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Application Proof of



Midea Group Co., Ltd. 美的集團股份有限公司 (the “Company”)

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

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Midea Group Co., Ltd.
美的集團股份有限公司

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

[REDACTED]

Number of [REDACTED] under the : [REDACTED] H Shares (subject to the
[REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
reallocation)
Number of [REDACTED] : [REDACTED] H Shares (subject to
reallocation and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED]
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 [REDACTED] in
Hong Kong dollars and subject to
refund)
Nominal value : RMB1.00 per H Share
[REDACTED] : [REDACTED]

Joint Sponsors, [REDACTED]



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[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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SUMMARY

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 [REDACTED] in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors.” You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

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 eight consecutive years, we operate a global business that reaches over 200 countries and regions, with 33 R&D centers, 43 major manufacturing bases and over 190,000 employees across different continents. 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:



Notes:

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

SUMMARY

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.”

SUMMARY

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.

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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.

SUMMARY

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

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

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

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

Commercial & Industrial Solutions

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

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Energy Solutions & Industrial Technology

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

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

Intelligent Building Technology

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

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

Robotics & Automation

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

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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

SUMMARY

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 31 March 2024, accounting for more than half of our non-manufacturing employees. As of the Latest Practicable Date, we had established 33 R&D centers in 11 countries, among which 17 R&D centers are located overseas. In 2023, our investment in R&D exceeded RMB14 billion. We have established a research system including our Corporate Research Center and R&D units and teams at different business departments, and we aim to develop a reservoir of technology which represents complete coverage over three different time horizons: (i) the “research generation” that focuses on long-term fundamental research; (ii) the “reserve generation” that focuses on innovation at the product platform level to support the next generation of product development; and (iii) the “development generation” that focuses on product development projects with demonstrated market demand. Such an approach forms our “three generations” (三個一代) R&D model.

Digitalized Operations: We have been advancing the digital transformation of our entire business process, covering R&D, procurement, manufacturing, supply chain, sales, after-sale services and other aspects, to ensure seamless information sharing with customers, suppliers, and partners and further improve our operational efficiency. For example, in manufacturing, we had five factories that received the “Lighthouse Factory” recognition from the World Economic Forum, which recognizes a factory’s world-leading capabilities in intelligent manufacturing, automation, and digitalization. Our digital infrastructure enables flexible manufacturing, allowing us to match manufacturing with customer demand and maximize our manufacturing efficiency while minimizing inventory. Digitalization also plays an instrumental role in our

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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 78 million as of 31 December 2023. Our certified service engineers and experience consultants directly engage with consumers, addressing their questions and needs in a timely manner.

OUR GLOBALIZATION EFFORTS

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

SUMMARY

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

SUMMARY

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

SUMMARY

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 accounted for 10.6%, 11.4% and 11.8%, 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 together accounted for 6.3%, 6.4% and 6.1% of our total purchase for each of the years ended 31 December 2021, 2022 and 2023, respectively.

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

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 indicated:

	For the Year Ended 31 December					
	2021		2022		2023	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
Revenue	343,360,825	100.0	345,708,706	100.0	373,709,804	100.0
Cost of revenue	(266,450,882)	(77.6)	(262,321,797)	(75.9)	(275,320,160)	(73.7)
Gross profit	76,909,943	22.4	83,386,909	24.1	98,389,644	26.3
Selling and marketing expenses	(28,646,188)	(8.3)	(28,715,439)	(8.3)	(34,880,794)	(9.3)
General and administrative expenses	(10,742,475)	(3.1)	(12,023,970)	(3.5)	(13,975,965)	(3.7)
Research and development expenses	(12,014,891)	(3.5)	(12,667,099)	(3.7)	(14,586,346)	(3.9)
Net impairment losses on financial assets and contract assets	(384,501)	(0.1)	(538,108)	(0.2)	(235,002)	(0.1)
Other income	6,177,047	1.8	7,088,757	2.1	8,120,251	2.2
Other gains/(losses), net	2,777,178	0.8	(1,065,436)	(0.3)	(945,664)	(0.3)
Operating profit	34,076,113	9.9	35,465,614	10.3	41,886,124	11.2
Finance income	401,501	0.1	793,175	0.2	1,085,256	0.3
Finance costs	(1,299,556)	(0.4)	(1,902,422)	(0.6)	(3,372,815)	(0.9)
Finance costs, net	(898,055)	(0.3)	(1,109,247)	(0.4)	(2,287,559)	(0.6)
Share of profit of associates and joint ventures, net	560,679	0.2	608,278	0.2	680,759	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
Income tax expense	(4,707,309)	(1.3)	(5,146,341)	(1.5)	(6,532,371)	(1.8)
Profit for the year	29,031,428	8.5	29,812,125	8.6	33,746,953	9.0
Attributable to:						
Owners of the Company	28,586,980	8.4	29,553,342	8.5	33,721,536	9.0
Non-controlling interests	444,448	0.1	258,783	0.1	25,417	0.0

SUMMARY

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 indicated:

	For the Year Ended 31 December					
	2021		2022		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Revenue						
Air conditioners	104,108,047	30.3	108,638,571	31.4	112,982,505	30.2
Laundry appliances and refrigerators	62,883,096	18.3	62,713,261	18.1	68,288,642	18.3
Kitchen and other appliances	67,926,859	19.8	61,473,732	17.8	65,080,257	17.4
Smart Home Solutions	234,918,001	68.4	232,825,564	67.3	246,351,404	65.9
Energy Solutions & Industrial Technology	20,111,476	5.9	21,618,496	6.3	27,874,277	7.5
Intelligent Building Technology	19,690,855	5.7	22,778,244	6.6	25,914,181	6.9
Robotics & Automation	25,286,615	7.4	27,712,820	8.0	31,053,073	8.3
Other Businesses	8,290,412	2.4	11,529,651	3.3	12,939,776	3.5
Commercial & Industrial Solutions	73,379,358	21.4	83,639,210	24.2	97,781,307	26.2
Others	35,063,466	10.2	29,243,932	8.5	29,577,093	7.9
Total	343,360,825	100.0	345,708,706	100.0	373,709,804	100.0

SUMMARY

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 indicated:

	For the Year Ended 31 December					
	2021		2022		2023	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	RMB'000	%	RMB'000	%	RMB'000	%
Air conditioners	22,604,340	21.7	25,422,272	23.4	29,452,538	26.1
Laundry appliances and refrigerators	17,049,311	27.1	18,898,848	30.1	22,189,827	32.5
Kitchen and other appliances	19,198,244	28.3	18,499,236	30.1	21,726,330	33.4
Smart Home Solutions	58,851,895	25.1	62,820,356	27.0	73,368,695	29.8
Energy Solutions & Industrial Technology	2,439,657	12.1	3,154,867	14.6	5,027,566	18.0
Intelligent Building Technology	5,365,588	27.2	6,346,521	27.9	7,744,598	29.9
Robotics & Automation	5,345,136	21.1	5,686,768	20.5	7,373,993	23.7
Other Businesses	1,203,039	14.5	1,449,164	12.6	1,672,781	12.9
Commercial & Industrial Solutions	14,353,420	19.6	16,637,320	19.9	21,818,938	22.3
Others	3,704,628	10.6	3,929,233	13.4	3,202,011	10.8
Total	76,909,943	22.4	83,386,909	24.1	98,389,644	26.3

Profit for the Year

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.

SUMMARY

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 indicated:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	139,074,597	161,451,641	204,715,035
Total current assets	248,864,505	261,099,271	281,320,980
Total assets	387,939,102	422,550,912	486,036,015
Total non-current liabilities	30,267,757	64,288,606	60,492,344
Total current liabilities	222,851,476	206,341,741	251,245,721
Net current assets	26,013,029	54,757,530	30,075,259
Total liabilities	253,119,233	270,630,347	311,738,065
Net assets	134,819,869	151,920,565	174,297,950
Share Capital	6,986,564	6,997,273	7,025,769
Treasury shares	(14,044,550)	(14,933,944)	(12,871,738)
Reserves	28,943,657	31,193,091	32,440,770
Retained earnings	102,979,342	119,675,616	136,282,362
Equity attributable to owners of our Company	124,865,013	142,932,036	162,877,163
Non-controlling interests	9,954,856	8,988,529	11,420,787
Total equity	134,819,869	151,920,565	174,297,950

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.”

SUMMARY

Our net assets increased throughout the Track Record Period. In particular, 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 realized 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 realized 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 indicated:

	For the Year Ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities .	35,448,953	34,657,828	57,902,611
Net cash generated from/(used in) investing activities	13,599,586	(13,509,510)	(31,219,855)
Net cash used in financial activities	(31,561,788)	(10,854,881)	(17,910,213)
Net increase in cash and cash equivalents . . .	17,486,751	10,293,437	8,772,543
Cash and cash equivalents at the beginning of the year	<u>23,548,508</u>	<u>40,550,039</u>	<u>51,131,968</u>
Exchange (losses)/gains on cash and cash equivalents	(485,220)	288,492	(17,251)
Cash and cash equivalents at the end of the year	<u>40,550,039</u>	<u>51,131,968</u>	<u>59,887,260</u>

SUMMARY

Key Financial Ratios

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

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.
- (2) Inventory turnover days is calculated as the average of beginning and ending balance of inventories for the year divided by cost of revenue for that year and multiplied by 365 days.
- (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 divided by revenue for that year and multiplied by 365 days.
- (4) Operating cash flow conversion ratio is calculated by dividing net cash generated from operating activities by profit for the year.
- (5) Gearing ratio is calculated by dividing total liabilities by total assets of the year.

RECENT DEVELOPMENT

In the first quarter of 2024, we saw sustained growth in our revenue and net profit, compared to the same period of 2023, and there was no material adverse change in our financial performance in that period.

RISK FACTORS

Our operations and the [REDACTED] involve certain risks and uncertainties, including (i) risks relating to our business and industries and (ii) risks relating to the [REDACTED], 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 [REDACTED] in the [REDACTED]. 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;

SUMMARY

- 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.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our business, financial condition and results of operations since 31 December 2023, which is the end date of the years reported on in the Accountant’s Report in Appendix I to this document, and there is no event since 31 December 2023 which would materially affect the information as set out in the Accountant’s Report in Appendix I to this document.

OUR LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, our Company was held as to approximately 31.1% 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 31.6% in our Company.

SUMMARY

Immediately following the completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], Midea Holding will hold approximately [REDACTED] of the issued share capital of our Company and Mr. He will, directly and indirectly, hold approximately [REDACTED] of the issued share capital of our Company. Accordingly, Midea Holding and Mr. He will be our Largest Group of Shareholders immediately after the [REDACTED].

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

[REDACTED]

SUMMARY

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range of between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED], is expected to be used for our worldwide research and development efforts;
- approximately [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED], is expected to be used for continual investment in upgrading our intelligent manufacturing system and supply chain management;
- approximately [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED], 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 [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED], is expected to be used for working capital and general corporate purposes.

See the section headed “Future Plans and Use of [REDACTED]” in this document for further information relating to our future plans and use of [REDACTED] from the [REDACTED], including the adjustment on the allocation of the net [REDACTED] in the event that the final [REDACTED] is set to be above or below the mid-point of the [REDACTED] 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.

