, the total amount of external guarantees provided by the Company has exceeded 30% of the Company's latest audited total assets in the latest period;

(iii) Basis of the cumulative guarantee amount in the last 12 months, the total amount of external guarantees provided by the Company has exceeded 50% of the Company's net assets audited in the latest period, and the absolute value exceeded RMB50 million;

(iv) Any guarantee to be provided for a party whose ratio of liabilities to assets exceeds 70%;

(v) The single guarantee for an amount more than 10% of the Company's net assets audited in the latest period;

(vi) The guarantee to be provided to a Shareholder, or to an ultimate controller or related party thereof;

(vii) Other guarantees required by the relevant laws or administrative regulations that shall be considered by the Shareholders' general meeting.

The guarantee in item (2) of the preceding paragraph shall be approved by special resolution at the General Meeting.

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

(i) The number of directors is less than the number provided for in the Company Law or less than two-thirds of the number prescribed in these Articles of Association;

(ii) The uncovered losses of our Company reach one-third of its total paid-in share capital;

(iii) The Shareholders with 10% or more shares of the Company separately or jointly request;

(iv) The Board of Directors considers it necessary;

(v) The Board of Supervisors proposes that such a meeting shall be held;

(vi) Other circumstances conferred by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Convening of Shareholders' General Meetings

Shareholders who individually or collectively hold more than 10% of the shares of the Company shall have the right to request the Board of Directors to convene an extraordinary general meeting, and shall submit such request in writing to the Board of Directors. The Board of Directors shall in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide written feedback on whether or not to convene the extraordinary general meeting within 10 days after receiving the request.

Where the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days after the resolution of the Board of Directors is made, and changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Directors does not agree to convene an extraordinary general meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company's shares have the right to propose to the Board of Supervisors to hold an extraordinary general meeting, and shall make a written request to the Board of Supervisors.

Where the Board of Supervisors agrees to convene an extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days of receiving the request, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Supervisors fails to issue a notice of the general meeting within the prescribed time limit, it shall be deemed that the Board of Supervisors has not convened and presided over the general meeting, and shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over it on their own.

Where the Board of Supervisors or shareholders decide to convene a Shareholders' general meeting by themselves, they shall notify the Board of Directors in writing and file with the relevant branch office of the CSRC where the Company locates and Shenzhen Stock Exchange at the same time. Prior to the announcement of the resolution of the Shareholders' general meeting, the shareholding ratio of the convening shareholders shall not be less than 10%. The Board of Supervisors or the convening shareholders shall submit relevant supporting materials to the relevant branch office of the CSRC where the Company locates and Shenzhen Stock Exchange when issuing the notice of the general meeting and the announcement of the resolutions of the Shareholders' general meeting.

The expenses necessary for the Shareholders' general meeting convened by the Board of Supervisors or the shareholders themselves shall be borne by the Company.

Notice of Shareholders' General Meeting

The notice of a Shareholders' general meeting includes the following:

(i) The time, place and duration of the meeting;

(ii) The matters and proposals to be discussed at the meeting;

(iii) In plain language: all Shareholders have the right to attend the general meeting of shareholders, and may entrust a proxy in writing to attend the meeting and vote. Such a proxy does not need to be a shareholder of the Company;

(iv) The shareholding registration date of the Shareholders entitled to attend the general meeting;

(v) name and telephone number of the permanent contact person for conference affairs.

The notice of the General Meeting and the supplementary notice shall fully and completely disclose all the specific contents of all proposals. If the matter to be discussed needs the opinion of Independent Directors, the opinions and reasons of Independent Directors will be disclosed at the same time when the notice of General Meeting or supplementary notice is issued. The start time of voting by network or other means at the General Meeting shall not be earlier than 9:15 a.m. on the day of the on-site General Meeting, nor later than 9:30 a.m. on the day of the on-site General Meeting, and the end time shall not be earlier than 3:00 p.m. on the day of the on-site General Meeting.

The convener shall notify all Shareholders by way of announcement 21 days prior to the convening of the annual general meeting, and each Shareholder shall be notified by way of announcement 15 days prior to the convening of the extraordinary general meeting.

The interval between the equity registration date and the meeting date shall be no more than 7 working days. Once the equity registration date is confirmed, it cannot be changed.

Proposals at Shareholders' General Meetings

The Board of Directors, the Board of Supervisors and Shareholders who individually or jointly hold more than 3% of the shares of the Company shall have the right to put forward proposals to the Company. Shareholders who individually or collectively hold more than 3% of the shares of the Company may submit an interim proposal in writing to the convener 10 days prior to the convening of the Shareholders' general meeting. The convener shall issue a supplementary notice of the Shareholders' general meeting within 2 days after receiving the proposal, and announce the contents of the interim proposal. Where the Shareholders' general meeting is postponed in accordance with the requirements of the securities regulatory rules of the place where the Company's shares are listed due to the issuance of a supplementary notice of the Shareholders' general meeting, the convening of the Shareholders' general meeting shall be postponed in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed.

Proxy for the Shareholders' General Meeting

A shareholder may attend and vote at the shareholders' general meeting in person or by proxy.

Individual shareholders attending the meeting in person shall present their personal identity cards or other valid certificates or documents or proof of shareholding. Proxies attending the meeting shall present their personal identity cards and the proxy statements from the shareholder.

Corporate shareholders shall be represented by its legal representative or proxies authorized by the legal representative. Legal representatives attending the meeting shall present their personal identity cards or valid documents that can prove its identity as the legal representative. Proxies authorized to attend the meeting shall present their personal identity cards or the written proxy statement legally issued by the legal representative of the legal person shareholder, except for shareholders who are a recognized clearing house as defined in the relevant ordinances in force from time to time under the laws of Hong Kong or the securities regulatory rules of the place where the shares of the Company are listed (hereinafter referred to as the "Recognized Clearing House") or its proxy.

If the shareholder is a Recognized Clearing House (or their proxies), the shareholder may authorize its company representative or one or more persons as it deems appropriate to act as its representative at any General Meeting or any class of shareholders; however, if more than one person is authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized may act on behalf of the Recognized Clearing House (or their proxies) as if such person were an individual shareholder of the Company (without presenting a shareholding certificate, notarized authorization and/or further evidence confirming its duly authorization).

Voting at the Shareholders' General Meeting

The resolutions of the Shareholders' meeting divided into ordinary resolutions and special resolutions. An ordinary resolution at a shareholders' general meeting shall be passed by more than half of the voting rights held by the shareholders present at the shareholders' general meeting (including proxies). A special resolution at a shareholders' general meeting shall be passed by at least two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting (including proxies).

Shareholders (including proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall be entitled to one vote.

Where material issues affecting the interests of minority shareholders are considered at the shareholders' general meeting, the votes of minority shareholders shall be counted separately. The separate votes counting results shall be disclosed publicly in a timely manner.

The shares held by the Company shall have no voting right, and shall not be included in the total number of shares with voting rights of shareholders present at the shareholders' general meeting. If a shareholder purchases shares with voting rights of the Company in violation of the provisions of Article 63(1) and (2) of the Securities Law, the voting rights of such shares in excess of the prescribed proportion shall not be exercised and shall not be counted towards the total number of shares with voting rights present at the shareholders' general meeting for thirty-six months after the purchase.

If any shareholder, under applicable laws and regulations and Hong Kong Listing Rules, is required to abstain from voting on any particular matter being considered or is restricted to voting only for or only against any particular matter being considered, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

The Board of Directors, independent Directors, shareholders holding more than one per cent of the shares with voting rights or investor protection agencies established in accordance with laws as the solicit person. Except for statutory conditions, the Company shall not impose minimum shareholding restrictions on the solicitation of voting rights.

The resolution of the General Meeting includes ordinary resolution and special resolution. The following matters shall be approved by the General Meeting through ordinary resolutions:

(i) Work report of the Board of Directors and the Board of Supervisors;

(ii) Plans of earnings distribution and loss make-up schemes drafted by the Board of Directors;

(iii) Appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, and their payment and payment methods;

(iv) Annual budgets plan and final accounts plan of the Company;

(v) Annual report of the Company;

(vi) Other matters other than those approved by special resolution stipulated in the laws, administrative regulations, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

The following matters shall be approved by special resolution at the General Meeting:

(i) The increase or reduction of the registered capital of the Company;

(ii) The division, spin-off, merger, dissolution and liquidation of the Company or change of company form;

(iii) Any amendment to the Articles of Association;

(iv) Purchase or sale of significant assets within a year which exceeds 30% of the Company's audited total assets for the latest period;

(v) Basis of the cumulative guarantee amount in the last 12 months, the total amount of external guarantees provided by the Company has exceeded 30% of the Company's latest audited total assets;

(vi) Share option incentive plan;

(vii) Adjustments to the profit distribution plan;

(viii) The connected transaction which shall be discussed at the Shareholders' general meeting (exclusive of ordinary connected transactions);

(ix) Issuance of shares, convertible corporate bonds, preferred Stock or other category of securities recognize by the CSRC;

(x) When the Company is to repurchase its own shares under the circumstances 24(1) and (2) of Articles of Association set out;

(xi) Significant asset reorganization;

(xii) A resolution of the Shareholders' general meeting of company to voluntarily withdraw the listing of its shares from trading on the Shenzhen Stock Exchange and/or the Hong Kong Stock Exchange, and to decide not to trade on the Exchange or to apply for trading or transfer of its shares to other trading venues;

(xiii) Other matters as required by the laws, administrative regulations, other securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association, and matters approved by ordinary resolution of the General Meeting which are believed could materially affect our Company and need to be approved by special resolution.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors' term of office shall be three years. Upon expiration of the term, the Director may be re-elected. Director can be the general manager or other senior management personnel. However, provided that the total number of Directors who concurrently serve as general manager or other Senior Management Members and Directors who are employee's representatives shall not exceed half (1/2) of the total number of Directors of the Company.

The Company has independent directors and the Board of Directors should not be less than three or one-third independent directors. Independent directors shall faithfully perform their duties and safeguard the interests of the Company, with particular attention to ensuring that the legitimate rights and interests of public shareholders are not jeopardized.

The directors shall abide by laws, administrative regulations and the Articles of Association, and bear fiduciary obligations towards the Company:

(i) Shall not abuse their authority to accept bribes or other illegal income and shall not misappropriate the properties of the Company;

(ii) Shall not misappropriate company funds;

(iii) The assets of the Company shall not be deposited in any personal account;

(iv) Shall not, in violation of the Articles of Association, loan Company's funds to any other person or provide guarantees to any other person without the approval of the General Meeting or the Board of Directors;

(v) Shall not conclude any contract or engage in any transaction with the Company either in violation of the Articles of Association or without the approval of the General Meeting;

(vi) Shall not use the advantages provided by their own positions to pursue business opportunities that properly belong to the Company to engage in the same business as the Company either for their own account or for the account of any other person without the approval of the General Meeting;

(vii) Shall not accept commissions paid by others for transactions conducted with the Company as their own;

(viii) Shall not disclose confidential Company's information without authorization;

(ix) Shall not abuse their connected relationships to damage the Company's interests;

(x) Other fiduciary obligations stipulated in laws, administrative regulations, departmental rules, other securities regulatory rules of the place where the company's shares are listed and the Articles of Association.

The income obtained by the director in violation of above article shall belong to the Company; If losses are caused to the Company, it shall be liable for compensation.

Directors shall abide by laws, administrative regulations and the Articles of Association, and have the following diligent obligations to the Company:

(i) Shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations and government economic policies, and that the Company's commercial activities do not go beyond the scope of the business activities stipulated in the Company's business license;

(ii) Shall treat all Shareholders fairly;

(iii) Shall maintain a timely awareness of the operation and management of the Company;

(iv) Shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;

(v) Shall provide information and materials to the Board of Supervisors and shall not obstruct the Board of Supervisors or individual Supervisors from performing its or their duties;

(vi) Other obligations of diligence stipulated in the laws, administrative regulations, departmental rules, other securities regulatory rules of the place where the Company's Shares are listed, and Articles of Association.

The fiduciary duty assumed by the Directors shall not be automatically relieved within a reasonable period after the resignation report has not come into effect or has come into effect after the end of the term of office. The duty of confidentiality of the Company's business secrets shall remain valid after the end of the term of office, until the secrets become public information.

Without the provisions of the Articles of Association or the lawful authorization of the Board of Directors, no Director shall act in his own name on behalf of the Company or the Board of Directors. When a Director acts in his/her own name, the Director shall declare his/her position and identity in advance if the third party reasonably believes that the Director is acting on behalf of the Company or the Board of Directors.

Chairman

The Board of Directors shall appoint a Chairman. The Chairman and vice chairman shall be elected by more than one half of all Directors.

Board of Directors

The Board of Directors consists of ten Directors, four of whom are independent Directors and has one chairman. Directors shall be elected or replaced at a shareholders' general meeting.