SUMMARY

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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Final dividends in respect of the previous year, declared and paid during the year (tax inclusive)	11,066,392	11,677,509	17,188,858
Dividends of lapsed restricted shares	(13,663)	(25,484)	(44,594)
Dividends provided for during the year . . .	<u>11,052,729</u>	<u>11,652,025</u>	<u>17,144,264</u>

[REDACTED] EXPENSES

Assuming the [REDACTED] is not exercised, an [REDACTED] of HK\$[REDACTED] per [REDACTED] (which is the mid-point of the [REDACTED] range) and the full payment of the [REDACTED], if any, we expect to incur approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]) of [REDACTED] expenses (including (i) [REDACTED]-related expenses, including but not limited to [REDACTED], amounting to approximately RMB[REDACTED], and (ii) fees and expenses of legal advisers and accountants amounted to approximately RMB[REDACTED] and other fees and expenses relating to the [REDACTED], including but not limited to the [REDACTED] fees, amounted to approximately RMB[REDACTED]), accounting for approximately [REDACTED] of the gross [REDACTED] from the [REDACTED]. Approximately RMB[REDACTED] of our [REDACTED] expenses is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately RMB[REDACTED] is expected to be deducted from equity upon [REDACTED]. During the Track Record Period, we incurred [REDACTED] expenses of RMB[REDACTED], of which (i) RMB[REDACTED] was charged to the consolidated statements of profit or loss, and (ii) RMB[REDACTED] was directly attributable to the [REDACTED] and [REDACTED] of our [REDACTED] and will be deducted from equity upon the [REDACTED]. The estimate of [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

SUMMARY

[REDACTED]

DEFINITIONS

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 [REDACTED], 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

DEFINITIONS

[REDACTED]

“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

DEFINITIONS

“EIT Law” the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), 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

“ESG Committee” the ESG committee of our Company

“Extreme Conditions” extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[REDACTED]

“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

[REDACTED]

“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

DEFINITIONS

[REDACTED]

“**H Share(s)**” shares in the share capital of our Company with a nominal value of RMB1.00 each, to be [REDACTED] 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

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong Takeovers Code” Codes on Takeovers and Mergers and Share Buy-backs
or **“Takeovers Code”** issued by the SFC

[REDACTED]

“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

[REDACTED]

DEFINITIONS

[REDACTED]

“Joint Sponsors”	the joint sponsors as named in “Directors, Supervisors and Parties Involved in the [REDACTED]”
“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 [REDACTED] and as at the date of this document, Midea Holding and Mr. He controlled more than [REDACTED] of the total voting rights in our Company, and upon [REDACTED], Midea Holding and Mr. He will continue to remain as our Company’s largest group of shareholders
“Latest Practicable Date”	[19] April 2024, being the latest practicable date for ascertaining certain information in this document before its publication
	[REDACTED]
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange

DEFINITIONS

[REDACTED]

“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong 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

DEFINITIONS

“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)
“M-Smart”	our app and mini-program for consumers to manage our smart home appliances and enjoy additional benefits and services
“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
“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)

[REDACTED]

DEFINITIONS

[REDACTED]

“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

[REDACTED]

“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

DEFINITIONS

“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稅務總局)
“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

DEFINITIONS

“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, [REDACTED] and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen [REDACTED]
“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

DEFINITIONS

“ 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]
“ 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

[REDACTED]

DEFINITIONS

[REDACTED]

“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)
“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

[REDACTED]

“%” 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.

GLOSSARY OF TECHNICAL TERMS

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 (CO ₂)
“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

GLOSSARY OF TECHNICAL TERMS

“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
“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
“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

FORWARD-LOOKING STATEMENTS

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;

FORWARD-LOOKING STATEMENTS

- competition in the industries and markets in which we operate or into which we intend to expand;
- our proposed use of [REDACTED];
- 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 [REDACTED] 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.

RISK FACTORS

You should carefully consider all of the information in this [REDACTED] Document, including the following risk factors before making any [REDACTED] 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 [REDACTED] of the H Shares could fall significantly due to any of these risks, and you may lose all or part of your [REDACTED].

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.

RISK FACTORS

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.

RISK FACTORS

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 and RMB16.0 billion for the years ended 31 December 2021, 2022 and 2023, 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.

RISK FACTORS

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.

RISK FACTORS

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. 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.

RISK FACTORS

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.

RISK FACTORS

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;

RISK FACTORS

- 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 and RMB14.6 billion in 2021, 2022 and 2023, 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.

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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;

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- 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.

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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, 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

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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

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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 fulfill 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.

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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.

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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 and 62 days in 2021, 2022 and 2023, 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

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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

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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

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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

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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 antitrust or competition laws in the jurisdictions in which we operate, the interpretation of existing antitrust 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

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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

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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;

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- 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 and 35 days for the years ended 31 December 2021, 2022 and 2023, respectively. As at 31 December 2021, 2022 and 2023, the carrying amount of our trade and note receivables at amortized cost were approximately RMB29.4 billion, RMB33.0 billion and RMB38.4 billion, respectively, after deducting the allowance for credit losses of approximately RMB890.8 million, RMB1,394.4 million and RMB1,548.3 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.

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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 31 December 2023, we had RMB30.9 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, we recorded financial assets measured at fair value through profit and loss (“FVPL”) of RMB13.1 billion, RMB14.7 billion and RMB11.2 billion, respectively. We also recorded financial assets measured at fair value through other comprehensive income (“FVOCI”) of RMB37.8 billion, RMB31.2 billion and RMB24.4 billion, respectively, as at 31 December 2021, 2022 and 2023. 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.

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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 and RMB138.4 billion as at 31 December 2021, 2022 and 2023, 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, our other financial liabilities at fair value through profit or loss amounted to nil, RMB1,580.8 million and RMB1,346.7 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.

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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 and RMB1,242.2 million in 2021, 2022 and 2023, 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.”

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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.

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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

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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.

[REDACTED]

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[REDACTED]

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

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 564.7 million in 2023. 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. 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, our derivative financial liabilities amounted to RMB166.6 million, RMB314.5 million and RMB415.5 million, respectively, while our derivative financial assets amounted to RMB1,298.8 million, RMB5,029.1 million and RMB3,753.1 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

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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

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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.

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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

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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 —

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Contingent Liabilities" for 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

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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

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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 [REDACTED] 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 [REDACTED]

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 [REDACTED] on the Main Board in Hong Kong, we will be required to comply with the [REDACTED] 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 [REDACTED] 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 [REDACTED], our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be [REDACTED] 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 [REDACTED] 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 [REDACTED] performance of our H Shares and A Shares may not be comparable.

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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 [REDACTED] decision in our H Shares.

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

Prior to the [REDACTED], 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 [REDACTED] volume will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, and may not be an indication of the market price of our H Shares following the completion of the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], 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 [REDACTED] 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

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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 [REDACTED] 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 [REDACTED] are not subject to any restrictions on the disposal of the H Shares they subscribed [(except as disclosed in the section headed “[REDACTED]”)], 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 [REDACTED] 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 [REDACTED]. 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 [REDACTED] and assuming the [REDACTED] is not exercised, our Largest Group of Shareholders will hold approximately [REDACTED] 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.

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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 [REDACTED]. 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

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operational information contained in this document. As a result, prospective [REDACTED] in our H Shares should be reminded that, in making their [REDACTED] 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 [REDACTED], 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 [REDACTED].

You should read the entire document carefully and only rely on the information included in this document to make your [REDACTED] 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 [REDACTED].

We strongly caution our [REDACTED] not to rely on any information contained in press articles or other media regarding us, our Shares and the [REDACTED]. Prior to the publication of this document, there may be press and media coverage regarding the [REDACTED] 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, [REDACTED] 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 [REDACTED] 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 [REDACTED] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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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 [REDACTED] should not place undue reliance.

WAIVERS AND EXEMPTIONS

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the Listing Rules and exemptions 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

[REDACTED]

Rules 4.04(2) and 4.04(4)(a) of the Listing Rules	Investment after the Track Record Period

[REDACTED]

WAIVERS AND EXEMPTIONS

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

WAIVERS AND EXEMPTIONS

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.

WAIVERS AND EXEMPTIONS

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 [REDACTED], 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 [REDACTED]. 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 liaise with the Stock Exchange to enable it to assess whether 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.

WAIVERS AND EXEMPTIONS

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, the aggregate assets of the Company and its Major Subsidiaries represent 78.3%, 78.6% and 76.8% of our total assets and for each of the financial years ended 31 December 2021, 2022 and 2023, and the aggregate revenue of the Company and its Major Subsidiaries represents 71.7%, 70.3% and 64.2% of our total revenue respectively. 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 5% or more of our Group’s revenue for each of the financial years ended 31 December 2021, 2022 and 2023. 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.

WAIVERS AND EXEMPTIONS

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 [REDACTED] 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 [REDACTED].

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 4,223 grantees who are employees of our Group, including 3 connected persons who are not Directors, Supervisors or senior management of the our Company and 4,220 other employees of our Group, to subscribe for an aggregate of 167,576,258 Shares, representing [REDACTED] of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming that no new Shares are issued

WAIVERS AND EXEMPTIONS

under the [REDACTED] and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]). 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 4,223 grantees 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 [REDACTED] 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 disclosure of the personal details of each grantee, including their names, addresses and the number of options granted, may require obtaining consent from the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of grantees;
- (c) strict compliance with the above requirements to disclose names, addresses, and entitlements on an individual basis will require substantial additional disclosure without reflecting the materiality of the information and does not provide any material nor meaningful information to the investing public;
- (d) 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 4,220 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 167,400,258 Shares, representing [REDACTED] of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]), which is not material in the circumstances of our Company;
- (e) there will not be any new H Shares issued under the Stock Option Incentive Plans as the foregoing plans are A-share incentive schemes;

WAIVERS AND EXEMPTIONS

- (f) 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
- (g) 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 [REDACTED] 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 [REDACTED] (assuming that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]);
 - (iv) full details of the options granted to Directors, Supervisors, senior management and other 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, 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/vesting 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.

WAIVERS AND EXEMPTIONS

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 to each of our Directors, Supervisors, senior management and other 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 other connected persons of our Company), disclosure will be made, on an aggregate basis, of (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 or vesting 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.

WAIVERS AND EXEMPTIONS

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 to each of our Directors, Supervisors, senior management and other 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 other connected persons of our Company), disclosure will be made, on an aggregate basis, of (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 or vesting 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 [REDACTED].

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

WAIVER IN RESPECT OF INVESTMENT 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.

Acquisition since December 31, 2023

Since December 31, 2023 and up to the Latest Practicable Date, the Group has proposed to make the following acquisition (the “**Acquisition**”), details of which are set out as below:

No.	Name of the target company ⁽¹⁾	Consideration (approximately in RMB million)	Percentage of shareholding/equity interest ⁽²⁾	Principal business activities
1.	Company A (the “ Target ”)	5,900	100%	Production and distribution of heating and ventilation products

Notes:

- (1) None of the core connected persons at the level of the Company is a controlling shareholder of the Target. To the best knowledge, information and belief of our Directors and having made all reasonable enquiry, the Target and its 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 Target after the completion of the Acquisition.

We confirm that the investment amount for the Acquisition has 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.

WAIVERS AND EXEMPTIONS

Our Directors believe that, as the principal business activities of the Target are closely related to the Group’s core business, the Acquisition will complement the Group’s business. Accordingly, our Directors believe that the Acquisition, if consummated, will be fair and reasonable and in the interests of the Shareholders as a whole. The consideration for the Acquisition, 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 Acquisition

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 Acquisition 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 Acquisition 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 Acquisition are all less than 5% by reference to the most recent fiscal year of the Track Record Period.

Accordingly, we do not expect the Acquisition to result in any significant changes to our financial position since December 31, 2023, 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 Target is not available and would be unduly burdensome to obtain or prepare

Our Company confirms that the Target in respect of the Acquisition does 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 accountant to fully familiarize ourselves with the management accounting policies of the Target 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 Target as required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

WAIVERS AND EXEMPTIONS

In addition, having considered the Acquisition to be immaterial and that our Company does not expect the Acquisition 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 Target 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 Acquisition in this document

We have disclosed alternative information about the Acquisition 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 Target’s principal business activity, the investment amount, and a statement as to whether the core connected persons at the level of our Company is a controlling shareholder of the Target. We have however excluded disclosure on the name of Target in connection with the Acquisition in this document because we do not have consent from the Target for such disclosure. Since the relevant percentage ratios of the Acquisition 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.

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

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. He Jianfeng (何劍鋒先生)	Non-executive Director	No. 8, Yun Hai Eighth Road Midea Coast Garden 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. 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. Yu Gang (于剛博士)	Non-executive Director	No. 555 No. 1 Longdong Avenue Pudong District Shanghai, China	American

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Position	Address	Nationality
Dr. Xue Yunkui (薛雲奎博士)	Independent non-executive Director	Room 3104 No. 20, Lane 158 Da Mu Qiao Road Xuhui District Shanghai, China	Chinese
Dr. Guan Qingyou (管清友博士)	Independent non-executive Director	302, Unit 2, Level 3, Building 16 Dacheng Nanli Zone Three Fengtai District Beijing, China	Chinese
Dr. Han Jian (韓踐博士)	Independent non-executive Director	102, Unit 1, Building 27 He Shi Yuan Haidian District Beijing, China	American
Dr. Xiao Geng (肖耿博士) ⁽¹⁾	Independent non-executive Director	21H, Tower 16 Double Cove 8 Wu Kai Sha Road Ma On Shan, New Territories Hong Kong	Chinese (Hong Kong)

Note:

- (1) The appointment of Dr. Xiao Geng, as an independent non-executive Director, will take effect from the [REDACTED].