The Board of Directors exercises the following powers:

(i) To convene the general Shareholders' meeting and report on work to the General Meeting;

(ii) Implement the resolutions of the General Meeting;

(iii) Determine the business and investment plans of our Company;

(iv) Devise the annual financial budget and closing account plans of our Company;

(v) Devise the earnings distribution and loss offset plans of our Company;

(vi) Formulate the plans for increasing or decreasing our Company's registered capital, the issuance of corporate bonds or other securities, as well as the listing of the stock of our Company;

(vii) Formulate plans for major acquisitions of the Company, in case of the circumstances stipulated of the Articles of Association the buy-back of shares of our Company, corporate merger, separation, dissolution and changing the form of our Company;

(viii) Determine such matters as the Company's external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management, connected transaction and external donation within the scope authorized by the General Shareholders' Meeting;

(ix) Decide on the setup of our Company's internal management organization;

(x) To decide on matters such as appointment or dismissal of the Company's general manager, secretary to the Board of Directors and other senior officers and on their compensation and incentives/disincentives; to decide on matters such as appointment or dismissal of the Company's vice general manager, chief financial officer and other senior management and on their compensation and incentives/disincentives based on the nominations by the general manager;

(xi) Set the basic management systems of our Company;

(xii) Make the modification plan to the Articles of Association;

(xiii) Manage the disclosure of company information;

(xiv) Request to the general meeting of shareholders to hire or replace the accounting firm auditing for the company;

(xv) Attend to the work report of our Company's general manager and review the work of the general manager;

(xvi) To formulate the plan of share option incentive plan;

(xvii) Decide on the setup of special committees;

(xviii) Subject to compliance with securities regulatory rules of the place where the shares of our Company are listed, to decide on the acquisition of the shares of our Company (due to circumstances provided in the Articles of Association);

(xix) Other powers and duties authorized by the laws, administrative regulations, regulations of the authorities, other securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Meetings of the Board of Directors shall be attended by more than one-half of the Directors before the Board of Directors meeting can be convened.

The Board of Directors shall determine the authority of external investment, acquisition and sale of assets, asset mortgage, external guarantee matters, entrusted financial management, connected transactions, external donations, and establish strict review and decision-making procedures; major investment projects shall be reviewed by relevant experts and professionals and reported to the shareholders' meeting for approval.

If any Director has connection with the enterprise involved in the resolution made at a Board meeting, the said Director shall not vote on the said resolution for himself/herself or on behalf of another Director. The Board meeting may be held when more than half of the non-connected Directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the issue shall be submitted to the shareholders' general meeting for consideration. If there are any additional restrictions on Directors' participation in and voting at Board meetings in accordance with laws and regulations and the securities regulatory rules of the place where the Company's shares are listed, such provisions shall prevail.

Special Committees under the Board

The special committees shall be responsible to the Board of Directors, and perform their duties according to the Articles of Association and the authorization granted by the Board of Directors.

Secretary to the Board

The Company shall have a Secretary to the Board of Directors, and shall be responsible for the preparation of the shareholders' general meeting and Board meeting and shall deal with information disclosure and other matters. The Secretary to the Board of Directors shall comply with the relevant provisions of the laws, administrative regulations, departmental rules and the Articles of Association.

General Manager and Other Senior Management Members

Our Company has one general manager, appointed or dismissed by the Board of Directors. The general manager of our Company is responsible to the Board of Directors and exercises the following powers:

(i) To be in charge of the Company's production, operation and management, and to organize and implement the resolutions of the Board of Directors and report on works to the Board of Directors;

(ii) To organize and implement the Company's annual business plan and investment proposals;

(iii) In accordance with the instruction of the Board of Directors to draft the annual financial budget and closing account plans of our Company;

(iv) To draft plans for the subsidiaries of merger, division and reorganization;

(v) To draft plans for the employee of salaries, benefits and incentives/disincentives policy and plans;

(vi) To draft plans for the establishment of the Company's internal management organizations;

(vii) To draft plans for the establishment of the Company's branches;

(viii) To draft the Company's basic management system;

(ix) To formulate specific rules and regulations for the Company;

(x) To propose to the Board of Directors on the appointment or dismissal of deputy general manager, financial officer and other senior management of the Company;

(xi) To appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;

(xii) Other functions and powers conferred by the Articles of Association or the Board of Directors.

SUPERVISORS AND BOARD OF SUPERVISORS

Supervisors

Each Supervisor shall serve for a term of three years. Upon expiry of the term, the Supervisor may be re-appointed upon re-election. The Directors, general manager and other senior management members shall not act concurrently as Supervisors.

The Supervisors may attend the meetings of the Board of Directors.

Board of Supervisors

The Company shall have a Board of Supervisors. The Board of Supervisors shall consist of three Supervisors and one chairman. The chairman of the Board of Supervisors shall be elected by a simple majority of all Supervisors. The Board of Supervisors shall consist of Shareholder's representatives and employee's representatives.

The Board of Supervisors shall exercise the following functions and powers:

(i) To examine regular reports and document of stock issue prepared by the Board of Directors and propose written examination suggestions, supervisors Shall sign written statements confirming the regular reports and document of stock issue;

(ii) To review the Company's financial position;

(iii) To supervise the Directors and senior management members' acts in performing their duties in the Company, and to propose a removal of any Director or senior management member in violation of any laws, administrative regulations, the Articles of Association or resolutions adopted at the shareholders' general meeting;

(iv) To demand any Director or senior management member who acts in a manner which is harmful to the Company's interest to rectify such behavior;

(v) To propose to convene an extraordinary general meeting, and to convene and preside over shareholders' general meetings where the Board of Directors fails to perform its duty to do so as required by the Company Law;

(vi) To submit proposals to shareholders' general meetings;

(vii) To initiate legal proceedings against any Director or senior management member according to Article 189 of the Company Law;

(viii) To investigate into unusual operation of the Company and if necessary, to engage an accounting firm, a law firm or other professional institutions to assist in its work at the expenses of the Company.

QUALIFICATIONS AND RESPONSIBILITIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

None of the following persons shall serve as our Director, Supervisor or senior management:

(i) A person who has no civil capacity or has limited civil capacity;

(ii) A person who has committed an offense of corruption, bribery, infringement of property, misappropriation of property or disruption of the socialism economic order and has been punished because of committing such offense where less than five years have lapsed following the completion of the implementation of the punishment; or who has been deprived of his/her political rights for committing an offense where less than five years have lapsed following such deprivation;

(iii) A person who is a former director, factory manager or manager or enterprise which has entered into insolvent liquidation and is personally liable for the insolvency of such company or enterprise, where less than three years have lapsed following the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) A person who is a former legal representative of a company or enterprise which had its business license revoked or had been ordered to close down due to violation of the laws and has incurred personal liability, where less than three years have lapsed since the date of the revocation of such business license;

(v) A person who has a relatively large sum of debt, which was not paid at maturity;

(vi) A person who is currently being prohibited from participating in the securities market by the CSRC and such barring period has not elapsed;

(vii) Any other circumstances stipulated by laws, administrative regulations or departmental rules are listed.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the provisions stipulated by the relevant authorities of the PRC. The Company shall adopt the Gregorian calendar year for its fiscal year, i.e. the fiscal year shall be from January 1 to December 31.

The Company shall submit and disclose its annual reports to the CSRC and the stock exchange in the place where the Company's shares are listed within four months from the end of each fiscal year, and its interim reports to the relevant branch office of the CSRC and the stock exchange in the place where the Company's shares are listed within two months from the end of the first half of each fiscal year.

The financial and accounting reports shall be prepared in accordance with relevant laws, administrative regulations and requirements of the CSRC and the stock exchange in the place where the Company's shares are listed.

The Company will not establish account books other than the statutory account books. The assets of the Company shall not be deposited in any personal account.

The Company is required to withdraw 10% of its profits into its statutory reserve fund when distributing each year's after-tax profits. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further withdrawal is required.

Where the statutory reserve fund of the Company is insufficient to make up the losses of the Company for the preceding year, profits of the current year shall be applied to make up the losses before any allocation to the statutory reserve fund in accordance with the provisions in the preceding paragraph. Subject to a resolution of the shareholders' general meeting, after withdrawal has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund.

After making up of losses and appropriation to reserve funds, balance of the profit after tax shall be distributed to shareholders in proportion to their shareholdings, unless otherwise stipulated in the Articles of Association.

If the General Meeting violates the above provisions and profits are distributed to the Shareholders before the Company makes up for losses or makes allocations to the statutory reserve fund, the profits distributed in violation of the provisions must be returned by such Shareholders to the Company.

No profit shall be distributed in respect of the shares of the Company which are held by the Company. The Company shall appoint one or more collection agents for H shareholders in Hong Kong. The collection agents shall collect on behalf of the relevant H shareholders the dividends distributed and other funds payable by the Company in respect of the H shares, and hold such monies in their custody pending payment to the H shareholders concerned. The collection agents appointed by the Company shall meet the requirements of the laws, regulations and the securities regulatory rules of the place where the Company's shares are listed.

Reserve funds of the Company are used for recovering losses of the Company and expanding scale of operation of the Company or conversion into its capital, but capital reserve fund shall not be used for making up the Company's losses. When the statutory reserve funds are converted into capital, the remaining balance of such reserve fund must not be less than 25% of its registered capital before such conversion.

The Company implements a continuous and stable profit distribution policy. The profit distribution of the Company attaches importance to the reporting of investment and reasonable investment and takes into account the sustainable development of the Company.

After the General Meeting of our Company make a resolution on profit distribution plan, the Board of Directors shall complete the distribution within 2 months after the convening of the General Meeting. The specific profit distribution plan can be adjusted in accordance with such provisions and the actual situation when cannot be implemented within 2 months due to the provisions of laws and regulations and securities regulatory rules of the place where the Company's shares are listed.

The Company has implemented an internal audit system and established the internal audit department equipped with full-time auditors to conduct internal audit and supervision on the Company's financial revenues and expenditures and economic activities. The internal audit system of the Company and the duties of the auditors shall be implemented upon approval by the Board. The person in charge of audit shall be accountable and report to the Board.

The Company shall appoint such accounting firm which has complied with the Securities Law for carrying out the audit for the accounting statements, net asset verification and other relevant consultancy services. The term of appointment is one (1) year and can be re-appointed.

The appointment of accounting firm by the Company shall be subject to the approval of the shareholders' general meetings. The Board of Directors may not appoint accounting firm before the approval of the shareholders' general meeting.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The audit fees of an accounting firm shall be determined at the shareholders' general meeting.

If the Company removes or no longer re-appoints the accounting firm, it shall notify such accounting firm thirty days in advance. When shareholders vote for the removal of such accounting firm, such accounting firm shall be entitled to state its opinions at the shareholders' general meeting.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved for the following reasons:

(i) Expiry of term of business stipulated in the Articles of Association or occurrence of any other trigger for dissolution stipulated in the Articles of Association;

(ii) The General Meeting adopts a resolution to dissolve our Company;

(iii) Our Company needs to be dissolved for the purpose of merger or division;

(iv) The business license is revoked, or our Company is ordered to close or be eliminated according to applicable law;

(v) Where our Company encounters significant difficulties in business and management, continuous survival may be significantly detrimental to the interests of the shareholders, and the difficulties may not be overcome through other means, shareholders who hold more than 10% of all voting rights of the Company's shareholders may request the People's Court to dissolve the Company.

Where our Company is dissolved due to the provisions set forth in i, ii, iv, v above, the liquidation team shall be established within 15 days from the date of the event leading to liquidation to commence dissolution. The personnel of the liquidation team shall consist of the persons determined by the Directors or the General Meeting.

Within 10 days of the establishment of the liquidation team, the creditors shall be notified and an announcement shall be published in the qualified media and Hong Kong Stock Exchange (www.hkexnews.hk) within 60 days. The creditors shall declare their claims to the liquidation team within 30 days of the date on which the notice is received or 45 days of the date of announcement if the notice is not received.

Creditors who declare claims shall state relevant issues related to the claims and provide proofs. The liquidation team shall carry out registration of the claims. During the period for declaration of claims, the liquidation group shall not make any repayment to the creditors.

During the liquidation, our Company shall continue to exist, but shall not carry out business activities irrelevant to the liquidation. The property of our Company shall not be distributed to any shareholder before full payments have been made out of the property according to the aforesaid provision.

In the event the liquidation team finds that, after taking stock of our Company's property and preparing the balance sheet and list of property, that the assets are insufficient to pay the debts, it shall apply to the people's court to declare bankruptcy to the law.

After our Company is declared bankrupt by ruling of the people's court, according to the law of insolvency of company implement insolvency and liquidation.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles of Association:

(i) Following the revision of the Company Law or relevant laws and administrative regulations, the matters stipulated in the Articles of Association contradict the provisions of the revised laws and administrative regulations;

(ii) There is any change to the Company's particulars which result in inconsistency with the matters set out in the Articles of Association;

(iii) A Shareholders' General Meeting has decided on making amendments to the Articles of Association.

If the amendment to the Articles of Association adopted by resolution of the shareholders' general meeting is subject to the approval of the competent authority, it shall be reported to the competent authority for approval; if it involves matters of company registration, the registration of the changes shall be made with the company registration authority in accordance with the law.

1. FURTHER INFORMATION ABOUT OUR GROUP

A. Incorporation

Our Company, then known as Shunde Meituo Investment Co., Ltd. (順德市美托投資有限公司), was incorporated on 7 April, 2000, which later changed its name to Midea Group Co., Ltd. Our Company was converted to a joint stock company on 30 August 2012 and completed the listing of our A Shares on the Shenzhen Stock Exchange (stock code: 000333) in September 2013 through an absorption merger with Midea Electric (the "**A-Shares Listing**"), our then subsidiary listed on the Shenzhen Stock Exchange (stock code: 000527) since 1993. As a result of the absorption merger, Midea Electric was subsequently delisted and became our wholly-owned subsidiary. For further details of the A-Shares Listing, see "History and Corporate Structure — Major Shareholding Changes of Our Company — Conversion into Joint Stock Limited Company and Listing on the Shenzhen Stock Exchange" in this document.

Our registered office is located at Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan, Guangdong Province, China. We were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 25 January 2017, and our principal place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. Ms. Lai Siu Kuen has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in PRC, its operations are subject to the relevant laws and regulations of mainland China. A summary of the relevant aspects of laws and regulations of mainland China and the Articles of Association is set out in Appendices IV and V to this document, respectively.

B. CHANGES IN SHARE CAPITAL OF OUR COMPANY

Save as disclosed below, there has been no alteration in our share capital within two years immediately preceding the date of this document.