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Position	Address	Nationality
Mr. Dong Wentao (董文濤先生)	Supervisor	2 Gangwan Boulevard Nanshan District Shenzhen Guangdong Province, China	Chinese
Mr. Zhao Jun (趙軍先生)	Supervisor	No. 1801, Block 12 Midea Royal Orchid Mont Beijiao Town Shunde 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.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors and [REDACTED]

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

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

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

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

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 [REDACTED]**

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

[REDACTED]

CORPORATE INFORMATION

**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 *(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)
*(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

CORPORATE INFORMATION

Audit Committee

Dr. Xue Yunkui (薛雲奎博士) (*Chairman*)
Dr. Yu Gang (于剛博士)
Dr. Guan Qingyou (管清友博士)
Dr. Han Jian (韓踐博士)

Remuneration and Evaluation Committee

Dr. Guan Qingyou (管清友博士) (*Chairman*)
Dr. Yu Gang (于剛博士)
Dr. Xue Yunkui (薛雲奎博士)
Dr. Han Jian (韓踐博士)

Nomination Committee

Dr. Han Jian (韓踐博士) (*Chairman*)
Dr. Yu Gang (于剛博士)
Dr. Xue Yunkui (薛雲奎博士)
Dr. Guan Qingyou (管清友博士)

Strategy Committee

Mr. Fang Hongbo (方洪波先生) (*Chairman*)
Dr. Gu Yanmin (顧炎民博士)
Dr. Yu Gang (于剛博士)
Dr. Guan Qingyou (管清友博士)

[REDACTED]

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

CORPORATE INFORMATION

**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

INDUSTRY OVERVIEW

Certain information and statistics presented in this section and elsewhere in this [REDACTED] 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 believe that the sources of the information in this section and elsewhere in this [REDACTED] are appropriate sources for such information and reasonable care has been taken in extracting and reproducing such information. 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 [REDACTED], or any of our or their respective directors, officers, or representatives, and no representation is given as to its accuracy or completeness. Accordingly, you should not place undue reliance on such information and statistics. 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

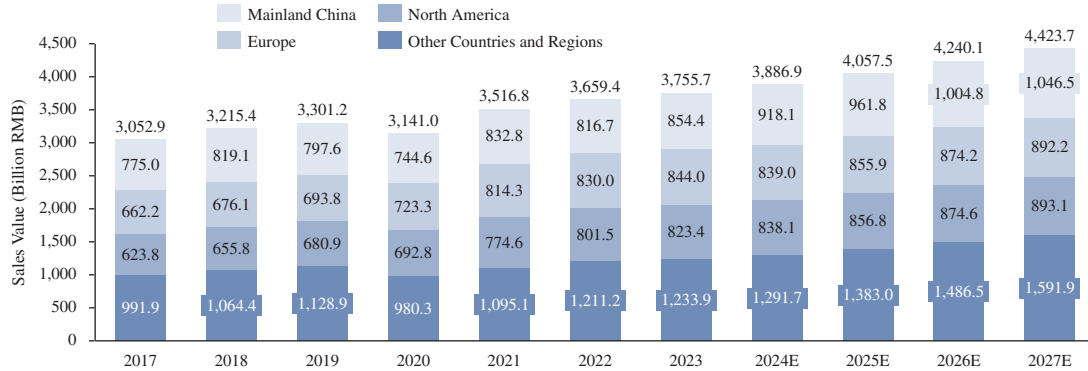
The Overall Global Home Appliance Market

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.

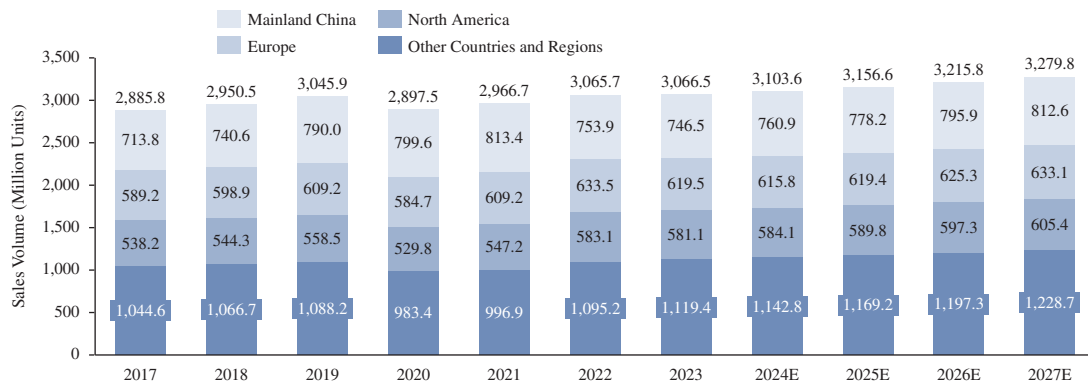
INDUSTRY OVERVIEW

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

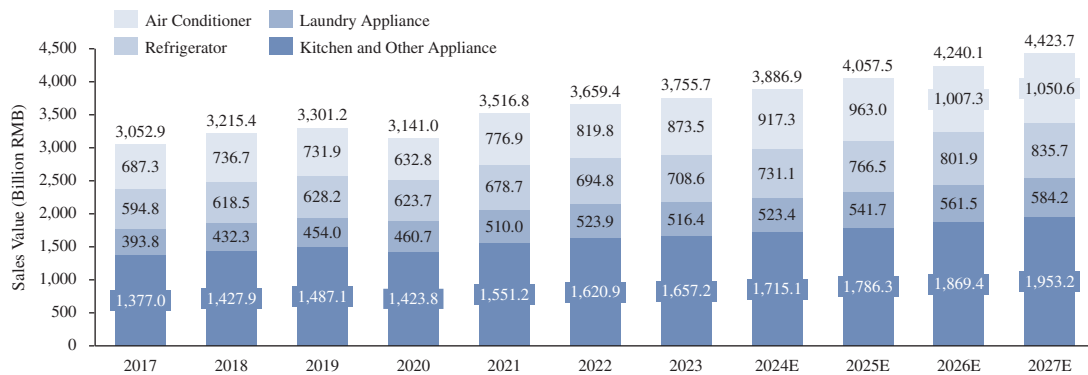


Source: US Census Bureau, China Household Electrical Appliances Association, Frost & Sullivan Report

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.

INDUSTRY OVERVIEW

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



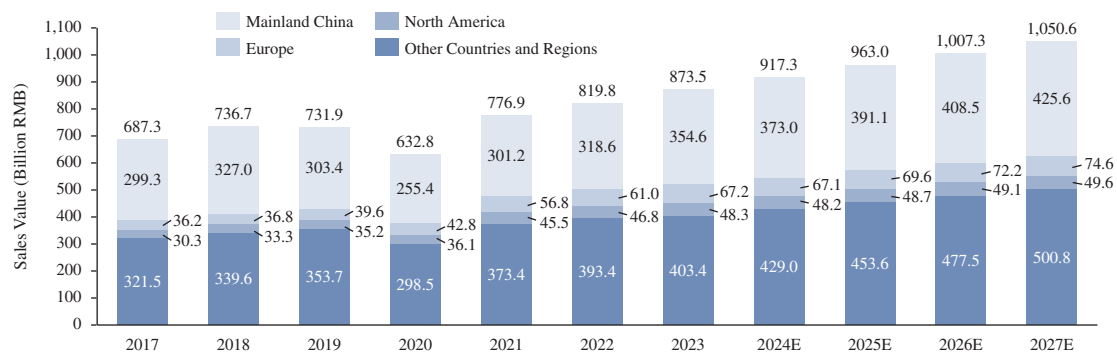
Source: US Census Bureau, China Household Electrical Appliances Association, Frost & Sullivan Report

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

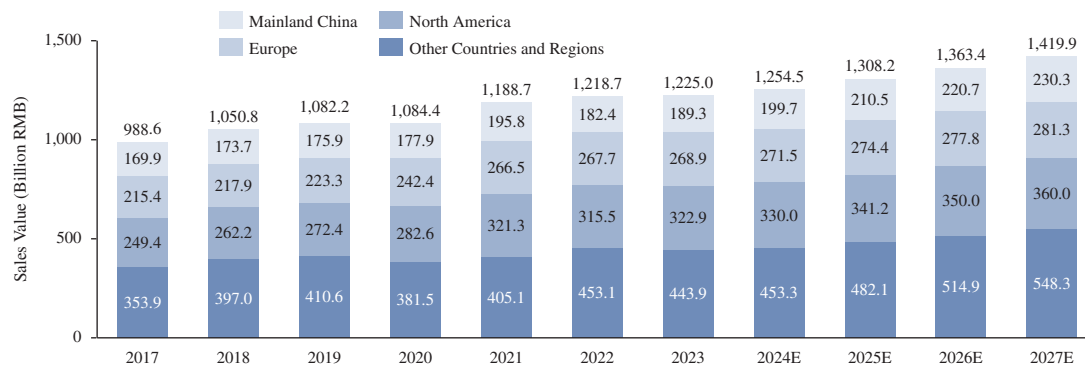
The growth in the global residential air conditioner market is increasingly driven by the rapid growth in the sales of central residential air conditioners and premium air conditioners, which provide consumers with better cooling experiences and generally command higher per-unit prices.

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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

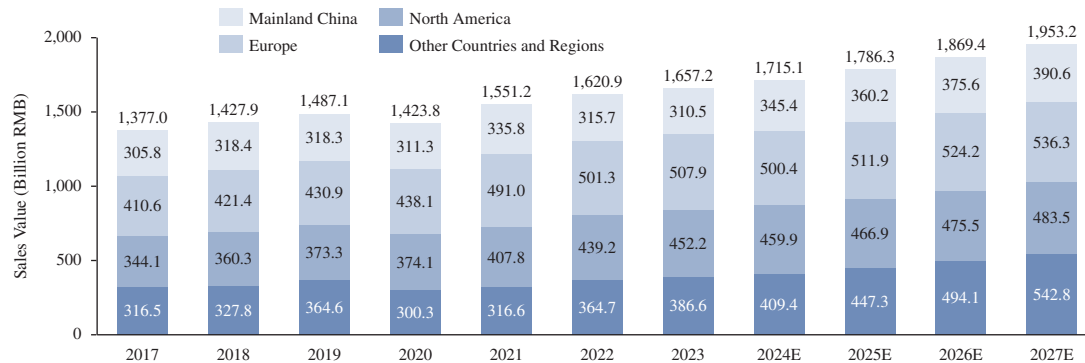
Laundry appliances saw fast growth from 2017 to 2023, growing at a CAGR of 4.6% in terms of sales value. Among laundry appliances, the penetration rate of dryers and washer-dryers remains relatively low in many regions compared with washing machines, presenting significant market potential. For example, 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.

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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.

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- **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.

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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

INDUSTRY OVERVIEW

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%.

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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 makers, 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.

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- **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).