A repurchase mandate for the repurchase of A Shares for the purpose of our Company's employee share incentive scheme was approved by the sixth meeting of the fourth session of the Board on 10 March 2022. The repurchase mandate was valid for 12 months from the date of approval of the repurchase mandate by the Board. As of 10 March 2023, the repurchase of A Shares was completed under the repurchase mandate with a total of 48,558,888 A Shares repurchased pursuant to transactions conducted between 14 March 2022 and 10 March 2023, at an average price of RMB54.30 per A Share. Upon repurchase, the repurchased A Shares are held under our Company stock repurchase account and do not carry any shareholders' rights, including but not limited to voting rights at the Shareholders' meeting and dividend rights. Any repurchased A Shares not granted to employees within 36 months after the completion of the repurchase shall be cancelled.

As approved by the ninth meeting of the fourth session of the Board on 8 June 2022, 5,130,962 A Shares repurchased by our Company under a repurchase mandate for 2018 Restricted Share Incentive Scheme, 2019 Restricted Share Incentive Scheme, 2020 Restricted Share Incentive Scheme and 2021 Restricted Share Incentive Scheme were cancelled on 24 October 2022. The total issued share capital of our Company was then decreased from RMB7,000,880,049 comprising 7,000,880,049 A Shares of nominal value of RMB1.00 each to RMB6,995,749,087 comprising 6,995,749,087 A Shares of nominal value of RMB1.00 each.

As approved by the fourteenth meeting of the fourth session of the Board on 16 December 2022, 2,497,917 A Shares repurchased by our Company under a repurchase mandate for 2018 Restricted Share Incentive Scheme, 2019 Restricted Share Incentive Scheme, 2020 Restricted Share Incentive Scheme, 2021 Restricted Share Incentive Scheme and 2022 Restricted Share Incentive Scheme were cancelled on 18 April 2023. The total issued share capital of our Company was then decreased from RMB7,024,196,673 comprising 7,024,196,673 A Shares of nominal value of RMB1.00 each to RMB7,021,698,756 comprising 7,021,698,756 A Shares of nominal value of RMB1.00 each.

As approved by the sixteenth meeting of the fourth session of the Board on 20 June 2023, 7,496,304 A Shares repurchased by our Company under a repurchase mandate for 2018 Restricted Share Incentive Scheme, 2019 Restricted Share Incentive Scheme, 2020 Restricted Share Incentive Scheme, 2021 Restricted Share Incentive Scheme and 2022 Restricted Share Incentive Scheme were cancelled on 10 November 2023. The total issued share capital of our Company was then decreased from RMB7,031,711,304 comprising 7,031,711,304 A Shares of nominal value of RMB1.00 each to RMB7,024,215,000 comprising 7,024,215,000 A Shares of nominal value of RMB1.00 each.

As approved by the twenty-fourth meeting of the fourth session of the Board on 10 January 2024, 69,807,864 A Shares repurchased by our Company between 25 February 2021 and 2 April 2021 under a repurchase mandate approved by the Board on 23 February 2021 were cancelled on 7 February 2024. The total issued share capital of our Company was then decreased from RMB7,031,556,841 comprising 7,031,556,841 A Shares of nominal value of RMB1.00 each to RMB6,961,748,977 comprising 6,961,748,977 A Shares of nominal value of RMB1.00 each.

As approved by the twenty-fourth meeting of the fourth session of the Board on 10 January 2024, 920,814 A Shares repurchased by our Company under a repurchase mandate for 2018 Restricted Share Incentive Scheme, 2019 Restricted Share Incentive Scheme, 2020 Restricted Share Incentive Scheme, 2021 Restricted Share Incentive Scheme, 2022 Restricted Share Incentive Scheme and 2023 Restricted Share Incentive Scheme were cancelled on 25 March 2024. The total issued share capital of our Company was then decreased from RMB6,969,871,538 comprising 6,969,871,538 A Shares of nominal value of RMB1.00 each to RMB6,968,950,724 comprising 6,968,950,724 A Shares of nominal value of RMB1.00 each.

C. Further Information about Our Major Subsidiaries

We have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with the requirements of paragraph 26 of Appendix D1A to the Listing Rules in relation to the disclosure of information relating to the changes in the share capital of any member of our Group within the two years immediately preceding the date of this document. For details, see "Waivers and Exemptions — Waiver in respect of alteration in share capital" in this document.

Save as disclosed below, no alteration in the registered capital of our major subsidiaries has taken place within the two years preceding the date of this document.

Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司)

On 15 April 2024, the registered share capital of Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. decreased from US$158,580,000 to RMB1,055,224,242.

D. Resolutions Passed by Our Shareholders' General Meeting of Our Company in Relation to the Global Offering

Pursuant to the shareholders' meeting held on 11 October 2023, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the Over-allotment Option shall not exceed 10% of the enlarged share capital of our Company upon completion of the Global Offering and granting the Underwriters the Over-allotment Option of no more than 15% of the above number of H Shares to be issued;

(c) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on Listing Date; and

(d) authorization of the Board and its authorized person to handle relevant matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

(a) a cornerstone investment agreement dated 6 September 2024 entered into among our Company, COSCO SHIPPING Holdings (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which COSCO SHIPPING Holdings (Hong Kong) Limited agreed to subscribe for H Shares at the Offer Price in the aggregate amount of HK$2,192,453,574.8;

(b) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, UBS Asset Management (Singapore) Ltd., China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited and UBS AG Hong Kong Branch, pursuant to which UBS Asset Management (Singapore) Ltd. on behalf of its relevant investors agreed to subscribe for H Shares, at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$100 million;

(c) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, China Structural Reform Fund II Corporation Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which China Structural Reform Fund II Corporation Limited agreed to subscribe or procure a qualified domestic institutional investor to subscribe for H Shares at the Offer Price in the aggregate amount of HK$750,000,000;

(d) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, Golden Link Worldwide Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Golden Link Worldwide Limited agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$99,001,569;

(e) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, Splendor Achieve Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Splendor Achieve Limited agreed to subscribe for 15,000,000 H Shares;

(f) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, Supercluster Universe Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Supercluster Universe Limited agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$100,000,000;

(g) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, HCEP Management Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which HCEP Management Limited on behalf of its relevant investor agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$50,000,000;

(h) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, Foresight Global Superior Choice SPC – Global Superior Choice Fund 1 SP, Foresight Global Superior Choice SPC – Vision Fund 1 SP, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Foresight Global Superior Choice SPC – Global Superior Choice Fund 1 SP and Foresight Global Superior Choice SPC – Vision Fund 1 SP agreed to subscribe for H Shares at the Offer Price in the aggregate amount of HK$390,000,000;

(i) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, CPE Investment XVI Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which CPE Investment XVI Limited agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$50,000,000;

(j) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, Dajia Life Insurance Co., Ltd (大家人壽保險股份有限公司), China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Dajia Life Insurance Co., Ltd (大家人壽保險股份有限公司) agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$50,000,000;

(k) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, Metazone Link (HK) Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Metazone Link (HK) Limited agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$50,000,000;

(l) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, Enreal Asset Management Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Enreal Asset Management Limited agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$35,000,000;

(m) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, Vanguard Focus Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Vanguard Focus Limited agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$15,000,000;

(n) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, PSBC Wealth Management Co., Ltd. (中郵理財有限責任公司), China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which PSBC Wealth Management Co., Ltd. (中郵理財有限責任公司) agreed to subscribe or procure a qualified domestic institutional investor to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$21 million;

(o) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, PSBC Wealth Management Co., Ltd. (中郵理財有限責任公司), Industrial Securities Assets Management Co., Ltd. (興證證券資產管理有限公司), China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Industrial Securities Assets Management Co., Ltd. (興證證券資產管理有限公司) agreed to subscribe as a qualified domestic institutional investor on behalf of PSBC Wealth Management Co., Ltd. (中郵理財有限責任公司), failing which PSBC Wealth Management Co., Ltd. (中郵理財有限責任公司) will subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$7.5 million;

(p) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, Jump Trading Pacific Pte. Ltd., China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Jump Trading Pacific Pte. Ltd. agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$50 million;

(q) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, MY Asian Opportunities Master Fund, L.P., China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which MY Asian Opportunities Master Fund, L.P. agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$38,000,000;

(r) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, Athos Capital Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Athos Capital Limited on behalf of its relevant investors agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$30 million;

(s) a cornerstone investment agreement dated 5 September 2024 entered into among our Company, Pamalican Fund Ltd, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited, pursuant to which Pamalican Fund Ltd agreed to subscribe for H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$30 million; and

(t) the Hong Kong Underwriting Agreement.

B. Our Material Intellectual Property Rights

Save as disclosed below, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material in relation to our business.

(a) Trademarks

(i) Registered Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Place of registration
1.	美的	the Company	PRC
2.	美的 Midea	the Company	PRC
3.	Midea	the Company	PRC
4.	美的美居	the Company	PRC
5.	comfee	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	PRC
6.	鲜魔方	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	PRC
7.	蒸立方	Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司)	PRC
8.	ENAMEL	Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司)	PRC
9.	solid ic	Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司)	PRC
10.	饭范	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	PRC
11.	千焰	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	PRC

No.	Trademark	Registered owner	Place of registration
12.	火候眼	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	PRC
13.	千焱	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	PRC
14.	灶大勺	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	PRC
15.	灶王眼	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	PRC
16.	聪慧眼	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	PRC
17.	炊之铸	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	PRC
18.	厨之铸	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	PRC
19.	飨之道	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	PRC
20.	美铸	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	PRC
21.	匠之铸	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	PRC
22.	ANNTO	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)	PRC
23.	胖能会装	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)	PRC
24.	安得	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)	PRC
25.	小安云仓	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)	PRC
26.	ANNTO	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)	PRC

No.	Trademark	Registered owner	Place of registration
27.	掌中鲜	Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司)	PRC
28.	美的味道	Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司)	PRC
29.	LittleSwan	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	PRC
30.	LittleSwan	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	PRC
31.	全心全意小天鹅	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	PRC
32.	小天鹅	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	PRC
33.	小天鹅洗衣	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	PRC
34.	小天鹅	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	PRC
35.	WAHIN	our Company	PRC
36.	COLMO	the Company	PRC
37.	科慕	the Company	PRC
38.	GMCC	the Company	PRC

(b) Patents

(i) Registered Patents

As of the Latest Practicable Date, we had registered the ownership of and/or had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent	Patent Owner	Patent category	Place of Registration
1.	Heating plate, heating pipe, electric appliance	Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司) and our Company	Invention patent	PRC
2.	Monitoring method and device of cooking condition, intelligent terminal and cooking equipment	Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司) and our Company	Invention patent	PRC

No.	Patent	Patent Owner	Patent category	Place of Registration
3.	Control method and device for intelligent cooking equipment, and intelligent cooking equipment	Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司), our Company and Jiangsu Midea Cleaning Electric Co., Ltd. (江蘇美的清潔電器股份有限公司)	Invention patent	PRC
4.	Electronic transformer and microwave cooking appliance	Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司) and our Company	Invention patent	PRC
5.	High frequency heating equipment and the control method and device for its power supply	Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司) and our Company	Invention patent	PRC
6.	Control method for thawing food of microwave oven and microwave oven	Jiangsu Midea Cleaning Electric Co., Ltd. (江蘇美的清潔電器股份有限公司), Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司) and our Company	Invention patent	PRC
7.	Microwave oven	Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司) and our Company	Invention patent	PRC
8.	Environmental-friendly, effective and multi-component foaming agent for PU rigid foamed plastics	Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司)	Invention patent	PRC
9.	Energy-saving method and system for controlling cooling device, cooling device	Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司) and Hefei Hualing Co., Ltd.(合肥華淩股份有限公司)	Invention patent	PRC
10.	Foaming agent composition, polyurethane rigid foam and manufacturing method, cooling device, heat preservation component	Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司)	Invention patent	PRC

No.	Patent	Patent Owner	Patent category	Place of Registration
11.	Refrigerator with inverter and control method of refrigerator with inverter	Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司) and our Company	Invention patent	PRC
12.	Polyurethane foam with low density and low thermal conduction rate and its manufacturing method	Hefei Hualing Co., Ltd. (合肥華凌股份有限公司), Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司) and our Company and Hefei Midea Biomedical Co., Ltd. (合肥美的生物醫療有限公司)	Invention patent	PRC
13.	Control method for preventing super-cooling and keeping fresh of meat, controller and refrigerator	Hefei Hualing Co., Ltd. (合肥華凌股份有限公司), Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司) and our Company	Invention patent	PRC
14.	Control method, control device and refrigerator for preventing food from freezing	Hefei Hualing Co., Ltd. (合肥華凌股份有限公司), Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司) and our Company and Hefei Midea Biomedical Co., Ltd. (合肥美的生物醫療有限公司)	Invention patent	PRC
15.	Humidification control method and system for air-cooled refrigerator and freezer compartment	Hefei Hualing Co., Ltd. (合肥華凌股份有限公司), Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司) and our Company	Invention patent	PRC
16.	Refrigerator with separate ice making system	Hefei Hualing Co., Ltd. (合肥華凌股份有限公司), Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司) and our Company	Invention patent	PRC
17.	Refrigerator with separate ice making system	Hefei Hualing Co., Ltd. (合肥華凌股份有限公司), Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司) and our Company	Invention patent	PRC
18.	Electric rice cooker (MB-FZ4094)	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	Design	PRC