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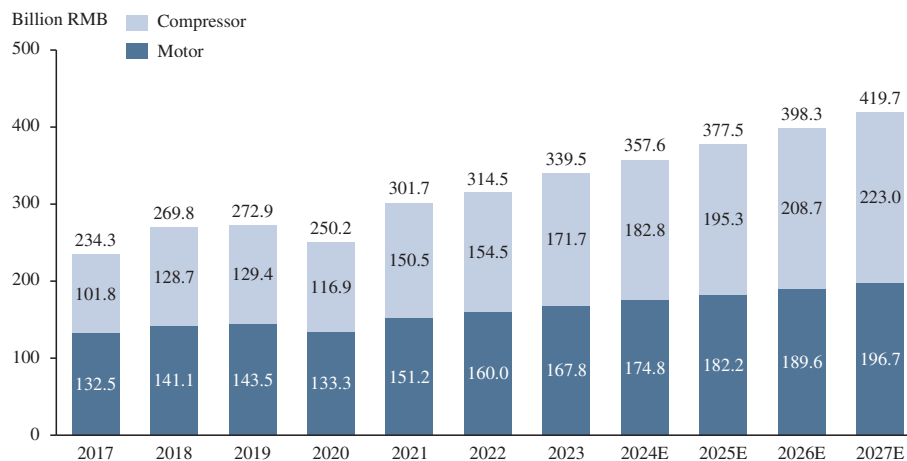
Overview of Global Market for Home Appliance Compressors and Home Appliance Motors

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

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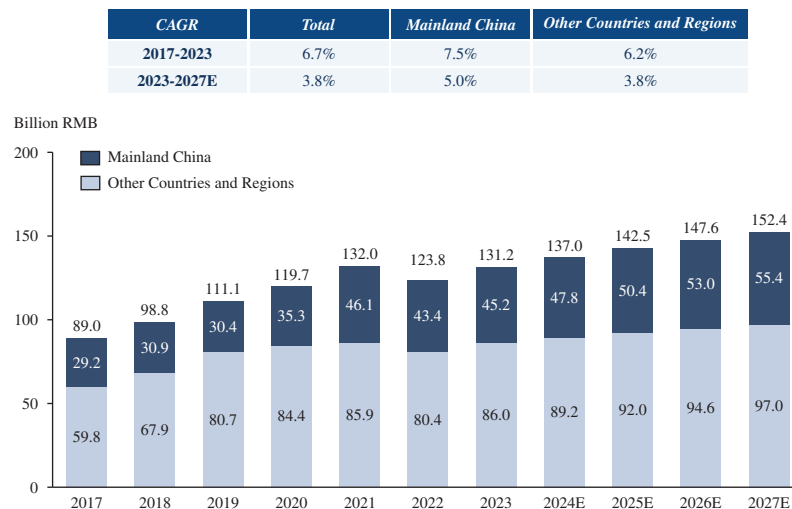
manufacturing volume. For home appliance motors, we ranked first globally in both residential air conditioner motors and laundry appliance motors in terms of manufacturing volume in 2023, with respective market shares of 40.0% and 22.0%.

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



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

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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.

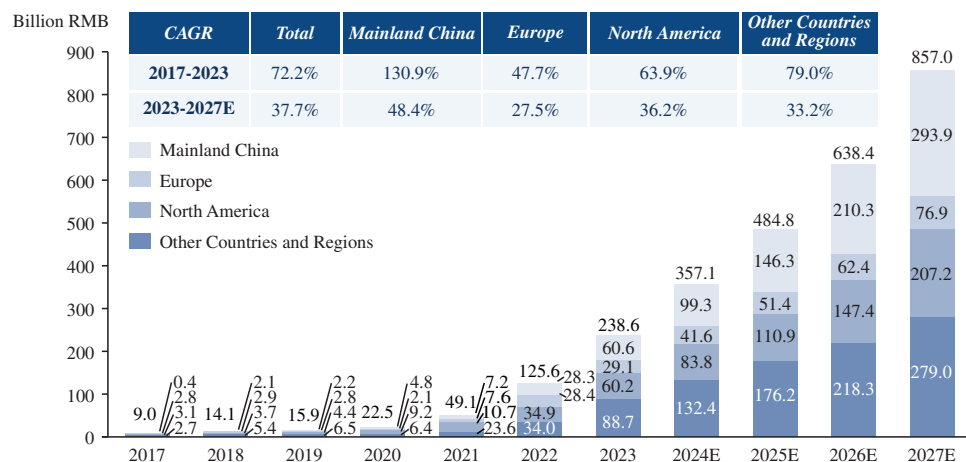
The global industrial control system market is competitive with more than 2,000 players. In 2023, the leading companies of the global industrial control system market were multinational companies based in Japan, Europe and United States. In 2023, we captured the market share of around 0.9% in the global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

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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.

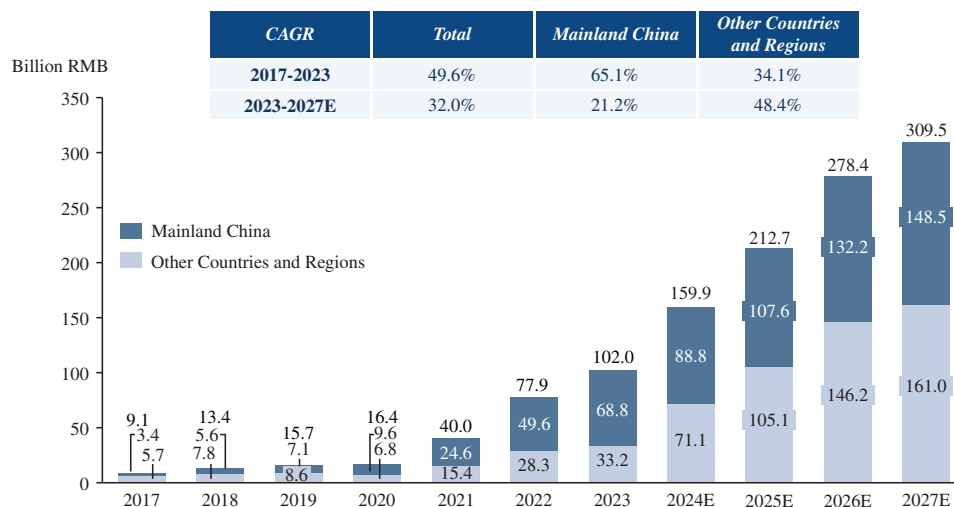
The global energy storage market is relatively competitive with more than 1,000 players. In 2023, in the global energy storage market, we captured the market share of around 1.6% by revenue.

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

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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.

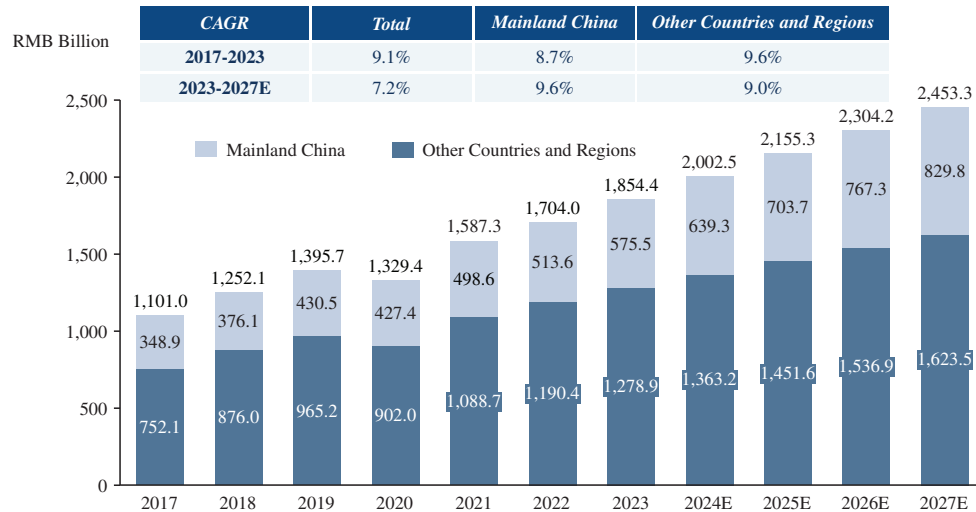
The Global Intelligent Building Technology Market

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.

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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.

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- **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 eco-systems, 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.

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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.

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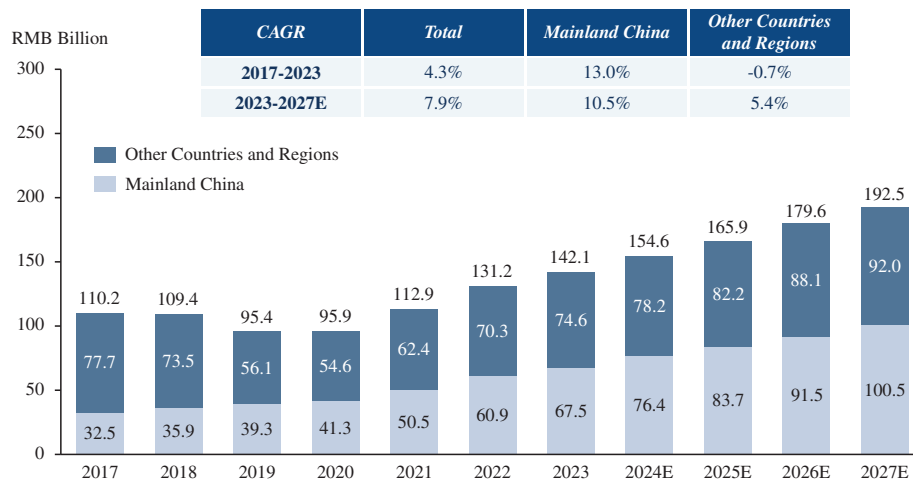
Overview of the Global Industrial Robotics Market

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



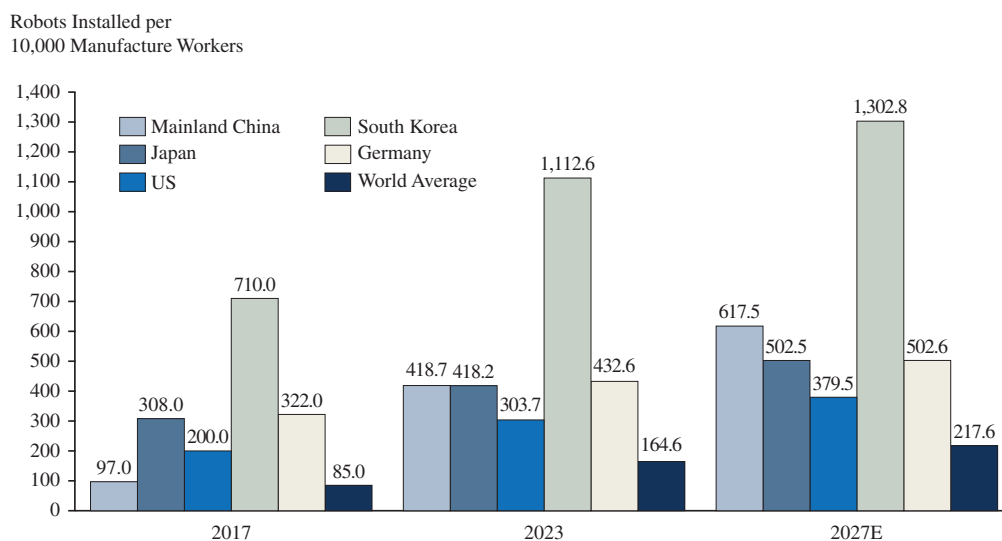
Source: International Federation of Robotics, Frost & Sullivan Report

INDUSTRY OVERVIEW

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

INDUSTRY OVERVIEW

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.

INDUSTRY OVERVIEW

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.