No.	Patent	Patent Owner	Patent category	Place of Registration
19.	Electromagnetic heating device and its heating control circuit	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	Utility model	PRC
20.	Control method, control device and cooking appliance	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	Invention license	PRC
21.	Control method of magnetic knob, cooking device and computer readable storage medium	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	Invention license	PRC
22.	Microwave oven	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司) and our Company	Design	PRC
23.	Cooking control method, device, cooking equipment and computer readable storage medium	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	Invention license	PRC
24.	Electromagnetic cooking appliance and its power control method	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)	Invention license	PRC
25.	Steamer of electric rice cooker, electric rice cooker and its control method	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司) and Wuhu Midea Life Appliances Mfg Co., Ltd (蕪湖美的生活電器製造有限公司)	Invention license	PRC
26.	Fan	GD Midea Environment Appliances Mfg. Co., Ltd. (廣東美的環境電器製造有限公司) and Wuhu Midea Life Appliances Mfg Co., Ltd (蕪湖美的生活電器製造有限公司)	Design	PRC

No.	Patent	Patent Owner	Patent category	Place of Registration
27.	Electric rice cooker and rice cooking control method of electric rice cooker	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司) and Wuhu Midea Life Appliances Mfg Co., Ltd (蕪湖美的生活電器製造有限公司)	Invention license	PRC
28.	Counter-rotating fan	GD Midea White Home Appliances Technology Innovation Center Co., Ltd. (廣東美的白色家電技術創新中心有限公司) and our Company	Utility model	PRC
29.	Heat exchanger and electrical equipment	GD Midea White Home Appliances Technology Innovation Center Co., Ltd. (廣東美的白色家電技術創新中心有限公司) and our Company	Invention patent	PRC
30.	A heating circuit	GD Midea White Home Appliances Technology Innovation Center Co., Ltd. (廣東美的白色家電技術創新中心有限公司) and our Company	Invention patent	PRC
31.	Water purification system and water purification equipment	GD Midea White Home Appliances Technology Innovation Center Co., Ltd. (廣東美的白色家電技術創新中心有限公司), Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd. (佛山市順德區美的洗滌電器製造有限公司) and our Company	Utility model	PRC
32.	A box component and cooling device	GD Midea White Home Appliances Technology Innovation Center Co., Ltd. (廣東美的白色家電技術創新中心有限公司), Hefei Midea Refrigerator Co., Ltd. (合肥美的電冰箱有限公司), Hefei Hualing Co., Ltd.(合肥華凌股份有限公司) and our Company	Utility model	PRC
33.	Packaging components	Midea Group (Shanghai) Limited (美的集團(上海)有限公司), our Company and GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Utility model	PRC

No.	Patent	Patent Owner	Patent category	Place of Registration
34.	A plasma generating device, purifying device and air conditioning system	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司), GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司), GD Midea White Home Appliances Technology Innovation Center Co., Ltd. (廣東美的白色家電技術創新中心有限公司) and our Company	Utility model	PRC
35.	Air conditioner and its control method and device	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司) and our Company	Invention patent	PRC
36.	Sealing device and a window air conditioner with the sealing device	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司) and our Company	Invention patent	PRC
37.	Air conditioner indoor unit and air conditioner	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
38.	Air conditioner indoor unit and air conditioner	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
39.	Air guide plate components, air conditioner indoor units and control method of air conditioner indoor units	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
40.	Air conditioner indoor units	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
41.	Air guide plate components, air conditioner indoor units and control method of air conditioner indoor units	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
42.	Control method and system of air conditioner and air conditioner	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC

No.	Patent	Patent Owner	Patent category	Place of Registration
43.	Air conditioner and its control method and device	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
44.	Air conditioner and its self-cleaning control method and control device	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
45.	Air conditioner and its control method and device	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
46.	Air conditioner controller, air conditioner and its control method and storage medium	Wuhu Maty Air-Conditioning Equipment Co., Ltd. (蕪湖美智空調設備有限公司)	Invention patent	PRC
47.	Shutdown control method and device of air conditioner and air conditioner	Wuhu Maty Air-Conditioning Equipment Co., Ltd. (蕪湖美智空調設備有限公司) and our Company	Invention patent	PRC
48.	Control method for human body amenity of air conditioning system and air conditioner	Wuhu Maty Air-Conditioning Equipment Co., Ltd. (蕪湖美智空調設備有限公司) and GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
49.	Air conditioner	Wuhu Maty Air-Conditioning Equipment Co., Ltd. (蕪湖美智空調設備有限公司) and our Company	Invention patent	PRC
50.	Air conditioner indoor unit and its control method	Wuhu Maty Air-Conditioning Equipment Co., Ltd. (蕪湖美智空調設備有限公司) and our Company	Invention patent	PRC
51.	Air conditioner indoor unit and its control method	Wuhu Maty Air-Conditioning Equipment Co., Ltd. (蕪湖美智空調設備有限公司) and our Company	Invention patent	PRC
52.	Display box and air conditioner indoor unit	Wuhu Maty Air-Conditioning Equipment Co., Ltd. (蕪湖美智空調設備有限公司)	Invention patent	PRC
53.	Control method of air conditioner	GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd. (廣東美的集團蕪湖製冷設備有限公司) and our Company	Invention patent	PRC

No.	Patent	Patent Owner	Patent category	Place of Registration
54.	Defrosting control method of air conditioner	GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd. (廣東美的集團蕪湖製冷設備有限公司) and our Company	Invention patent	PRC
55.	Outdoor heat exchangers and air conditioners	GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd. (廣東美的集團蕪湖製冷設備有限公司) and our Company	Invention patent	PRC
56.	Defrosting method of air conditioner	GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd. (廣東美的集團蕪湖製冷設備有限公司) and our Company	Invention patent	PRC
57.	Control device and control method of inverter air conditioner and inverter air conditioner	GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd. (廣東美的集團蕪湖製冷設備有限公司)	Invention patent	PRC
58.	Air conditioner control method and system, and air conditioner	GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd. (廣東美的集團蕪湖製冷設備有限公司)	Invention patent	PRC
59.	Audio signal coding method and system	GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd. (廣東美的集團蕪湖製冷設備有限公司)	Invention patent	PRC
60.	Sterilization control method, sterilization module and air treatment device	Chongqing Midea Refrigeration Equipment Co., Ltd. (重慶美的製冷設備有限公司) and GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
61.	Double-mode starting control method and system for DC inverter air-conditioning compressor	Chongqing Midea Refrigeration Equipment Co., Ltd. (重慶美的製冷設備有限公司) and GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
62.	Air conditioning system and air processing method	Chongqing Midea Refrigeration Equipment Co., Ltd. (重慶美的製冷設備有限公司) and GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC

No.	Patent	Patent Owner	Patent category	Place of Registration
63.	Control method of air conditioner, control device, air conditioner and readable storage medium	Chongqing Midea Air-Conditioning Equipment Co., Ltd. (重慶美的製冷設備有限公司) and GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
64.	Home appliance and its motor control method, device and storage medium	Chongqing Midea Air-Conditioning Equipment Co., Ltd. (重慶美的製冷設備有限公司) and GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
65.	Control method of kitchen air conditioner, controller of kitchen air conditioner and kitchen air conditioner	Chongqing Midea Air-Conditioning Equipment Co., Ltd. (重慶美的製冷設備有限公司) and GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
66.	An air quality control method, device, equipment and storage medium	Chongqing Midea Air-Conditioning Equipment Co., Ltd. (重慶美的製冷設備有限公司) and GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
67.	Heat exchange fins, multi-fold heat exchangers and air conditioners	Guangzhou Hualing Refrigerating Equipment Co., Ltd (廣州華淩製冷設備有限公司) and our Company	Invention patent	PRC
68.	Drive control circuit, drive control method, circuit board and air conditioner	Guangzhou Hualing Refrigerating Equipment Co., Ltd (廣州華淩製冷設備有限公司)	Invention patent	PRC
69.	Operation detection method, operation detection device, vehicle air conditioner and storage medium	Guangzhou Hualing Refrigerating Equipment Co., Ltd (廣州華淩製冷設備有限公司)	Invention patent	PRC
70.	Drive control module and vehicle air conditioner	Guangzhou Hualing Refrigerating Equipment Co., Ltd (廣州華淩製冷設備有限公司)	Invention patent	PRC

No.	Patent	Patent Owner	Patent category	Place of Registration
71.	Operation detection method, operation detection device, vehicle air conditioner and storage medium	Guangzhou Hualing Refrigerating Equipment Co., Ltd (廣州華凌製冷設備有限公司)	Invention patent	PRC
72.	Control circuit of AC fan and detection method of the state of air conditioner AC fan	Guangzhou Hualing Refrigerating Equipment Co., Ltd (廣州華凌製冷設備有限公司) and GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Invention patent	PRC
73.	Air guide device for air conditioner and cabinet type air conditioner	Guangzhou Hualing Refrigerating Equipment Co., Ltd (廣州華凌製冷設備有限公司) and our Company	Invention patent	PRC
74.	Method, device, storage medium and processor for zero-cold-water gas water heater	Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd. (蕪湖美的廚衛電器製造有限公司) and our Company	Invention patent	PRC
75.	Gas water heater and heat exchanger for gas water heater	Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd. (蕪湖美的廚衛電器製造有限公司) and our Company	Invention patent	PRC
76.	Frame components of laundry treatment device and laundry treatment device	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	Invention patent	PRC
77.	Box components of clothes handling equipment and clothes handling equipment	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	Invention patent	PRC
78.	Clothes treating device	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	Invention patent	PRC
79.	Front closing door of clothes handling equipment and clothes handling equipment	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	Invention patent	PRC
80.	Drum washing machine and washing control method thereof	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	Invention patent	PRC
81.	Electrolysis components and clothes treatment equipment	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	Invention patent	PRC

No.	Patent	Patent Owner	Patent category	Place of Registration
82.	Drum washing machine and washing control method thereof	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)	Invention patent	PRC
83.	Defrosting control method of air conditioner, defrosting control device and air conditioner	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)	Invention patent	PRC
84.	Heat pump water heater	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)	Invention patent	PRC
85.	Duct type air conditioner and its control method and control device	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)	Invention patent	PRC
86.	Air conditioner, air return plate assembly of air conditioner and its control method	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)	Invention patent	PRC
87.	Integral heat pump water heater and outlet temperature control method	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)	Invention patent	PRC
88.	Outlet water temperature adjusting device, air-energy water heater and method for automatically adjusting outlet water temperature	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)	Invention patent	PRC
89.	Air energy water heater and its heating control method and device	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)	Invention patent	PRC
90.	Method and device for detecting starting state of compressor and centrifugal compressor	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)	Invention patent	PRC
91.	Control method of multi-line air-conditioning system, multi-line air-conditioning system and medium	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)	Invention patent	PRC

No.	Patent	Patent Owner	Patent category	Place of Registration
92.	Control method, control device of multi-line system and multi-line system	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)	Invention patent	PRC
93.	Inverter air conditioner and its units radiator sealant as control measure	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)	Invention patent	PRC
94.	Air-conditioning system and its compressor control measures and device	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)	Invention patent	PRC
95.	Multi-line air-conditioning system and its communication method	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)	Invention patent	PRC
96.	Control method of multi-line air-conditioning units	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)	Invention patent	PRC

(c) Software Copyrights

As of the Latest Practicable Date, our Group had registered the following software copyrights which we consider to be material to our business:

No.	Software name	Place of Registration	Registered owner
1.	Midea SaleSmart APP	PRC	the Company
2.	Zhihuipiao Fully Electronic Output Management System (智匯票全電銷項管理系統)	PRC	the Company
3.	Midea Smart Home APP (美的智慧家APP)	PRC	the Company
4.	M-Smart Password Service System (M-Smart密碼服務系統)	PRC	the Company
5.	Midea Decryption Tool Software for IoT Device Certificates (美的物聯網設備證書解密工具軟件)	PRC	the Company
6.	IoTTest Test Case Management Platform (IoTTest測試用例管理平台)	PRC	the Company
7.	IoT-Edge Computing Platform (物聯網-邊緣計算平台)	PRC	the Company

No.	Software name	Place of Registration	Registered owner
8.	3D Model Processing and Rendering Platform (3D模型處理及渲染平台)	PRC	the Company
9.	Midea Blockchain Traceability Service Platform (美的區塊鏈溯源服務平台)	PRC	the Company
10.	Midea Blockchain Technology Service Platform (美的區塊鏈技術服務平台)	PRC	the Company
11.	Midea Data Self-learning Platform (美的數據自學習平台)	PRC	the Company
12.	Midea PaaS Mid-office System (美的PaaS中台系統)	PRC	the Company
13.	Midea MDV Official Website System (美的MDV官網系統)	PRC	the Company
14.	Midea Cloud Certification – IAM System Software (美的認證雲IAM系統軟件)	PRC	the Company
15.	Midea Cloud T-DCS System Software (美的雲T-DCS系統軟件)	PRC	the Company
16.	Midea LetsLink System (美的LetsLink系統)	PRC	the Company
17.	DJS Distributed Task Scheduling Platform (DJS分佈式任務調度平台)	PRC	the Company
18.	Microservice Governance Platform System (微服務治理平台系統)	PRC	the Company
19.	CBPM Process Engine Software (CBPM流程引擎軟件)	PRC	the Company
20.	Midea Open Search System Software (美的開放搜索系統軟件)	PRC	the Company
21.	Digital Process Management System Software (數字化工藝管理系統軟件)	PRC	the Company
22.	Laboratory Information Management System (實驗室信息管理系統)	PRC	the Company
23.	Midea Product Demand Management System (美的產品需求管理系統)	PRC	the Company
24.	EVA Platform Management System (愛娃平台管理系統)	PRC	the Company
25.	Midea T+3 Value Chain Mobile Application (美的T+3價值鏈移動應用軟件)	PRC	the Company
26.	Manufacturing Execution System (製造執行系統)	PRC	the Company
27.	Midea Remote Data Acquisition and Monitoring System (美的遠程數據採集與監控系統)	PRC	the Company

No.	Software name	Place of Registration	Registered owner
28.	Enterprise Asset Management System (企業資產管理系統)	PRC	the Company
29.	Midea Bearing Housing AI Quality Inspection System (美的軸承座AI質檢系統)	PRC	the Company
30.	Full Data Lake System (全量數據湖系統)	PRC	the Company
31.	Global Supplier Cloud System (全球供應商雲系統)	PRC	the Company
32.	C-IMS Domestic Sales System (C-IMS內銷銷售系統)	PRC	the Company
33.	Quality Management System (質量管理系統)	PRC	the Company
34.	Industrial Cloud System (工業雲系統)	PRC	the Company
35.	Supply Chain Platform (供應鏈平台)	PRC	the Company
36.	Full Value Chain Data Operation and Monitoring System (全價值鏈數據運營監控系統)	PRC	the Company
37.	Advanced Factory Scheduling System (高級工廠排程系統)	PRC	the Company
38.	Midea Channel Collaboration System (美的渠道協同系統)	PRC	the Company
39.	Configure-to-Order Management System (訂單選配管理系統)	PRC	the Company
40.	Meiyunxiao APP (美雲銷APP系統)	PRC	the Company
41.	Advanced Intelligent Scheduling System (高級智能排程系統)	PRC	the Company
42.	Customer Relationship Management Cloud Software (客戶關係管理雲軟件)	PRC	the Company
43.	MDI-NX Integrated Online Design System (MDI-NX集成在線設計系統)	PRC	the Company
44.	Midea PLM Management System (Midea PLM管理系統)	PRC	the Company
45.	Zhihuiqian Electronic Signature Service Platform Software (智匯簽電子簽章服務平台軟件)	PRC	the Company
46.	Factory Energy Management System (工廠能源管理系統)	PRC	the Company
47.	Midea Meiju APP (Android) (美的美居Android版軟件)	PRC	the Company
48.	Midea Meiju APP (iOS) (美的美居IOS版軟件)	PRC	the Company

No.	Software name	Place of Registration	Registered owner
49.	Midea Group IoT Cloud Platform System (美的集團IoT雲平台系統)	PRC	the Company
50.	Midea Mall APP (Android) (美的商城APP軟件(Android版))	PRC	the Company
51.	Midea Blockchain Preservation Service Platform (美的區塊鏈存證服務平台)	PRC	the Company
52.	Midea Mall APP Software (for iOS) (美的商城APP軟件(iOS版))	PRC	the Company
53.	Midea Supply Chain Data Platform System (美的供應鏈數據平台系統)	PRC	the Company
54.	Midea Blockchain Technology Service Platform (美的區塊鏈技術服務平台)	PRC	the Company
55.	Midea Blockchain Traceability Service Platform (美的區塊鏈溯源服務平台)	PRC	the Company
56.	Material Requirement Planning System (物料需求計劃系統)	PRC	the Company
57.	Midea Supplier Relationship Management System (美的供應商關係管理系統)	PRC	the Company
58.	Midea Multi-Burner IoT Access Software (美的多頭灶物聯網接入軟件)	PRC	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)
59.	Software for Midea Bluetooth Temperature and Humidity Sensor (美的藍牙溫濕度傳感器軟件)	PRC	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)
60.	Recipe Search System for Gourmet Stew (美食燴食譜搜索系統)	PRC	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)
61.	KOL Recipe System for Gourmet Stew (美食燴達人食譜系統)	PRC	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)

No.	Software name	Place of Registration	Registered owner
62.	Midea Home Appliance Product Manual System (美的家電產品說明書系統)	PRC	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)
63.	Meishao Home Appliance Control System (美勺家電控制系統)	PRC	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)
64.	IH Control Software for Midea Induction Cooker (美的電磁爐IH控制軟件)	PRC	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)
65.	IH Control Software for Midea Electric Cooker (美的IH電飯煲控制軟件)	PRC	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)
66.	Control Software for Midea Smart Electric Cooker (美的智能電飯煲控制軟件)	PRC	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)
67.	Control Software for Midea Electric Pressure Cooker (美的電熱電壓力鍋控制軟件)	PRC	Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd. (佛山市順德區美的電熱電器製造有限公司)
68.	Digital System for Midea Microwave and Cleaning Division (美的微清事業部數字化系統)	PRC	Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司)

No.	Software name	Place of Registration	Registered owner
69.	iBUILDING Water Engine Official Website System (iBUILDING水機官網系統)	PRC	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)
70.	iBUILDING Mini Program of e-call elevator (iBUILDING 手機呼梯小程序)	PRC	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)
71.	iBUILDING Unified Equipment Management System (iBUILDING統一設備管理系統)	PRC	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)
72.	iBUILDING TRUE SPACE系統 (iBUILDING TRUE SPACE System)	PRC	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)
73.	MDV Cloud Butler APP (MDV雲管家APP)	PRC	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)
74.	iBUILDING Smart Charging System (iBUILDING 智慧充電系統)	PRC	GD Midea Heating & Ventilating Equipment Co., Ltd. (廣東美的暖通設備有限公司)
75.	Structural Simulation Grid Automatic Modeling and Intelligent Optimization Software for Midea RAC (Midea RAC結構仿真網格自動建模和智能優化軟件)	PRC	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)
76.	Structural Simulation Connection Intelligent Identification and Modeling Software for Midea RAC (Midea RAC結構仿真連接智能識別及建模軟件)	PRC	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)
77.	Midea Air Conditioning Intelligent Big Data Industry Competition System (美的空調智能大數據產業競爭系統)	PRC	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)
78.	Midea Mould Supply Chain Data Collaboration Management Platform (美的模具供應鏈數據協同管理平臺)	PRC	GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)

No.	Software name	Place of Registration	Registered owner
79.	Xinyue Small Multi-connected Internal Machine Product Software (新月小多聯內機系列產品軟件)	PRC	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)
80.	Xinyue Big Multi-connected Internal Machine Product Software (新月大多聯內機系列產品軟件)	PRC	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)
81.	Big Multi-connected Unit Internal Machine Control Software (大多聯機組內機系列控制軟件)	PRC	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)
82.	Variable-frequency 10-HP Unit External Machine Control Software (變頻十匹機組外機系列控制軟件)	PRC	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)
83.	Unit Series Control Software (單元機組系列控制軟件)	PRC	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)
84.	Small Multi-connected Unit Internal Machine Control Software (小多聯機組內機系列控制軟件)	PRC	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)
85.	Big Multi-connected Unit External Machine Control Software (大多聯機組外機系列控制軟件)	PRC	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)
86.	Big Multi-connected Unit External Machine Control Software (小多聯機組外機系列控制軟件)	PRC	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)
87.	Split-type Unit Internal Machine Control Software (一拖一機組內機系列控制軟件)	PRC	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)
88.	Big Multi-connected Unit External Machine Control Software (大多聯機組外機系列控制軟件)	PRC	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)

No.	Software name	Place of Registration	Registered owner
89.	Small Multi-connected Unit Internal Machine Control Software (小多聯機組內機系列控制軟件)	PRC	Hefei Midea Heating & Ventilating Equipment Co., Ltd. (合肥美的暖通設備有限公司)
90.	Midea Washing Machine Digital Twin Platform (美的洗衣機數字孿生平臺)	PRC	Wuxi Little Swan Electric Co., Ltd. (無錫小天鵝電器有限公司)
91.	Product Management System (產品管理系統)	PRC	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)
92.	Anzhi Cloud Warehouse WMS Warehouse Management System (安智雲倉WMS倉儲管理系統)	PRC	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)
93.	Xiaoan Care APP (小安到家APP)	PRC	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)
94.	Logistics Cloud Zhitongbao Mobile Platform (物流雲直通寶移動平臺)	PRC	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)
95.	ANNTO Production Logistics System (安得生產物流系統)	PRC	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)
96.	ANNTO Delivery & Installation System (安得送裝系統)	PRC	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)
97.	ANNTO Transportation Management System (安得運輸管理系統)	PRC	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)
98.	ANNTO Network Freight Platform (安得網絡貨運平臺)	PRC	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)
99.	ANNTO Supplier Management System (安得供應商管理系統)	PRC	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)

No.	Software name	Place of Registration	Registered owner
100.	Home Delivery & Installation Order Management System (家居送裝訂單管理系統)	PRC	Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)
101.	Midea Wall Air Conditioner Control Software (美的掛壁式空調控制軟件)	PRC	Chongqing Midea Air-Conditioning Equipment Co., Ltd. (重慶美的製冷設備有限公司)
102.	Midea Fission Air Conditioning Control Software (美的分體空調控制軟件)	PRC	Chongqing Midea Air-Conditioning Equipment Co., Ltd. (重慶美的製冷設備有限公司)

(d) Domain Name

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be or may be material to our business:

No.	Domain name
1.	midea.com.cn
2.	midea.com
3.	midea-group.com

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters

We have entered into a service contract or appointment letter with each of the Directors and Supervisors. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

B. Remuneration of Directors and Supervisors

The aggregate remuneration (including fees, salaries, wages, share-based compensation, contributions to pension plans, benefits-in-kind and discretionary bonuses) for our Directors and Supervisors for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024 were approximately RMB116.0 million, RMB108.1 million, RMB114.8 million and RMB34.7 million, respectively.

Based on the current arrangements in force as of the Latest Practicable Date, it is estimated that the total remuneration for our Directors (including independent non-executive Directors) and Supervisors for the year ending 31 December 2024 will be approximately RMB124 million. The actual total remuneration of Directors and Supervisors for the year ending 31 December 2024 may be different from the expected remuneration as the discretionary bonuses will be determined based on the results of our Company for the year ending 31 December 2024.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group. Furthermore, none of the Directors or Supervisors had waived or agreed to waive any emoluments during the same periods.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024 by any member of our Group to any of our Directors.

C. Disclosure of Interests

Save as disclosed below, immediately following the completion of the Global Offering and assuming that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules to be notified to our Company, once the H Shares are listed on the Hong Kong Stock Exchange.

(i) Interest in Shares of our Company

Name of Director or Supervisor	Position	Shares to be held after the Global Offering	Nature of interest	Number of Shares	Approximate % interest in Shares of our Company immediately after the Global Offering[(1)]
Mr. Fang Hongbo . . .	Executive Director, Chairman of the Board and Chief Executive Officer	A Shares	Beneficial Owner	116,990,492	1.6%
Mr. Fu Yongjun . .	Executive Director, Mechanical and electrical department president	A Shares	Beneficial Owner	200,000	0.003%
Mr. Guan Jinwei . . .	Executive Director and Vice President	A Shares	Beneficial Owner and Interest of Spouse	538,500[(2)]	0.007%
Ms. Ren Lingyan . .	Supervisor	A Shares	Interest of Spouse	8,100[(3)]	0.0001%

Notes:

(1) The calculation is based on the assumption that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing.

(2) The spouse of Mr. Guan holds 3,500 A Shares and Mr. Guan is deemed to be interested in the A Shares held by his spouse.

(3) The spouse of Ms. Ren holds 8,100 A Shares and Ms. Ren is deemed to be interested in the A Shares held by her spouse.

(ii) Interest in our Associated Corporations

Name of Director or Supervisor	Position	Nature of Interest	Member of our Group	Approximate % of Shareholding
Mr. Fang Hongbo[(1)]	Executive Director, Chairman of the Board and Chief Executive Officer	Interest in controlled corporation	Midea Robozone Technology Co., Ltd.	6.5%
Mr. Fang Hongbo[(2)]	Executive Director, Chairman of the Board and Chief Executive Officer	Interest in controlled corporation	Meicloud Technology Co., Ltd.	5.3%
Mr. Fang Hongbo[(3)]	Executive Director, Chairman of the Board and Chief Executive Officer	Interest in controlled corporation	Annto Smart Logistics Technology Co., Ltd	3.3%
Mr. Fang Hongbo[(4)]	Executive Director, Chairman of the Board and Chief Executive Officer	Interest in controlled corporation	Guangdong Midea Smart Technology Industry Investment Fund (LLP)	5.4%

Notes:

(1) Ningbo Meiyue Venture Capital Partnership (Limited Partnership) is interested in 6.5% of the equity interest of Midea Robozone Technology Co., Ltd. Mr. Fang Hongbo holds 38.7% interest in Ningbo Meiyue Venture Capital Partnership (Limited Partnership), an employee shareholding platform. As such, Mr. Fang is deemed to be interested in the shares held by Ningbo Meiyue Venture Capital Partnership (Limited Partnership).

(2) Ningbo Meiyue Venture Capital Partnership (Limited Partnership) is interested in 5.3% of the equity interest of Meicloud Technology Co., Ltd. Mr. Fang Hongbo holds 38.7% interest in Ningbo Meiyue Venture Capital Partnership (Limited Partnership), an employee shareholding platform. As such, Mr. Fang is deemed to be interested in the shares held by Ningbo Meiyue Venture Capital Partnership (Limited Partnership).

(3) Ningbo Meiyue Venture Capital Partnership (Limited Partnership) is interested in 3.3% of the equity interest of Annto Smart Logistics Technology Co., Ltd. Mr. Fang Hongbo holds 38.7% interest in Ningbo Meiyue Venture Capital Partnership (Limited Partnership), an employee shareholding platform. As such, Mr. Fang is deemed to be interested in the shares held by Ningbo Meiyue Venture Capital Partnership (Limited Partnership).

(4) Ningbo Meishan Venture Capital Partnership (Limited Partnership) and Meishan (Guangdong) Equity Investment Partnership (Limited Partnership) are interested in 3.0% and 2.4% of the equity interest of Guangdong Midea Smart Technology Industry Investment Fund (LLP), respectively. Mr. Fang Hongbo holds 80.6% interest in Ningbo Meishan Venture Capital Partnership (Limited Partnership) and 99.98% interest in Meishan (Guangdong) Equity Investment Partnership (Limited Partnership). As such, Mr. Fang is deemed to be interested in the shares held by Ningbo Meishan Venture Capital Partnership (Limited Partnership) and Meishan (Guangdong) Equity Investment Partnership (Limited Partnership), respectively.