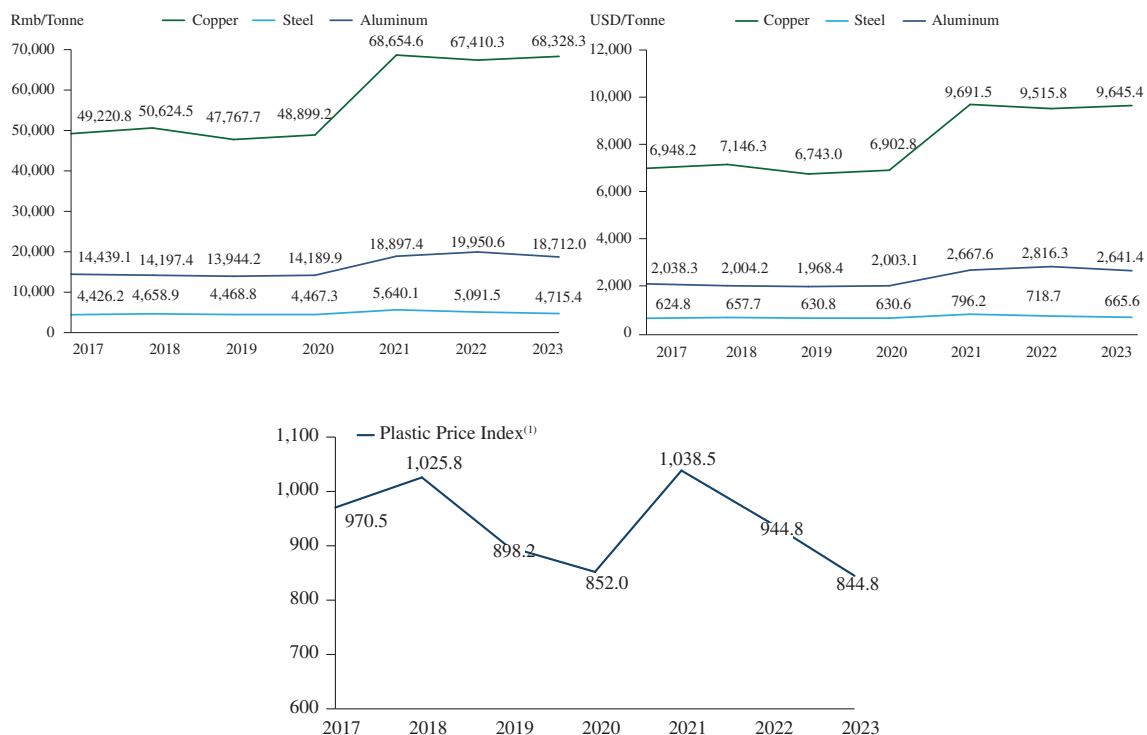
INDUSTRY OVERVIEW

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

INDUSTRY OVERVIEW

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.

HISTORY AND CORPORATE STRUCTURE

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 eight 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 31.1% 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.

HISTORY AND CORPORATE STRUCTURE

Year	Event
2021	We became the No. 1 air conditioner provider in mainland China by sales volume.
2023	We have entered the <i>Fortune Global 500</i> for eight 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
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

HISTORY AND CORPORATE STRUCTURE

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
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
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

HISTORY AND CORPORATE STRUCTURE

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
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
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

HISTORY AND CORPORATE STRUCTURE

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
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
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

HISTORY AND CORPORATE STRUCTURE

Name of company	Equity interest attributable to our Group	Principal business activities	Date and jurisdiction of establishment
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
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

HISTORY AND CORPORATE STRUCTURE

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 [REDACTED] ON THE STOCK EXCHANGE

As of the Latest Practicable Date, our Company was listed on the Shenzhen Stock Exchange, and 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.

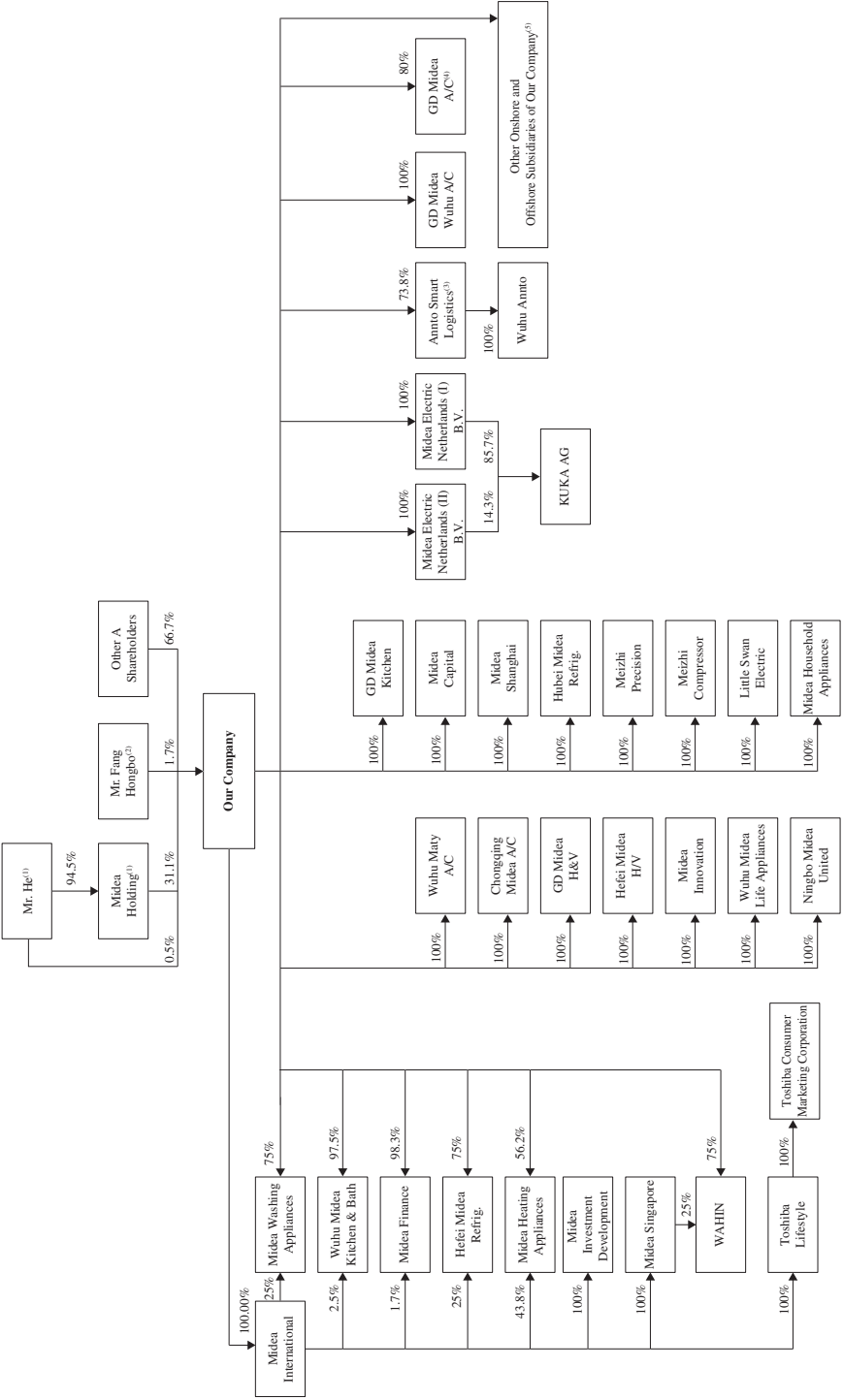
Our Company seeks to be [REDACTED] on the Hong Kong Stock Exchange in order to provide further capital for the development and expansion of our business, provide an additional fundraising platform for our Company should the need arise, further strengthen our business profile and market position in the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

HISTORY AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate structure immediately before the [REDACTED]

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



HISTORY AND CORPORATE STRUCTURE

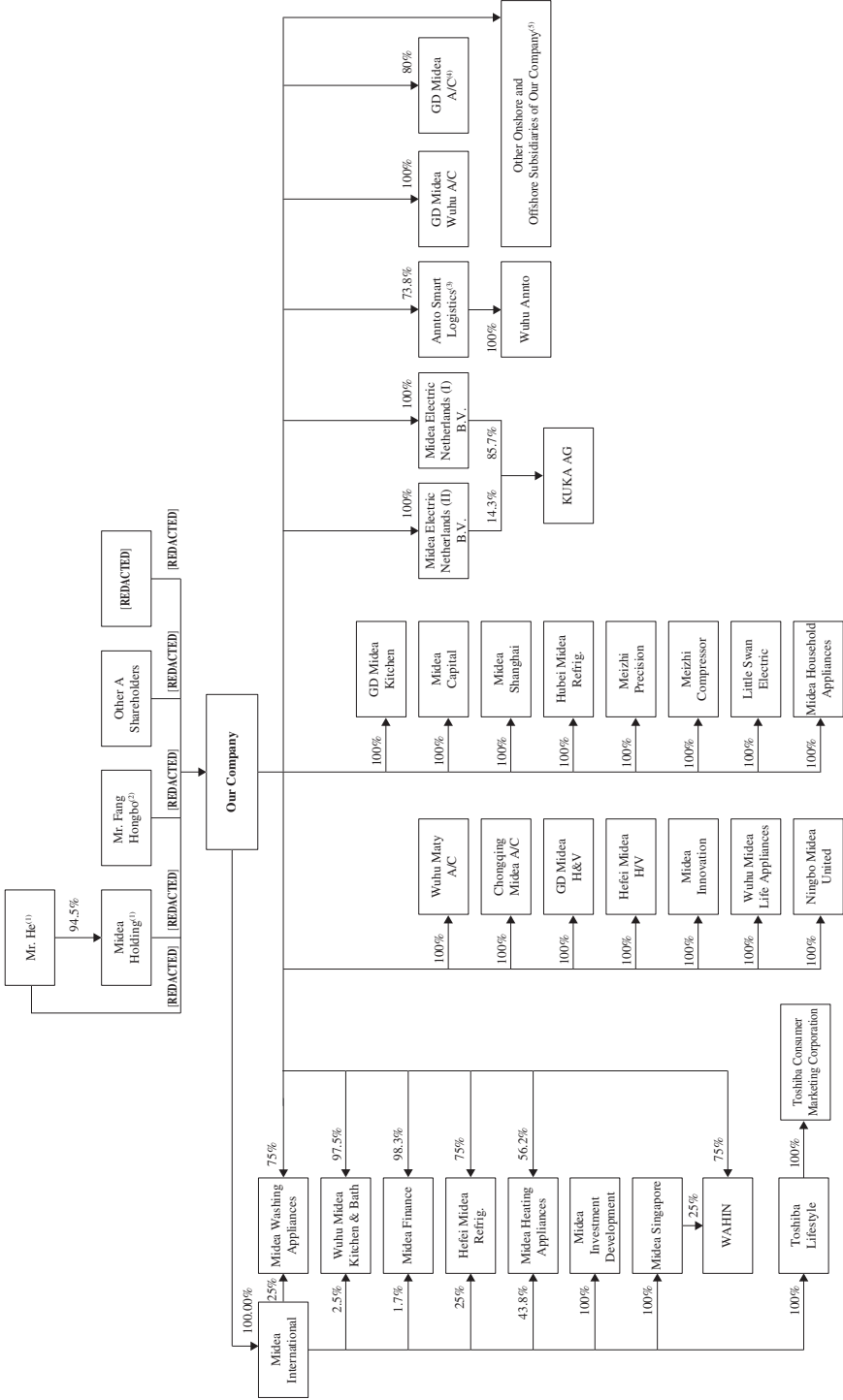
Notes:

- (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, spouse of Mr. He Jianfeng, one of our non-executive Directors, and 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(有限合伙)) and Ningbo Xunchi Enterprise Management Limited Partnership (寧波迅馳企業管理合夥企業(有限合伙)) 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.