(iii) Interests of Substantial Shareholders in Members of Our Group (Excluding Our Company)

Save as disclosed below and the disclosure in the section headed "Substantial Shareholders", our Directors are not aware of any other person who will, immediately following completion of the Global Offering and assuming that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing, have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

Member of our Group	Name of substantial shareholder	Approximate % held by the substantial shareholder
GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	Toshiba Carrier Corporation	20.0%
Midea Group Wuhan Refrigeration Equipment Co., Ltd. (美的集團武漢製冷設備有限公司)	Toshiba Carrier Corporation	20.0%
Foshan Midea Chungho Water Purification Equipment. Co., Ltd. (佛山市美的清湖淨水設備有限公司)	Chungho Nais Co., Ltd (清湖NAIS株式會社)	40.0%
Hefei Midea-SIIX Electronics Co., Ltd. (合肥美的希克斯電子有限公司)	Siix Hong Kong Ltd (希克斯香港有限公司)	25.0%
Guangdong Midea-SIIX Electronics Co., Ltd. (廣東美的希克斯電子有限公司)	Siix Hong Kong Ltd (希克斯香港有限公司)	25.0%
Jingzhou Midea-SIIX Electronics Co., Ltd. (荊州美的希克斯電子有限公司)	Siix Hong Kong Ltd (希克斯香港有限公司)	25.0%
T.G. Battery Co. (China) Ltd. (東山電池工業(中國)有限公司)	Guangdong Desay Corporation (廣東德賽集團有限公司)	15.0%
T.G. Battery Co. (Hong Kong) Ltd.	GP Batteries International Limited	50.0%
MR Semiconductor Ltd. (上海美仁半導體有限公司)	Noone Semiconductor Ltd. (上海無競半導體科技有限公司)	16.9%

Member of our Group	Name of substantial shareholder	Approximate % held by the substantial shareholder
MR Semiconductor Ltd. (上海美仁半導體有限公司)	Ningbo Meixin Investment Partnership (Limited Partnership) (寧波美芯投資合夥企業(有限合夥))	19.2%
Shenzhen CLOU Electronics Co., Ltd. (深圳市科陸電子科技股份有限公司)	Shenzhen Yuanzhi Investment Co., Ltd. (深圳市資本運營集團有限公司)	13.0%
Wuhan TTium Motor Technology Co., Ltd (武漢天騰動力科技有限公司)	Wuhan TIANTI No. 1 Enterprise Management Partnership (L.P.) (武漢天梯一號企業管理合夥企業(有限合夥))	10.7%
Wuhan TTium Motor Technology Co., Ltd (武漢天騰動力科技有限公司)	HL Corp (Shenzhen) (深圳信隆健康產業發展股份有限公司)	12.5%
Wuhan TTium Motor Technology Co., Ltd (武漢天騰動力科技有限公司)	Liu Han (劉罕)	12.6%
Luanping Huitong Photovoltaic Power Co., Ltd. (灤平慧通光伏發電有限公司)	Long Tengyun (龍騰雲)	40.0%
Hefei Midea Hekang Photovoltaic Technology Co., Ltd. (合肥美的合康光伏科技有限公司)	Wang Shizhen (王世珍)	20.0%
Shanghai Swisslog Technology Co., Ltd (上海瑞仕格科技有限公司). . .	SWISSLOG ASIA LIMITED	50.0%
Guangdong Swisslog Technology Co., Ltd. (廣東瑞仕格科技有限公司)	Swisslog AG	50.0%
Swisslog Healthcare Shanghai Co., Ltd. (上海瑞仕格醫療科技有限公司)	Swisslog Healthcare Holding AG	50.0%
Foshan Midea Carrier Air-Conditioning Equipment Co., Ltd. (佛山市美的開利製冷設備有限公司)	Carrier Asia Limited (開利亞洲有限公司)	40.0%
Hefei M&B Air Conditioning Equipment Co., Ltd. (合肥美聯博空調設備有限公司)	Bosch (China) Investment Co., Ltd. (博世(中國)投資有限公司)	40.0%

Member of our Group	Name of substantial shareholder	Approximate % held by the substantial shareholder
KONG Intelligent Environment (Xi'an) Co., LTD (美控智慧環境(西安)有限公司)	Shaanxi Construction Investment Holdings Co., Ltd. (陝西省建投控股有限公司)	35.0%
Winone Elevator Company Limited (菱王電梯有限公司)	Guangdong Biaodi Investment Co., Ltd. (廣東標的投資有限公司)	20.0%
Ningbo Meizhi Uni-Innovation Investment Center (LLP) (寧波美智和創投資中心(有限合夥))	Li Feide (李飛德)	29.4%
Guangdong Yueyun Industrial Internet Innovation Technology Co., Ltd. (廣東粵雲工業互聯網創新科技有限公司)	New Pearl Group Co., Ltd. (新明珠集團股份有限公司)	10.0%
Midea Intelligent Lighting & Controls Technology Co., Ltd. (美智光電科技股份有限公司)	Ningbo Meiyisheng Venture Capital Partnership (Limited Partnership) (寧波美翌升創業投資合夥企業(有限合夥))	12.8%
Midea Intelligent Lighting & Controls Technology Co., Ltd. (美智光電科技股份有限公司)	Ningbo Meishun Investment Partnership (limited Partnership) (寧波美順投資合夥企業(有限合夥))	14.2%
GD Midea Caffitaly Coffee Machine Manufacturing CO., Ltd (廣東美的卡菲咖啡機製造有限公司)	ALBA Investments Limited (卡飛特有限公司)	30.0%
Guangdong Midea Cuchen Company Ltd. (廣東美的酷晨生活電器製造有限公司)	Cuchen Co. Ltd	40.0%
Midea Robozone Technology Co., Ltd (美智縱橫科技有限責任公司)	Ningbo Kuntian Enterprise Management Partnership (Limited Partnership) (寧波穹天企業管理合夥企業(有限合夥))	11.0%
Midea Robozone Technology Co., Ltd (美智縱橫科技有限責任公司)	Ningbo Meiyu Venture Capital Partnership (Limited Partnership) (寧波美煜創業投資合夥企業(有限合夥))	11.4%

Member of our Group	Name of substantial shareholder	Approximate % held by the substantial shareholder
Guangdong Midea Supply Chain Finance Co., Ltd. (廣東美的供應鏈金融有限公司)	Foshan Shunde Shunsheng Investment Development Co., Ltd. (佛山市順德區順盛投資開發有限公司)	15.0%
Clivet Air S.r.l.	Bissoli Giorgio	10.0%
Clivet Air S.r.l.	Bissoli Luca	10.0%
Midea Scott & English Electronics SDN. BHD.	Eastern Trinity	25.0%
Frylands B.V.	South American Coöperatief U.A.	49.0%
Carrier Midea India Private Limited	Sensitech Emea B.V.	40.0%
Misr Refrigeration and Air Conditioning Manufacturing Company, S.A.E.	Aldridge Holdings LLC	25.0%
Misr Refrigeration and Air Conditioning Manufacturing Company, S.A.E.	China-Africa Electrical Equipment Investment Co., Limited	11.7%
Misr Refrigeration and Air Conditioning Manufacturing Company, S.A.E.	Carrier HVAVR Investment B.V	10.1%
South American HoldCo II B.V.	South American Coöperatief U.A.	49.0%
Miraco Development Services and Trading Company S.A.E.	Carrier Corporation Company	20.4%
Motinova (Viêt Nam) Technology Co., Ltd.	HL-VT CORP (VIETNAM)	30.0%
Carrier S.R.L	Arco S.R.L.	27.9%
Limited Liability Company "Home Appliances"(1)	OJSC "David-Gorodoksky Electromechanical Plant"	45.0%
Toshiba Sales & Services Sdn. Bhd.	TSS SALE & SERVICE SDN. BHD.	20.0%
Thai Toshiba Electric Industries Co., Ltd.	THAI ELECTRIC INDUSTRIES Co., Ltd.	45.5%
Toshiba Thailand Co., Ltd.	Suriyasat Group	31.5%

Note:

(1) The English name is for identification only.

D. Disclaimer

Save as disclosed in this section and the section headed "Business" in this document:

(i) none of our Directors or the chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are listed;

(ii) none of our Directors, Supervisors or any of the experts referred to under the paragraph headed "—5. Other Information — E. Qualification of Experts" has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iii) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(iv) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(v) none of our Directors or Supervisors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(vi) so far as is known to our Directors, no person (not being a Director or chief executive of our Company or any member of our Group) will, immediately following the completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(vii) none of our Directors, Supervisors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

4. OUR INCENTIVE SCHEMES

A. Stock Option Incentive Plans

The following is a summary of the principal terms of the Fifth Stock Option Incentive Plan, the Sixth Stock Option Incentive Plan, the Seventh Stock Option Incentive Plan, the Eighth Stock Option Incentive Plan and the Ninth Stock Option Incentive Plan (collectively, the "**Stock Option Incentive Plans**"). Given no further share options will be granted under the Stock Option Incentive Plans after the Listing, the terms of the Stock Option Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules.

(i) Purpose

The purpose of the Stock Option Incentive Plans is to improve our Group's corporate governance structure and incentive mechanism and incentivize our Group's management and key employees to achieve a sustained and healthy development of our Group in order to realize our Group's long-term objectives. The Stock Option Incentive Plans are implemented to align the interests of the Shareholders with the interests of our Group and employee which will benefit the sustained development of our Group.

(ii) Administration

The Stock Option Incentive Plans are subject to the approval of the Shareholders' meeting, administration of the Board and the supervision of the board of Supervisors.

(iii) Participants

The participants of the Stock Option Incentive Plans include key technical personnels and mid-level management in our Group's research and development, production and quality control departments, overseas personnels, young management and tech talent. The scope of participants excludes independent directors, supervisors and shareholders or actual controller who individually or collectively hold 5% or more of the shares of our Company and their spouse, parents and children.

(iv) Maximum number of options

The shares underlying the options to be granted under the Stock Option Incentive Plans are A Shares to be issued by our Company to the selected participants. Each option granted represents the right to purchase one Share within the exercise period at the exercise price. The maximum number of options that can be granted under each of the Stock Option Incentive Plans are as follows:

Stock Option Incentive Plan	Maximum number of options to be granted under the plan
The Fifth Stock Option Incentive Plan	62,080,000
The Sixth Stock Option Incentive Plan	47,240,000
The Seventh Stock Option Incentive Plan	65,260,000
The Eighth Stock Option Incentive Plan	82,480,000
The Ninth Stock Option Incentive Plan	109,074,000

(v) Date of grant and duration of the incentive plan

The date on which the options are granted shall be a trading day determined by the Board within 60 days after the date of approval of the Stock Option Incentive Plans by the Shareholders' meeting. The grant of options shall be approved by the Board, registered and announced within 60 days after the approval of the Stock Option Incentive Plans by the Shareholders' meeting. The Stock Option Incentive Plans shall be valid for a term of between 4 to 6 years commencing from the date of completion of the grant of the options.

(vi) Conditions to the grant of options

The options under the Stock Option Incentive Plans will only be granted to selected participants if the following conditions are fulfilled:

(a) With respect to our Company, none of the following circumstances having occurred:

(1) An audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to our Company's accountant's report for the most recent fiscal year;

(2) An audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to the internal control report contained in accountant's report for the most recent fiscal year;

(3) Our Company has not distributed dividends in accordance with the laws and regulations, our Articles of Association or our public commitment within the last 36 months after its listing;

(4) Applicable laws and regulations prohibit the implementation of any share incentive scheme; or

(5) Any other circumstances determined by the CSRC.

(b) With respect to a grantee, none of the following circumstances having occurred:

(1) The grantee has been regarded as an inappropriate person by the stock exchange within the last 12 months;

(2) The grantee has been regarded as an inappropriate person by the CSRC or its local office within the last 12 months;

(3) The grantee has been punished or prohibited from entering into the securities market by the CSRC or its local office within the last 12 months;

(4) The grantee is not qualified to serve as a director or senior management according to the PRC Company Law;

(5) The grantee is prohibited from participating in any incentive plan of listed companies according to applicable laws and regulations;

(6) Any other circumstances determined by the CSRC; or

(7) The grantee is found by the Board to be in serious breach of the rules of our Company.

No consideration is paid/payable for the options granted under Stock Option Incentive Plans.

(vii) Exercise of options

Options may be exercised by a grantee provided that (i) the conditions set out under paragraph (vi) above are fulfilled at the time of exercise of options; and (ii) the annual assessment and performance targets as set out under the Stock Option Incentive Plans are achieved.

The exercise price for the option to be granted under each Stock Option Incentive Plan shall be the higher of (i) the average trading price of the Shares in the trading day before the announcement of the draft plan; and (ii) the average trading price of the Shares during 20 trading days before the announcement of the draft plan. The number of options granted and the exercise prices will be adjusted upon the occurrence of certain events, including increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares and issue of new shares.

The exercise schedule of the options granted are either:

(a) exercisable in tranches of 30% or 40% in each of the three exercise periods that occur between the first trading date after the 24-month anniversary from the date of grant and the last trading day up to the 60-month anniversary of the date of grant;

(b) exercisable in tranches of 25% in each of the four exercise periods that occur between the first trading date after the 24-month anniversary from the date of grant and the last trading day up to the 72-month anniversary of the date of grant; or

(c) exercisable in tranches of 20%, 30% or 50% in each of the three exercise periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant.

Save for the exercise of the options granted under the Ninth Stock Option Incentive Plan, the exercise of the options granted shall be on a trading day, which shall not fall within the following periods (i) 30 days before the publication of annual report, interim report, and quarterly report; (ii) the period starting from 30 days before the initial publication of annual report, interim report, quarterly report (due to any delay of publication) until one day before the publication of such report; (iii) 10 days before the publication of earnings forecast and preliminary earnings estimate, (iv) the period starting from the date of occurrence of any significant price-sensitive event or the decision-making process in respect of such event until two trading days after the date of announcement of such event; and (v) any other period stipulated by the CSRC and the Shenzhen Stock Exchange.

The exercise of the options granted under the Ninth Stock Option Incentive Plan shall be on a trading day, which shall not fall within the following periods (i) 30 days before the publication of annual report and interim report, (ii) the period starting from 30 days before the initial publication of annual report and interim report (due to any delay of publication) until one day before the publication of such report; (iii) 10 days before the publication of quarterly report, earnings forecast and preliminary earnings estimate, (iv) the period starting from the date of occurrence of any significant price-sensitive event or the decision-making process in respect of such event until the date of announcement of such event; and (v) any other period stipulated by the CSRC and the Shenzhen Stock Exchange.

The grantees must exercise their options within the validity period of the respective options. Upon the expiry of the validity period, options granted but not exercised will cease to be exercisable and shall be canceled by our Company.

(viii) Outstanding options

As of the Latest Practicable Date, the number of A Shares underlying the outstanding options granted under the Stock Option Incentive Plans amounted to 121,837,304 A Shares, representing approximately 1.6% of the issued Shares immediately following the completion of the Listing (assuming no changes to our issued and outstanding shares between the Latest Practicable Date and the Listing). As of the Latest Practicable Date, the outstanding options were held by 3,073 grantees, none of whom was a Director, Supervisor or senior management of our Company. Assuming full exercise of all outstanding options granted under the Stock Option Incentive Plans, the issued and outstanding shareholding of the Shareholders immediately following completion of the Listing will be diluted by approximately 1.60%. The dilution effect on our earnings per Share would be approximately 1.60%.

The table below sets forth the details of the options granted to connected persons who are not the Directors, Supervisors or senior management of our Company under the Stock Option Incentive Plans which were outstanding as of the Latest Practicable Date:

Name of the grantee	Position in the Company	Date of grant	Address	Number of shares under options granted	Exercise price	Exercise period	A Shares underlying outstanding options as a percentage of issued Shares immediately after the Global Offering[1]
Connected Persons							
Mr. Sun Yuhuan . . .	Director of GD Midea Air Conditioning Equipment Co., Ltd.	4 June 2021	2302, Building 51, Xiangxinyuan, No. 2021 Lihu Avenue, Binhu District, Wuxi, Jiangsu Province, China	56,000	RMB74.26	4 June 2021 to 3 June 2026	0.0007%
		8 June 2022		56,000	RMB49.13	8 June 2022 to 7 June 2027	0.0007%
Ms. Luo Huidan . . .	Supervisor of Ningbo Midea United Materials Supply Co. Ltd.	8 June 2022	No. 8, Huzhu Group, Jinji Village Committee, Pingshi Town, Lechang, Guangdong Province, China	30,000	RMB49.13	8 June 2022 to 7 June 2027	0.0004%

Note:

(1) The calculation is based on the assumption that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing.

The table below sets forth the details of options granted to other grantees (excluding the abovementioned connected persons of our Company) under the Stock Option Incentive Plans, categorized by the number of underlying shares, which were outstanding as of the Latest Practicable Date:

Category by number of underlying Shares	Number of grantees	Date of grant	Vesting period	Exercise period	Exercise Price	Number of shares under options granted	Approximate percentage of the issued Shares immediately after completion of Global Offering(1)
150,001 to 221,000	5	30 May 2019	4 years	30 May 2019 to 29 May 2025	RMB42.56	865,890	0.01%
		4 June 2021	3 years	4 June 2021 to 3 June 2026	RMB74.26		
		8 June 2022	3 years	8 June 2022 to 8 June 2027	RMB49.13		
100,001 to 150,000	75	11 March 2019	4 years	11 March 2019 to 10 March 2025	RMB35.56	8,525,620	0.11%
		30 May 2019	4 years	30 May 2019 to 29 May 2025	RMB42.56		
		4 June 2021	3 years	4 June 2021 to 3 June 2026	RMB74.26		
		8 June 2022	3 years	8 June 2022 to 8 June 2027	RMB49.13		
50,001 to 100,000	741	11 March 2019	4 years	11 March 2019 to 10 March 2025	RMB35.56	50,370,468	0.67%
		30 May 2019	4 years	30 May 2019 to 29 May 2025	RMB42.56		
		4 June 2021	3 years	4 June 2021 to 3 June 2026	RMB74.26		
		8 June 2022	3 years	8 June 2022 to 8 June 2027	RMB49.13		
1 to 50,000	2,250	11 March 2019	4 years	11 March 2019 to 10 March 2025	RMB35.56	61,933,326	0.83%
		30 May 2019	4 years	30 May 2019 to 29 May 2025	RMB42.56		
		4 June 2021	3 years	4 June 2021 to 3 June 2026	RMB74.26		
		8 June 2022	3 years	8 June 2022 to 8 June 2027	RMB49.13		

Note:

(1) The calculation is based on the assumption that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing.

The table below sets forth the details of options granted to other grantees (excluding the abovementioned connected persons of our Company) for each of the Stock Option Incentive Plans which were outstanding as of the Latest Practicable Date:

Stock Option Incentive Plan	Number of grantees[(2)]	Date of grant	Number of A Shares underlying the outstanding options	Exercise price	Exercise period	A Shares underlying the outstanding options as a percentage of issued Shares immediately after completion of the Global Offering[(1)]
The Fifth Stock Option Incentive Plan	22	11 March 2019	303,880	RMB35.56	11 March 2019 to 10 March 2025	0.004%
The Sixth Stock Option Incentive Plan	505	30 May 2019	4,260,786	RMB42.56	30 May 2019 to 29 May 2025	0.06%
The Eighth Stock Option Incentive Plan	1,270	4 June 2021	37,513,878	RMB74.26	4 June 2021 to 3 June 2026	0.50%
The Ninth Stock Option Incentive Plan	2,395	8 June 2022	79,616,760	RMB49.13	8 June 2022 to 7 June 2027	1.06%

Notes:

(1) The calculation is based on the assumption that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing.

(2) The individual grantees may have options granted in one or more of the Stock Option Incentive Plans.

B. Restricted Share Incentive Schemes

The following is a summary of the principal terms of 2018 Restricted Share Incentive Scheme, 2019 Restricted Share Incentive Scheme, 2020 Restricted Share Incentive Scheme, 2021 Restricted Share Incentive Scheme, 2022 Restricted Share Incentive Scheme and 2023 Restricted Share Incentive Scheme (collectively, the "**Restricted Share Incentive Schemes**"). The terms of Restricted Share Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of restricted Shares by our Company after our Listing. Save as otherwise disclosed, the terms of each of the Restricted Share Incentive Schemes are substantially similar and are summarized below.

(i) Purpose

The purpose of the Restricted Share Incentive Schemes is to improve our Group's corporate governance structure and incentive mechanism and incentivize our Group's management and key employee to achieve a sustained and healthy development of our Group in order to realize our Group's long-term objectives. The Restricted Share Incentive Schemes are implemented to align the interests of the Shareholders with the interests of the Group and employee which will benefit the sustained development of our Group.

(ii) Administration

The Restricted Share Incentive Schemes are subject to the approval of the Shareholders' meeting, administration of the Board and the supervision of the board of Supervisors and independent Directors of our Company.

(iii) Participants

The participants of the Restricted Share Incentive Schemes include key personnels of our Group such as key technical personnels and core department management staff who have significant contributions to the business development of our Group or the responsible departments. The scope of participants excludes independent directors, supervisors and shareholders or actual controller who individually or collectively hold 5% or more of the shares of our Company and their spouse, parents and children.

(iv) Source and maximum number of Shares

For 2018 Restricted Share Incentive Scheme, the Shares underlying the scheme shall be A Shares issued by our Company, all of which have been fully issued on 21 June 2018 and 10 May 2019. The Shares underlying the remaining Restricted Share Incentive Schemes (other than 2018 Restricted Share Incentive Scheme) shall be A Shares purchased by our Company from the secondary market. Each restricted Share granted represents the right to purchase one A Share within the agreed period at the grant price. The restricted Shares are subject to a lock-up period and will only be unlocked upon fulfilling the unlocking conditions stipulated. The maximum number of restricted Shares that can be granted under each of the Restricted Shares Incentive Schemes are as follows:

Restricted Share Incentive Scheme	**Maximum number of restricted Shares to be granted under the scheme**
2018 Restricted Share Incentive Scheme	25,010,000
2019 Restricted Share Incentive Scheme	30,350,000
2020 Restricted Share Incentive Scheme	34,180,000
2021 Restricted Share Incentive Scheme	10,570,000
2022 Restricted Share Incentive Scheme	12,630,000
2023 Restricted Share Incentive Scheme	18,375,000

(v) Date of grant and term of the Scheme

The date on which the restricted Shares are granted shall be determined by the Board within 60 days after the date of approval of the Restricted Share Incentive Schemes by the shareholders' meeting. The grant of restricted Shares shall be approved by the Board, registered and announced within 60 days after the approval of the Restricted Share Incentive Schemes by the Shareholders' meeting. The Restricted Share Incentive Schemes shall be effective from the date of completion of the grant of restricted Shares under the Schemes up to the date when the restricted Shares granted under the Schemes are no longer under any lock-ups or have been repurchased and cancelled, provided that the term of the Schemes shall not exceed 48 months, 60 months or 72 months (as the case may be).

(vi) Lock-up for Directors and the senior management team

If the grantee is a Director or a senior management of our Company who terminates the employment before expiry of the term, during the period of the original term of employment and the following six months, the Shares to be transferred in each year shall not exceed 25% of the total Shares he or she holds. No share held by such Director or senior management can be transferred within six months after termination of his or her employment. If the grantee is a Director or senior management of our Company, income gained through sale of Shares within six months of the purchase or purchase of Shares within six months of the sale shall belong to our Company and will be forfeited by the Board. If there is any change in the applicable laws and regulations on the foregoing lock-up requirements, the grantee shall comply with the amended laws and regulations.

(vii) Conditions to the grant of restricted Shares

The restricted Shares under the Restricted Share Incentive Schemes will only be granted to selected participants if the following conditions are fulfilled:

(a) With respect to our Company, none of the following circumstances having occurred:

(1) An audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to our Company's accountant's report for the most recent fiscal year;

(2) An audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to the internal control report contained in accountant's report for the most recent fiscal year;

(3) Our Company has not distributed dividends in accordance with the laws and regulations, our Articles of Association or our public commitment within the last 36 months after its listing;

(4) Applicable laws and regulations prohibit the implementation of any share incentive scheme; or

(5) Any other circumstances determined by the CSRC.

(b) With respect to a grantee, none of the following circumstances having occurred:

(1) The grantee has been regarded as an inappropriate person by the stock exchange within the last 12 months;

(2) The grantee has been regarded as an inappropriate person by the CSRC or its local office within the last 12 months;

(3) The grantee has been punished or prohibited from entering into the securities market by the CSRC or its local office within the last 12 months;

(4) The grantee is not qualified to serve as a director or senior management according to the PRC Company Law;

(5) The grantee is prohibited from participating in any incentive plan of listed companies according to applicable laws and regulations;

(6) Any other circumstances determined by the CSRC; or

(7) The grantee is found by the Board to be in serious breach of the rules of our Company.

(viii) Unlocking and vesting of restricted Shares

The lock-up period for restricted Shares commences from date of grant of restricted Shares to the grantee and the interval between the date of completion of the grant and the date of unlocking of the restricted Shares shall be twelve or twenty-four months. During the lock-up period, the restricted Shares granted to the grantee shall not be transferred, used as guarantee or for repayment of debt. In addition, the restricted Shares will only be unlocked when (i) the conditions set out under paragraph (vii) above are fulfilled; and (ii) the annual assessment and performance targets as set out under the Schemes are achieved.

The restricted Shares will be unlocked after the lock-up period in accordance with the unlocking schedule as set out under the scheme during a period of 4 to 6 years as follows:

(a) unlocked in tranches of 30% or 40% in each of the three unlocking periods that occur between the first trading date after the 24-month anniversary from the date of grant and the last trading day up to the 60-month anniversary of the date of grant;

(b) unlocked in tranches of 25% in each of the four unlocking periods that occur between the first trading date after the 24-month anniversary from the date of grant and the last trading day up to the 72-month anniversary of the date of grant;

(c) unlocked in tranches of 20%, 30% or 50% in each of the three unlocking periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant; or

(d) unlocked in tranches of 30% or 40% in each of the three unlocking periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant.

The grantees shall pay the grant price upon fulfilment of all the conditions of the restricted Shares to purchase the A Shares from our Company. The grant price of each restricted Shares shall not be lower than the nominal value of each A Share and, in principle, shall not be lower than (as the case may be):

(a) the higher of (1) 50% of the average trading price of the A Shares on the trading date before the announcement of the draft scheme; and (2) 50% of the average trading price of the A Shares during the 20 trading dates before the announcement of the draft scheme;

(b) the higher of (1) 50% of the average trading price of the A Shares on the trading date before the announcement of the draft scheme; (2) 50% of the average trading price of the A Shares during the 20 trading dates before the announcement of the draft scheme; and (3) 50% of the average trading price of the A Shares during the 60 trading dates before the announcement of the draft scheme; or

(c) the higher of (1) 50% of the average trading price of the A Shares on the trading date before the announcement of the draft scheme; (2) 50% of the average trading price of the A Shares during the 20 trading dates before the announcement of the draft scheme; (3) 50% of the average trading price of the A Shares during the 60 trading dates before the announcement of the draft scheme; and (4) 50% of the average trading price of the A Shares during the 120 trading dates before the announcement of the draft scheme.