HISTORY AND CORPORATE STRUCTURE

Shareholding and Corporate structure immediately following the [REDACTED]

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the [REDACTED], assuming that the [REDACTED] is not exercised and that no changes are made to the issued share capital of the Company between the Latest Practicable Date and [REDACTED]:



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

BUSINESS

MIDEA TODAY

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

The chart below demonstrates the highlights of our businesses:



Notes:

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

BUSINESS

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:

<i>1968 to early-1980s: Startup years</i>	■ 1968: founding of our predecessor that manufactured plastic and metal products
<i>Early-1980s to late-1990s: Growth in home appliance business</i>	■ 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
<i>Late-1990s to mid-2010s: Horizontal and vertical expansion and integration</i>	■ 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
<i>Mid-2010s to present: Upgrading Smart Home Solutions, expanding Commercial & Industrial Solutions, and deepening globalization</i>	■ 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

BUSINESS

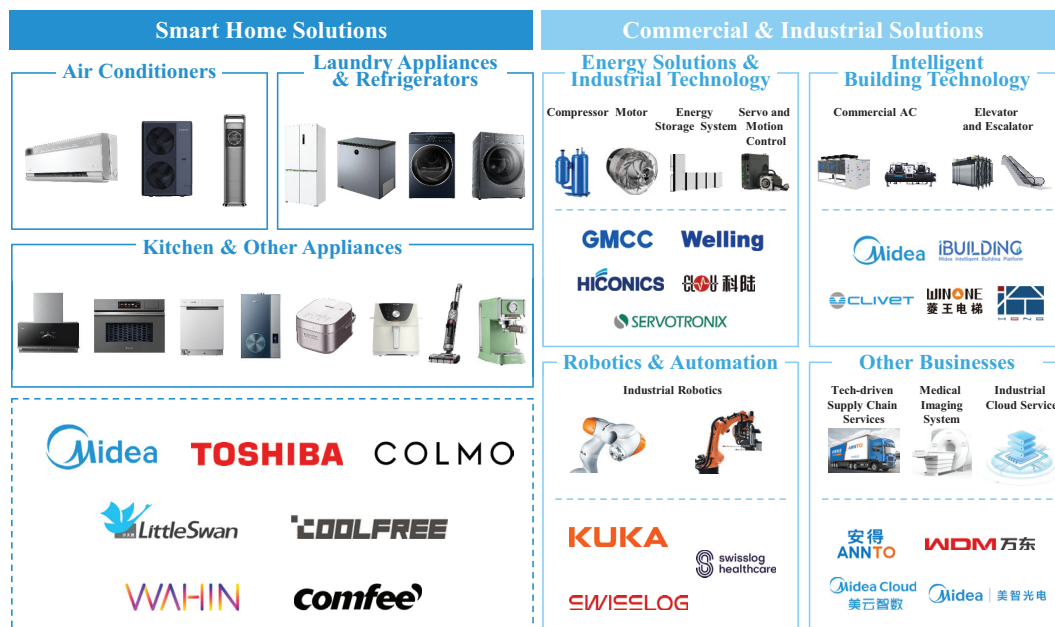
This journey brought us to where we stand today, with numerous extraordinary achievements associated with the Midea name. To give a few examples (each according to the Frost & Sullivan Report):

- 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.



BUSINESS

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:



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

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

Commercial & Industrial Solutions

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

BUSINESS

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.

BUSINESS

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.

BUSINESS

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

R&D AND DIGITALIZATION EFFORTS

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

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

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

BUSINESS

OUR CONSUMER-CENTRIC APPROACH

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

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

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

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

OUR GLOBALIZATION EFFORTS

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

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

BUSINESS

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

OUR CORPORATE GOVERNANCE AND CULTURE

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

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

OUR TRACK RECORD

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

OUR STRENGTHS

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

BUSINESS

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

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

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

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

Leading R&D capabilities enabling continual innovation

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

BUSINESS

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

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

Operational excellence and digitalization across the entire value chain

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

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

BUSINESS

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

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

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

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

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

BUSINESS

Extensive and expanding global presence

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

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

Commercial & Industrial Solutions driving continued growth

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

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

BUSINESS

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

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

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

Progressive corporate governance and values

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

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

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

BUSINESS

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

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

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

OUR STRATEGIES

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

We plan to pursue the following strategies:

Staying Committed to Technology Leadership

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

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

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

Enhancing Consumer Reach and Enriching Consumer Experience

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

- continuing to streamline our distribution channels and boost our channel efficiency through digitalization;
- empowering our distributors and SME retailers with digital tools to enhance their sales;
- continuing to deepen our consumer reach and improve consumer stickiness through our digital tools, such as M-Smart (美居);
- promoting our high-end brands and products and providing high-quality products and solutions;
- expanding our service network, enhancing our service engineers’ skills, elevating our service standards and improving our brand recognition; and
- conducting more in-depth research on customer preferences and behaviors and tailor our product design, manufacturing, and sales to meet customer needs.

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Maximizing Efficiency through Digitalization

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

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

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

Accelerating Global Expansion

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

- developing products that cater to the local markets and customer preferences through our overseas R&D centers and enhancing our localized design capabilities and competitiveness.
- enhancing our global branding by investing in strategic markets, strengthening our front-end retail network, and driving customer growth through digital marketing. We hope to increase the proportion of OBM sales and boost our overall revenue growth.
- constructing and producing in our manufacturing bases in Brazil, Egypt and Mexico, and optimizing capacity planning for key markets and further promoting supply chain localization.
- building a global team, cultivating local talents, and providing overseas employees with long-term career opportunities and incentives.

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

Catalyzing Growth with Commercial & Industrial Solutions

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

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

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

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

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OUR OFFERINGS

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

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

Note:

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

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

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

Note:

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

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Smart Home Solutions

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

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

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

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

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

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

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

Brand Portfolio

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

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

Product Offering

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

Air conditioners

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

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

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

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

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

Air quality. We have expanded the functions of air conditioning from just cooling and heating to fresh air, dehumidification, odor removal and air purification, among other things, and integrate these functions in our air conditioners. For example, we have introduced the 1:1 Air Machine, which delivers an all-around healthy air system that allows professional sterilization, purification, and fresh air. With a CADR (clean air delivery rate) of 400 m³/h and a fresh air flow rate of 210 m³/h, the system ensures an ideal comfort sensation at 0.3 m/s.

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

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

Laundry appliances and refrigerators

Laundry appliances

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

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

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

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



COLMO Washer-Scrubber

Refrigerators

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

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

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

Kitchen and other appliances

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

Cooking appliances

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

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

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Dishwashers

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

Range hoods

We offer multiple series of range hoods. The Midea Smoke-free Series Range Hood, for example, employs multiple advanced technologies. The efficient dual air ducts are used to ensure effective smoke suction. The engine used in our latest range hoods can achieve the highest suction in the industry of 28 m³/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

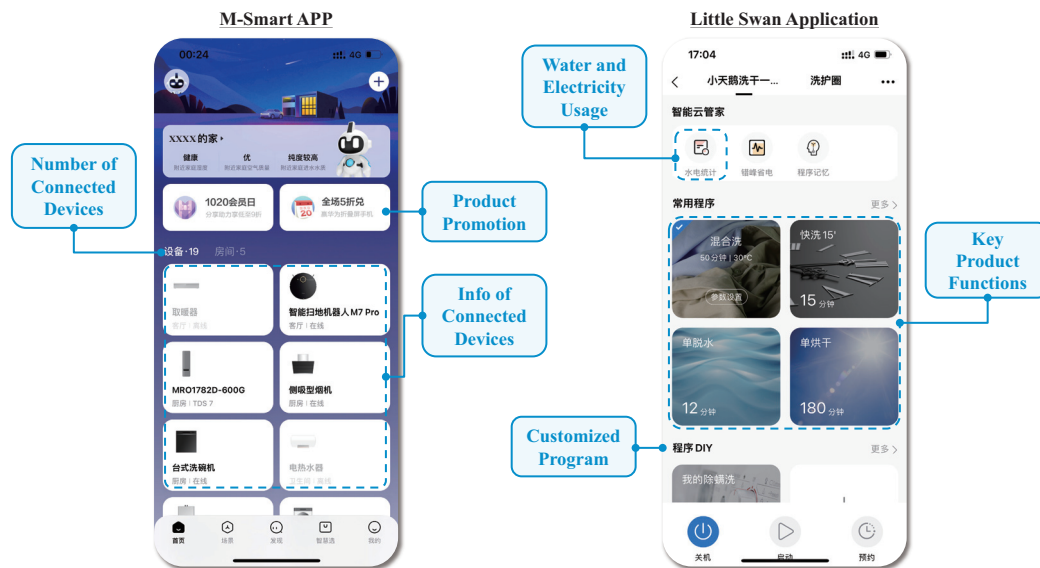
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delivery distance of approximately 17 meters while achieving a maximum air speed of 270 m³/minute and maintaining a noise level less than 56 dB. In addition, our latest electric fan is equipped with an internal water circulation system that continuously filters out dust and impurities in the air, providing a refreshed airflow that is 99.99% sterilized.

Smart Control

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

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



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

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Overseas Smart Home Business

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

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

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



Midea U-Shaped Window Air Conditioner

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

Commercial & Industrial Solutions

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

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

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

Energy Solutions & Industrial Technology

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

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

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

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

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

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

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

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Intelligent Building Technology

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

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

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

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



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

Products and solutions

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

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

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

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

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

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

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

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

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Case studies

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

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

Robotics & Automation

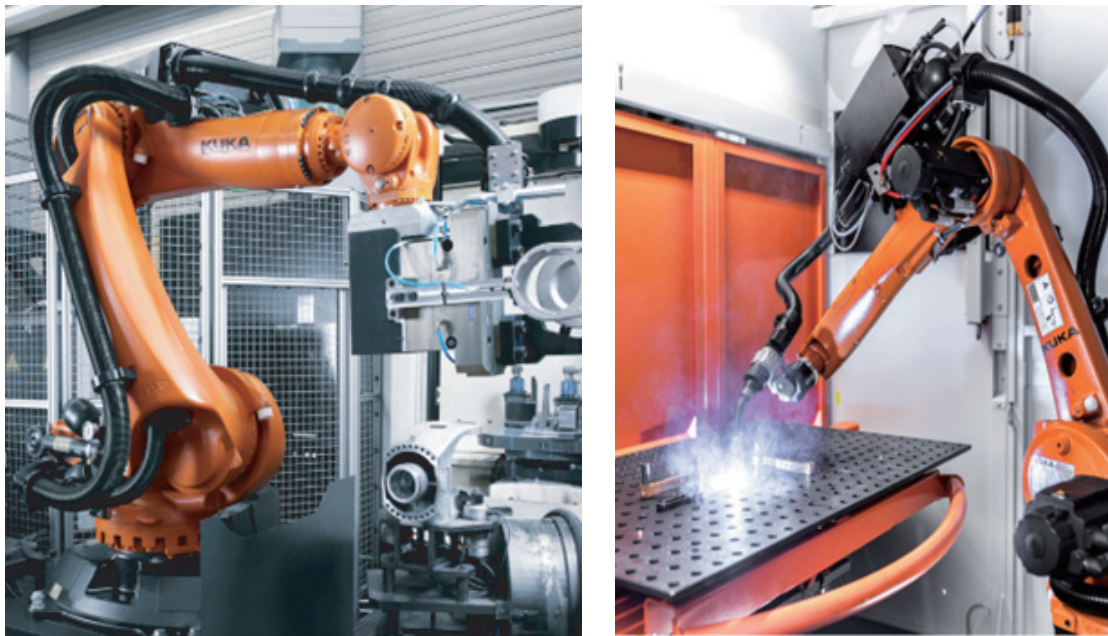
We conduct our Robotics & Automation business through KUKA Group, a Germany-headquartered, world-renowned automation specialist with over 120 years of history. We acquired KUKA Group in 2017 and privatized it in 2022. KUKA Group is one of the world’s “big four” industrial robotics makers and supports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

KUKA Group offers one-stop automation solutions including:

- *Industrial robots*, which are the core components of the automated production process. KUKA Group provides customers with industrial robots suitable for different manufacturing scenarios and under different working conditions, controlled with smart software.
- *Automated manufacturing systems*, which enable adaptable, modular and automated manufacturing processes with offerings ranging from individual system components, tools and fixtures to complete turnkey systems for the automotive industry, battery production plants and other non-automotive sectors.

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- *Swisslog automated logistics systems* offer a tailored logistics portfolio of flexible and modular technologies plus software, such as automated storage and retrieval systems, automated transport and conveyor systems, and picking and palletizing systems, providing an integrated automation solution for warehouses and distribution centers.
- *Swisslog medical distribution systems* provide automation solutions for modern hospitals with an aim to boost overall efficiency, such as pharmacy automation systems that automate time-consuming tasks like medication packaging, dispensing, storage and retrieval, and transport automation systems that help move medical materials like medication and blood specimens safely and swiftly.



KUKA Robots at Work

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

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

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

Market leadership

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

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

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

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- *Healthcare.* The healthcare sector is one of the most important growth markets. Demographic change, medical innovations and the development of healthcare systems in emerging countries, as well the shortage of skilled workers and the increasing cost awareness of healthcare facilities, are creating a need for new automation solutions, with the aim to boost efficiency and increase patient safety. Applications for KUKA robots range from X-ray imaging to radiation therapy, patient positioning and robot-based assistance systems for surgical procedures in operating rooms, or as a supporting partner in the field of rehabilitation.
- *Consumer electronics.* In light of the increasing demand for electronic devices and the growing shortage of skilled workers, the automation of electronics manufacturing processes is inevitable. By using robots, production processes can be adapted both flexibly and easily to meet the rapid changes in the market. Targeting the consumer electronics sector, KUKA Group has introduced a full series of four-axis robots, KR SCARA CS, with compact, minimalist, intelligent, and easy-to-use controllers and a new-generation operating system. This series is designed for factories making consumer electronics, with payloads of 3 kg to 20kg, a maximum working distance of 1,200mm, and high-speed handling and high-precision picking capabilities.
- *General industrial sectors.* Applications in general industrial sectors require highly adaptable and flexible robotics. The KR CYBERTECH nano E series six-axis robot, with two models catering to different demands and multiple process packages, is designed for the general use of different industries. Its compact structure and hollow arm are tailor-made for arc welding. Its optimized body design improves hardness and effectively prevents welding jitter, which, combined with high trajectory accuracy, ensures satisfactory welding results.

KUKA China

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

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

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

Other Businesses under Commercial & Industrial Solutions

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

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

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

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

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

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

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

Other Business

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

OUR MULTI-CHANNEL SALES AND DISTRIBUTION NETWORK

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

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

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

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

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

Notes:

- (1) Inactive distributors are distributors from whom no revenue was derived during the preceding 12-month period.
- (2) The vast majority of our distributors during the Track Record Period are offline distributors.

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

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

Smart Home Solutions

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

Online channels

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

- *E-commerce platforms* are online distributors who purchase products from us to resell to their own customers.
- *Direct online sales* include sales to consumers (i) through stores we operate on third-party online platforms, or (ii) through our own shopping platforms such as Midea E-Store.

Offline channels

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

- *KA distributors*, mainly include: (i) *national retailers*, who purchase products from us and resell to consumers at their nationwide chain stores; (ii) *regional retailers*, such as regional chain stores, department stores and supermarket operators that purchase products from us and resell to consumers; and (iii) *regional distributors*, who purchase products from us and resell to smaller distributors and/or retailers.
- *SME retailers* purchase products from us primarily through our Midea Cloud Sales platform, our sales portal for SME retailers, and primarily resell to consumers.
- *Direct offline sales* are primarily direct sales to enterprise customers.

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

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

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

Note:

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

Optimization of Our Distribution Channels in Mainland China

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

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

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

Relationship with Distributors

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

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

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

Contractual and other arrangements with distributors

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

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

E-commerce platforms

- *Selection criteria:* We partner with China’s leading e-commerce platforms with a large consumer base.
- *Revenue recognition:* Revenue from sales of goods is recognized once we have delivered products to the location as specified in the contract and the e-commerce platform has confirmed the acceptance.
- *Evaluation:* We evaluate the performance of e-commerce platforms based on a variety of factors and do not set a mandatory minimum sales requirement.
- *Product delivery:* We bear the costs and risks related to the shipment of ordered products to the e-commerce platforms. We are generally obligated to deliver the products to them within a pre-determined period of time after they place orders with us, depending on factors such as the distance and the size, type, and quantity of the products.
- *Product return:* We adhere to our product return policies and generally do not allow e-commerce platforms to return products other than due to product quality issues, product returns from consumers or recalls or other specified circumstances, which is in line with customary industry practice.
- *Intellectual property:* E-commerce platforms are prohibited to use our intellectual property without our authorization or beyond the duration of the respective contract.
- *Duration:* Duration of contract varies ranging from one year to several years, subject to individual commercial negotiation.

KA distributors

- *Selection criteria:* We select KA distributors based on their national and regional coverage, sales channels and financial condition.
- *Revenue recognition:* Revenue from sales of goods is recognized once we have delivered products to the location as specified in the contract and the distributor has confirmed the acceptance.
- *Evaluation and support:* We evaluate the performance of KA distributors based on a variety of factors and do not set a mandatory minimum sales requirement. Our employees are assigned to some KA distributors to assist them with maintaining our brand image.

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- *Product delivery:* We bear the costs and risks related to the shipment of ordered products to the KA distributors.
- *Product return:* We adhere to our product return policies and generally do not allow KA distributors to return products other than due to product quality issues, product recalls or other specified circumstances, which is in line with customary industry practice.
- *Intellectual property:* KA distributors are prohibited to use our intellectual property without our authorization or beyond the duration of the respective contract.
- *Duration:* Duration of contract varies ranging from one year to several years, subject to individual commercial negotiation.

SME retailers

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

- *Selection criteria:* We select SME retailers based on their market coverage, retail experience, local resources, and financial condition.
- *Revenue recognition:* For domestic sales, revenue from sales of goods is recognized once we have delivered products to the location as specified in the contract and the SME retailers has confirmed the acceptance. For overseas sales, revenue from sales of good is recognized once the products have been declared to the customs and shipped out of the port in accordance with the contract.
- *Evaluation and support:* We evaluate the performance of SME retailers based on a variety of factors and generally do not set a minimum sales requirement.
- *Product delivery:* We bear the costs and risks related to the shipment of ordered products to SME retailers.
- *Product return:* We adhere to our product return policies and generally do not allow our SME retailers to return products other than due to product quality issues, product recalls or other specified circumstances, which is in line with customary industry practice.
- *Intellectual property:* SME retailers are prohibited to use our intellectual property without our authorization or beyond the duration of the respective contract.
- *Duration:* Duration of contract varies ranging from one year to several years, subject to individual commercial negotiation.

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Pricing

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

Commercial & Industrial Solutions

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

Sales and Marketing

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

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

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

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Sales Rebates

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

- *Product wise*, to incentivize our distributors to promote certain types of products during certain period of time, such as newly launched products or more eco-friendly products;
- *Channel wise*, to incentivize our online and/or offline distributors to increase the sales volume through a particular channel;
- *Competition wise*, to quickly respond and adapt to changes in the market condition when needed, and to increase the attractiveness of our products to consumers; and
- *Inventory turnover wise*, to incentivize our distributors to clear stocks of older models or slower-moving goods when needed so as to maintain the overall efficiency of our sales and distribution network.

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

MANUFACTURING AND QUALITY CONTROL

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

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	For the Year Ended 31 December					
	2021			2022		
	Designed Capacity ⁽¹⁾	Manufacturing Volume	Utilization Rate ⁽²⁾	Designed Capacity ⁽¹⁾	Manufacturing Volume	Utilization Rate ⁽²⁾
	<i>(thousand units)</i>			<i>(thousand units)</i>		
Commercial & Industrial Solutions:						
Energy Solutions & Industrial Technology ⁽³⁾ . . .	—	—	—	—	—	—
Intelligent Building Technology ⁽⁴⁾	—	—	—	—	—	—
Robotics & Automation ⁽⁵⁾	30	19	61.7%	30	20	65.7% ⁽¹⁰⁾
					19	63.4%

Notes:

- (1) For all product categories presented in the table other than Robotics & Automation, the designed capacity of the year is calculated assuming the production lines are functioning at full capacity as planned in terms of working days, hours per day and pace of production, after taking into account the theoretical time required for routine maintenance and replacement of machinery and equipment. For Robotics & Automation, the designed capacity of the year is calculated by aggregating the manufacturing capacity of each manufacturing facility for Robotics & Automation in the relevant period.
- (2) The utilization rate equals to the manufacturing volume divided by the designed capacity during the same period. During the Track Record Period, we experienced fluctuations in the utilization rate of the manufacturing facilities of certain product categories, mainly as a result of fluctuations in manufacturing volume and changes in capacity, as further explained below.
- (3) Includes only home appliance compressors and home appliance motors, the two main products under Energy Solutions & Industrial Technology.
- (4) Includes only commercial air conditioners and elevators.
- (5) Includes only industrial robots and automated guided vehicles.
- (6) The utilization rate declined in 2022, primarily due to the COVID-19 outbreaks and the restrictions imposed in response at the time that affected the supply chain and the market demand for home appliances, which in turn affected our manufacturing volume. The manufacturing volume and utilization rate of kitchen and other appliances were also affected by our strategic streamlining of product categories to focus on core products.
- (7) The utilization rate increased in 2023, mainly due to increased consumer demand for our products, driven by enhanced product competitiveness from our continued innovation and upgrades, as a result of which the manufacturing volume increased.
- (8) The utilization rate declined in 2022, mainly due to the COVID-19 pandemic and related restrictions that affected the supply chain and the market demand for our products in these categories, which in turn affected our manufacturing volume.

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- (9) The utilization rate increased in 2023, mainly due to the increase in sales volume of core industrial components such as compressors and motors for home appliances, which benefitted from the recovery of the overall home appliance market and resulted in an increase in our manufacturing volume.
- (10) The utilization rate increased in 2022, mainly driven by strong demand from automotive customers, as a result of which our manufacturing volume increased.
- (11) The utilization rate declined in 2023, mainly due to a slight decline in the growth of customer demand for industrial robots in 2023, which affected our manufacturing volume (although the sales volume remained relatively stable in 2023 as it partially came from the inventory produced in the previous year).
- (12) The utilization rate declined in 2022, largely due to increases in the manufacturing capacity as a result of the launch of new production lines or accelerated pace of production, despite increased manufacturing volume driven by the growing demand for our products in the overseas markets as the economy recovered from COVID-19 and the related policies were relaxed in overseas markets.
- (13) The utilization rate increased in 2023, mainly driven by the growing demand for our home appliances in overseas markets, as a result of which our manufacturing volume increased.

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Features of Our Manufacturing Process

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

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

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

Quality Control

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

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RESEARCH AND DEVELOPMENT

Our R&D Strategy and System

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

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

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

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

Collaboration with Academic Institutions

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

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

Increasing R&D Spending

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

CUSTOMERS AND SUPPLIERS

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

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

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

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

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

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

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

AFTER-SALES SERVICES

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

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

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

INVENTORY MANAGEMENT AND LOGISTICS

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

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

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

INTELLECTUAL PROPERTY

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

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

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

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

COMPETITION

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

- brand recognition and reputation;
- innovative technology and digitalization capabilities;
- comprehensiveness and effectiveness of solutions;
- ability to reduce costs and enhance efficiency;
- product quality and assortment;
- extensive and reliable sales channels;
- visionary and experienced management capability; and
- pricing.

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

SEASONALITY

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

DATA PRIVACY AND PROTECTION

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

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

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ESG

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

ESG Governance

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

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

Identifying ESG Risks

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

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

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Managing ESG Risks

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

Metrics and Targets

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

We collect and analyze quantitative information as part of our review of ESG-related risks. To illustrate, our total greenhouse gas (“GHG”) emission in 2023 was 2,298,311 tonnes of CO₂ equivalent or 0.061 tonne of CO₂ equivalent per RMB10,000 worth of product output. By comparison, the average greenhouse gas emission of selected listed home appliance companies¹ was 0.0590 tonne of CO₂ equivalent per RMB10,000 worth of product output in 2022, according to the Frost & Sullivan Report. Our photovoltaic power stations generated a total of 220,760 mWh in 2023, marking our increasing usage of renewable electricity in the manufacturing process.

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

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

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

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- *Air pollutant management*: Integrated Emission Standard of Air Pollutants (“大氣污染物綜合排放標準”) (GB16297-1996), Emission Standard of Air Pollutants for Boiler (“鍋爐大氣污染物排放標準”) (GB13271-2014), Emission Control Standard of Volatile Organic Compounds from Industrial Enterprises (“工業企業揮發性有機物排放控制標準”) (DB13/2322-2016), Emission Standard of Pollutants for Synthetic Resin Industry (“合成樹脂工業污染物排放標準”) (GB31572-2015), Emission Limit of Air Pollutants (“大氣污染物排放限值”) (DB44/27-2001), Emission Standard of Volatile Organic Chemicals of Furniture Manufacturing Industry (“家具製造行業揮發性有機化學物排放標準”) (DB44/814-2010), and Emission Standards for Air Pollutants from Industrial Furnaces and Kilns (“工業爐窯大氣污染物排放標準”) (GB 9078-1996), among others.
- *Noise management*: Emission Standard for Industrial Enterprises Noise at Boundary (“工業企業廠界環境噪聲排放標準”) (GB12348-2008).
- *Solid and Hazardous Waste Disposal*: PRC Solid Waste Pollution Prevention and Control Law.