The number of restricted Shares granted and/or the grant prices will be adjusted upon the occurrence of certain events, including payment of dividend, increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares and issue of new shares. Our Company may repurchase the restricted Shares upon occurrence of certain events as set out in the Schemes, including but not limited to the change of the positions of the grantee or termination of employment. Subject to the price adjustment mechanisms and other terms and conditions as set out under the Schemes, the price payable by our Company for the repurchase of restricted Shares shall be equivalent to the grant price of the relevant restricted Shares.

(ix) Dividend and voting rights

Upon transfer of the A Shares by our Company, the grantees of restricted Shares will be entitled to exercise the right of Shareholders, including but not limited to the right to receive dividends and voting rights. Before the unlocking of the restricted Shares, the restricted Shares (including the right to receive dividends) shall be locked and such restricted Shares shall not be transferred or used to guarantee or repay debts.

(x) Outstanding restricted Shares

As of the Latest Practicable Date, the number of outstanding restricted Shares granted under the Restricted Share Incentive Schemes was 22,271,893, representing approximately 0.30% of the issued Shares immediately following the completion of the Listing (assuming no changes to our issued and outstanding shares between the Latest Practicable Date and the Listing).

The following table sets forth the number of outstanding restricted Shares granted to Directors, senior management or connected persons of our Company under the Restricted Share Incentive Schemes as of the Latest Practicable Date:

Name of grantee	Position in our Company	Date of grant	Number of outstanding restricted Shares	Grant Price	Lock-up period	Approximate percentage of issued Shares immediately after completion of the Global Offering[1]
Senior Management						
Ms. Zhao Wenxin . . .	Chief People Officer	4 June 2021	32,000	RMB39.92	2 years	0.0004%
		8 June 2022	56,000	RMB26.47	2 years	0.0007%
Mr. Wang Jinliang . . .	Vice President	4 June 2021	40,000	RMB39.92	2 years	0.0005%
		8 June 2022	56,000	RMB26.47	2 years	0.0007%
Mr. Li Guolin . . .	Vice President	4 June 2021	40,000	RMB39.92	2 years	0.0005%
		8 June 2022	56,000	RMB26.47	2 years	0.0007%
Mr. Jiang Peng.	Board Secretary	4 June 2021	32,000	RMB39.92	2 years	0.0004%
		8 June 2022	56,000	RMB26.47	2 years	0.0007%
Connected persons						
Mr. Hu Jia. . .	Director of GD Midea Air-Conditioning Equipment Co., Ltd.	4 June 2021	64,000	RMB39.92	2 years	0.0009%
		8 June 2022	42,000	RMB26.47	2 years	0.0006%

Name of grantee	Position in our Company	Date of grant	Number of outstanding restricted Shares	Grant Price	Lock-up period	Approximate percentage of issued Shares immediately after completion of the Global Offering[(1)]
Ms. Chen Lihong	Director of GD Midea Air-Conditioning Equipment Co., Ltd.	8 June 2022	42,000	RMB26.47	2 years	0.0006%
Mr. Fu Jian	Director of GD Midea Air-Conditioning Equipment Co., Ltd.	4 June 2021	32,000	RMB39.92	2 years	0.0004%
		8 June 2022	56,000	RMB26.47	2 years	0.0007%
Mr. Jiang Xuan	Director of Midea Electric Trading (Singapore) Co. Ptd. Ltd.	4 June 2021	32,000	RMB39.92	2 years	0.0004%
		8 June 2022	56,000	RMB26.47	2 years	0.0007%
Mr. Liu Jin	Director of GD Midea Air-Conditioning Equipment Co., Ltd.	4 June 2021	24,000	RMB39.92	2 years	0.0003%
		8 June 2022	49,000	RMB26.47	2 years	0.0007%
Mr. Yang Hao	Director of GD Midea Air-Conditioning Equipment Co., Ltd.	4 June 2021	28,000	RMB39.92	2 years	0.0004%
		8 June 2022	42,000	RMB26.47	2 years	0.0006%
Mr. Zhao Dongye	Director of GD Midea Air-Conditioning Equipment Co., Ltd.	4 June 2021	28,000	RMB39.92	2 years	0.0004%
		8 June 2022	56,000	RMB26.47	2 years	0.0007%
Mr. Zhou Shuqing	Chairman and general manager of Ningbo Midea United Materials Supply Co. Ltd.	4 June 2021	32,000	RMB39.92	2 years	0.0004%
		8 June 2022	42,000	RMB26.47	2 years	0.0006%
Mr. Zhou Zhiwen	Director of GD Midea Air-Conditioning Equipment Co., Ltd.	4 June 2021	32,000	RMB39.92	2 years	0.0004%
		8 June 2022	56,000	RMB26.47	2 years	0.0007%

Note:

(1) The calculation is based on the assumption that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing.

The table below sets forth the details of outstanding restricted Shares granted to other grantees (excluding Directors, senior management and connected persons of our Company) under the Restricted Share Incentive Schemes as of the Latest Practicable Date:

Restricted Share Incentive Scheme	Number of Grantees	Date of grant	Number of outstanding restricted Shares	Grant Price	Lock-up period	Approximate percentage of issued Shares immediately after completion of the Global Offering[(1)]
2018 Restricted Share Incentive Scheme . . .	1	11 March 2019	12,500	RMB23.59	2 years	0.0002%
2019 Restricted Share Incentive Scheme . . .	38	30 May 2019	428,698	RMB25.79	2 years	0.006%
2021 Restricted Share Incentive Scheme . . .	92	4 June 2021	2,618,524	RMB39.92	2 years	0.03%
2022 Restricted Share Incentive Scheme . . .	156	8 June 2022	6,863,938	RMB26.47	2 years	0.09%
2023 Restricted Share Incentive Scheme . . .	415	20 June 2023	11,267,233	RMB25.89	1 year	0.15%

Note:

(1) The calculation is based on the assumption that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing.

C. Stock Ownership Schemes

Our Company adopted the Fourth and the Fifth Core Management Team and Business Partner Stock Ownership Schemes, the Seventh and the Eighth Core Management Team and Global Partner Stock Ownership Schemes, the 2023 Stock Ownership Scheme and the 2024 Stock Ownership Scheme (collectively, the "**Stock Ownership Schemes**") during the period from 21 May 2021 to 19 April 2024, which were outstanding as of the Latest Practicable Date. Given the Stock Ownership Schemes do not involve issue of new Shares by our Company, the terms of the Stock Ownership Schemes are not subject to the provisions of Chapter 17 of the Listing Rules.

(i) Participants of the schemes

The participants of the Stock Ownership Schemes include core senior management, senior management and key technical personnel of our Company as set out in the schemes.

(ii) Source of shares and participants' interest in the scheme

Our Company will repurchase the A Shares from the open market and such A Shares will be transferred to the Stock Ownership Schemes at the purchase price as set out under each scheme. The Fourth and the Fifth Core Management Team and Business Partner Stock Ownership Schemes, the Seventh and the Eighth Core Management Team and Global Partner Stock Ownership Schemes and the 2024 Stock Ownership Scheme were funded by our Company. For the 2023 Stock Ownership Scheme, its funding is from the legal income of the employees, bonuses or other sources permitted under the laws and regulations. Each participant of the Stock Ownership Schemes holds certain percentage of the interest in the Stock Ownership Schemes.

(iii) Term of the scheme

Each Stock Ownership Scheme is valid for a period of four or five years commencing from the date of approval by the Shareholders and the date of publication of announcement of our Company in respect of transfer of the relevant A Shares from the repurchase securities account of our Company to the Stock Ownership Schemes (the "**Announcement Date**").

(iv) Administration of the scheme

The Stock Ownership Schemes are subject to the approval of the Shareholders. Each scheme is administered by a committee (the "**Scheme Management Committee**"), the members of which are elected by the participants of the Stock Ownership Scheme. The Scheme Management Committees oversee the day-to-day management of the Stock Ownership Schemes and exercise shareholders' rights on behalf of the participants.

(v) Lock-up and vesting of the shares

The A Shares held by the Stock Ownership Schemes are subject to a lock-up period of 12 months or 24 months, commencing from the Announcement Date. After the expiry of the forgoing lock-up period, subject to attainment of performance targets and personal evaluation, the participants' entitlement to the corresponding portion of A Shares (together with the dividend) held by the Stock Ownership Schemes will be vested in three tranches in the proportion of 40%, 30% and 30%. The vested A Shares will be sold by the Scheme Management Committee and the proceeds will be distributed to the participants proportionately.

(vi) Total number of shares held by the schemes

As of the Latest Practicable Date, the total number of A Shares held by the Stock Ownership Schemes was 41,072,259, representing approximately 0.56% of the issued Shares immediately following the completion of the Listing (assuming no changes to our issued Shares between the Latest Practicable Date and the Listing Date).

The table below sets forth the details of the A Shares held by the Stock Ownership Schemes as of the Latest Practicable Date:

Name of Stock Ownership Scheme	Number of Grantees	A Shares held by the scheme as of the Latest Practicable Date	Approximate percentage of issued Shares as of the Latest Practicable Date	Approximate percentage of issued Shares immediately after completion of the Global Offering(1)
The Fourth Core Management Team and Business Partner Stock Ownership Scheme . . .	44	1,985,611	0.03%	0.03%
The Fifth Core Management Team and Business Partner Stock Ownership Scheme	55	2,826,759	0.04%	0.04%
The Seventh Core Management Team and Global Partner Stock Ownership Scheme	15	2,436,518	0.03%	0.03%
The Eighth Core Management Team and Global Partner Stock Ownership Scheme	15	3,770,433	0.05%	0.05%
2023 Stock Ownership Scheme	147	9,946,276	0.14%	0.13%
2024 Stock Ownership Scheme	604	20,106,662	0.29%	0.27%

Note:

(1) The calculation is based on the assumption that the Offer Size Adjustment Option is not exercised and no new Shares are issued under the Over-allotment Option and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under PRC laws is likely to fall upon any member of our Group.

B. Litigation

Save as disclosed in the sections headed "Business" and "Financial Information" in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

C. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the H Shares of our Company. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

Each of Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between our Company and each of the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US$500,000 to act as the sponsors of our Company in connection with the proposed listing on the Hong Kong Stock Exchange.

D. Compliance Adviser

Our Company has appointed Huatai Financial Holdings (Hong Kong) Limited as our compliance adviser in compliance with Rules 3A.19 of the Listing Rules.

E. Qualification of Experts

The qualification of the experts, as defined under the Listing Rules, who have given opinions in this document are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licenced to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Merrill Lynch (Asia Pacific) Limited	A licenced corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Jia Yuan Law Offices	Legal adviser to our Company as to PRC laws
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

F. Consents of Experts

Each of the experts as referred to in "— 5. Other Information — E. Qualification of Experts" in this Appendix has given and has not withdrawn its consent to the issue of this document with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

G. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

H. No Material Adverse Change

Our Directors confirm that, there has been no material adverse change in our business, financial condition and results of operations since 30 April 2024, being the latest balance sheet date of our consolidated financial statements as set out in the Accountant's Report in Appendix I to this document, and up to the date of this document.

I. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

J. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to "Summary of the Articles of Association — Increase, Decrease, Repurchase and Transfer of Shares — Repurchase of Shares" in Appendix V to this document.

K. Preliminary Expenses

We have not incurred any material preliminary expenses.

L. Promoters

Within two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this document.

M. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in "Appendix I — Accountant's Report — 45. Related Party Transactions."

N. Miscellaneous

Save as disclosed in this section and in the section headed "Financial Information" in this document:

(i) within the two years immediately preceding the date of this document:

(a) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries had been under option or is agreed conditionally or unconditionally to be put under option;

(c) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(d) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(ii) there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries;

(iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(iv) our Company has no outstanding convertible debt securities or debentures;

(v) there is no arrangement under which future dividends are waived or agreed to be waived;

(vi) save for the A Shares of our Company that are listed on the Shenzhen Stock Exchange, and save for the H Shares to be issued in connection with the Global Offering, none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(vii) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

O. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Statutory and General Information — 2. Further Information about our Business — A. Summary of Our Material Contracts" in Appendix VI to this document; and

(b) the written consents referred to in the section headed "Statutory and General Information — 5. Other Information — F. Consents of Experts" in Appendix VI to this document.

B. DOCUMENTS AVAILABLE ON DISPLAY

Electronic copies of the following documents will be available on display on the website of our Company at **www.midea.com.cn** and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the accountant's report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024;

(d) the report on review of the unaudited interim condensed consolidated financial information of our Group for the six months ended 30 June 2024 from PricewaterhouseCoopers, the text of which is set out in the section headed "Unaudited Interim Condensed Consolidated Financial Information" in Appendix IA to this document;

(e) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this document;

(f) the industry report issued by Frost & Sullivan referred to in "Industry Overview" in this document;

(g) the PRC legal opinions issued by Jia Yuan Law Offices in respect of certain general corporate matters and property interests in Mainland China of our Group;

(h) the material contracts referred to in "Statutory and General Information — 2. Further Information about our Business — A. Summary of Our Material Contracts" in Appendix VI to this document;

(i) the written consents referred to in "Statutory and General Information — 5. Other Information — F. Consents of Experts" in Appendix VI to this document;

(j) the contracts referred to in the section headed "3. Further Information About Our Directors and Supervisors – A. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters" in Appendix VI to this document;

(k) the PRC Company Law, Securities Law, and the Trial Measures for the Administration Related to the Overseas Securities Offering and Listing by Domestic Companies, together with unofficial English translations thereof; and

(l) the terms of the Stock Option Incentive Plans.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a full list of all the grantees under the Stock Option Incentive Plans will be made available for public inspection at our Company's Hong Kong legal adviser's office in Hong Kong at 42/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document.

Midea