Environment

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

Green Design

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

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

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Green Procurement

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

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

Green Manufacturing

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

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Green Logistics

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

Green Recycling

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

Green Service

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

Social Responsibility

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

Employees

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

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

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

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

Community

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

Corporate Governance

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

Anti-bribery and Anti-corruption

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

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EMPLOYEES

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

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

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

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

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

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

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

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

PROPERTIES

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

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

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

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

INSURANCE

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

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

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

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

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

Compliance

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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

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LICENSES, APPROVALS AND PERMITS

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

AWARDS AND RECOGNITIONS

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

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

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

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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 eight consecutive years, we operate a global business that reaches over 200 countries and regions, with 33 R&D centers, 43 major manufacturing bases and over 190,000 employees across different continents.

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.

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.

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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.

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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 and 2023, 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.

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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.”

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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 and 2023 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. 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

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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.

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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.

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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.

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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 to 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.

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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 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					
	2021		2022		2023	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
Revenue	343,360,825	100.0	345,708,706	100.0	373,709,804	100.0
Cost of revenue	(266,450,882)	(77.6)	(262,321,797)	(75.9)	(275,320,160)	(73.7)
Gross profit	76,909,943	22.4	83,386,909	24.1	98,389,644	26.3
Selling and marketing expenses	(28,646,188)	(8.3)	(28,715,439)	(8.3)	(34,880,794)	(9.3)
General and administrative expenses	(10,742,475)	(3.1)	(12,023,970)	(3.5)	(13,975,965)	(3.7)
Research and development expenses	(12,014,891)	(3.5)	(12,667,099)	(3.7)	(14,586,346)	(3.9)
Net impairment losses on financial assets and contract assets	(384,501)	(0.1)	(538,108)	(0.2)	(235,002)	(0.1)
Other income	6,177,047	1.8	7,088,757	2.1	8,120,251	2.2
Other gains/(losses), net	2,777,178	0.8	(1,065,436)	(0.3)	(945,664)	(0.3)
Operating profit	34,076,113	9.9	35,465,614	10.3	41,886,124	11.2
Finance income	401,501	0.1	793,175	0.2	1,085,256	0.3
Finance costs	(1,299,556)	(0.4)	(1,902,422)	(0.6)	(3,372,815)	(0.9)
Finance costs, net	(898,055)	(0.3)	(1,109,247)	(0.4)	(2,287,559)	(0.6)
Share of profit of associates and joint ventures, net	560,679	0.2	608,278	0.2	680,759	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
Income tax expense	(4,707,309)	(1.3)	(5,146,341)	(1.5)	(6,532,371)	(1.8)
Profit for the year	29,031,428	8.5	29,812,125	8.6	33,746,953	9.0
Attributable to:						
Owners of the Company	28,586,980	8.4	29,553,342	8.5	33,721,536	9.0
Non-controlling interests	444,448	0.1	258,783	0.1	25,417	0.0

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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 indicated:

	For the Year Ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue						
Air conditioners	104,108,047	30.3	108,638,571	31.4	112,982,505	30.2
Laundry appliances and refrigerators.	62,883,096	18.3	62,713,261	18.1	68,288,642	18.3
Kitchen and other appliances	67,926,859	19.8	61,473,732	17.8	65,080,257	17.4
Smart Home Solutions	234,918,001	68.4	232,825,564	67.3	246,351,404	65.9
Energy Solutions & Industrial Technology	20,111,476	5.9	21,618,496	6.3	27,874,277	7.5
Intelligent Building Technology	19,690,855	5.7	22,778,244	6.6	25,914,181	6.9
Robotics & Automation	25,286,615	7.4	27,712,820	8.0	31,053,073	8.3
Other Businesses	8,290,412	2.4	11,529,651	3.3	12,939,776	3.5
Commercial & Industrial Solutions	73,379,358	21.4	83,639,210	24.2	97,781,307	26.2
Others	35,063,466	10.2	29,243,932	8.5	29,577,093	7.9
Total.	343,360,825	100.0	345,708,706	100.0	373,709,804	100.0

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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 indicated.

	For the Year Ended 31 December					
	2021		2022		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
HVAC	165,428,603	48.2	167,072,126	48.3	177,572,832	47.5
Consumer appliances	140,406,787	40.9	135,631,425	39.2	145,857,207	39.0
Robotics and automation system	27,545,334	8.0	30,203,793	8.7	33,408,425	8.9
Other segments and unallocated	9,980,101	2.9	12,801,362	3.8	16,871,340	4.6
Total revenue	343,360,825	100.0	345,708,706	100.0	373,709,804	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 indicated:

	For the Year Ended 31 December					
	2021		2022		2023	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Cost of revenue						
Raw materials and consumables used	221,124,402	64.4	212,264,850	61.4	219,556,360	58.8
Employee benefit expenses	17,092,171	5.0	18,298,853	5.3	20,754,874	5.6
Installation and transportation cost	16,932,307	4.9	18,161,353	5.3	20,957,914	5.6
Depreciation and amortization	3,618,389	1.1	3,753,173	1.1	4,182,835	1.1
Others	7,683,613	2.2	9,843,568	2.8	9,868,177	2.6
Total	266,450,882	77.6	262,321,797	75.9	275,320,160	73.7

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.

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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 indicated:

	For the Year Ended 31 December					
	2021		2022		2023	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	RMB'000	%	RMB'000	%	RMB'000	%
Air conditioners	22,604,340	21.7	25,422,272	23.4	29,452,538	26.1
Laundry appliances and refrigerators	17,049,311	27.1	18,898,848	30.1	22,189,827	32.5
Kitchen and other appliances	19,198,244	28.3	18,499,236	30.1	21,726,330	33.4
Smart Home Solutions	58,851,895	25.1	62,820,356	27.0	73,368,695	29.8
Energy Solutions & Industrial Technology	2,439,657	12.1	3,154,867	14.6	5,027,566	18.0
Intelligent Building Technology	5,365,588	27.2	6,346,521	27.9	7,744,598	29.9
Robotics & Automation	5,345,136	21.1	5,686,768	20.5	7,373,993	23.7
Other Businesses	1,203,039	14.5	1,449,164	12.6	1,672,781	12.9
Commercial & Industrial Solutions	14,353,420	19.6	16,637,320	19.9	21,818,938	22.3
Others	3,704,628	10.6	3,929,233	13.4	3,202,011	10.8
Total	76,909,943	22.4	83,386,909	24.1	98,389,644	26.3

For Smart Home Solutions, we recorded gross profit of RMB58.9 billion, RMB62.8 billion and RMB73.4 billion, and gross margin of 25.1%, 27.0% and 29.8% for the years ended 31 December 2021, 2022 and 2023, respectively.

For Commercial & Industrial Solutions, we recorded gross profit of RMB14.4 billion, RMB16.6 billion and RMB21.8 billion, and gross margin of 19.6%, 19.9% and 22.3% for the years ended 31 December 2021, 2022 and 2023, respectively.

For others, we recorded gross profit of RMB3.7 billion, RMB3.9 billion and RMB3.2 billion, and gross margin of 10.6%, 13.4% and 10.8% for the years ended 31 December 2021, 2022 and 2023, respectively.

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As a result of the foregoing, we recorded total gross profit of RMB76.9 billion, RMB83.4 billion and RMB98.4 billion, and gross margin of 22.4%, 24.1% and 26.3% for the years ended 31 December 2021, 2022 and 2023, respectively.

The following table sets forth the breakdown of our gross profit by geographical location for the years indicated:

	For the Year Ended 31 December					
	2021		2022		2023	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Mainland China	47,557,328	23.1	50,296,156	24.8	57,682,260	25.9
Other countries or regions . .	29,352,615	21.3	33,090,753	23.2	40,707,384	27.0
Total	76,909,943	22.4	83,386,909	24.1	98,389,644	26.3

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 indicated:

	For the Year Ended 31 December					
	2021		2022		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Selling and marketing expenses						
Advertising and promotion expenses	12,900,425	45.0	12,031,875	41.9	15,981,191	45.8
Transportation and after-sales expenses	7,200,912	25.1	7,587,358	26.4	7,390,558	21.2
Employee benefit expenses . .	4,423,053	15.4	4,839,443	16.9	6,548,019	18.8
Lease and administrative expenses	2,000,493	7.0	2,193,289	7.6	2,818,752	8.1
Others	2,121,305	7.5	2,063,474	7.2	2,142,274	6.1
Total	28,646,188	100.0	28,715,439	100.0	34,880,794	100.0

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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, our selling and marketing expenses represented 8.3%, 8.3% and 9.3% 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 indicated:

	For the Year Ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
General and administrative expenses						
Employee benefit expenses	6,649,408	61.9	7,154,199	59.5	8,180,408	58.5
Depreciation and amortization	1,933,954	18.0	1,842,227	15.3	1,956,923	14.0
Administrative expenses	724,085	6.7	760,818	6.3	913,974	6.5
Auditors’ remuneration	53,320	0.5	52,198	0.4	55,872	0.4
Others ⁽¹⁾	1,381,708	12.9	2,214,528	18.5	2,868,788	20.6
Total	10,742,475	100.0	12,023,970	100.0	13,975,965	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, our general and administrative expenses represented 3.1%, 3.5% and 3.7% of our revenue, respectively.

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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 indicated:

	For the Year Ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Research and development expenses						
Employee benefit expenses . .	6,554,504	54.6	7,057,889	55.7	7,727,547	53.0
Material consumption and external institutional fees . .	4,670,298	38.9	4,675,304	36.9	5,293,667	36.3
Depreciation and amortization	544,227	4.5	539,674	4.3	749,604	5.1
Others ⁽¹⁾	245,862	2.0	394,232	3.1	815,528	5.6
Total	12,014,891	100.0	12,667,099	100.0	14,586,346	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, our research and development expenses represented 3.5%, 3.7% and 3.9% 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, our net impairment losses on financial assets and contract assets amounted to RMB384.5 million, RMB538.1 million and RMB235.0 million, respectively.

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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 indicated:

	For the Year Ended 31 December					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Other income						
Interest income	4,780,157	77.4	5,081,372	71.7	5,977,068	73.6
Government grants	1,396,890	22.6	2,007,385	28.3	1,892,262	23.3
Additional deduction for VAT	—	—	—	—	250,921	3.1
Total	6,177,047	100.0	7,088,757	100.0	8,120,251	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, 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.

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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 indicated:

	For the Year Ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Other gains/(losses), net			
Net gains/(losses) on financial instruments	1,731,713	(519,286)	(262,395)
Net foreign exchange gains/(losses) . . .	733,270	(435,574)	(340,027)
Net gains/(losses) on disposal of property, plant and equipment and other assets	58,257	(59,854)	(60,868)
Others	253,938	(50,722)	(282,374)
Total	<u>2,777,178</u>	<u>(1,065,436)</u>	<u>(945,664)</u>

Finance Costs, 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 indicated:

	For the Year Ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Finance income:			
Interest income from financial assets held for cash management purposes ⁽¹⁾	401,501	756,341	974,378
Reclassification from cost of hedge reserves ⁽²⁾	—	36,834	110,878
	<u>401,501</u>	<u>793,175</u>	<u>1,085,256</u>

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	For the Year Ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Finance costs:			
Interest and finance charges			
paid/payable for borrowings	(1,252,661)	(1,719,142)	(2,656,770)
Interest and finance charges			
paid/payable for lease liabilities	(111,745)	(111,773)	(151,334)
Net exchange gains/(losses) on foreign			
currency borrowings	64,850	(71,507)	(564,711)
	<u>(1,299,556)</u>	<u>(1,902,422)</u>	<u>(3,372,815)</u>
Finance costs, net	<u>(898,055)</u>	<u>(1,109,247)</u>	<u>(2,287,559)</u>

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, our share of profit of associates and joint ventures, net amounted to RMB560.7 million, RMB608.3 million and RMB680.8 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 and 2023, we recorded income tax expense of RMB4.7 billion, RMB5.1 billion and RMB6.5 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.

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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. 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

We recorded profit for the year RMB29.0 billion, RMB29.8 billion and RMB33.7 billion for the years ended 31 December 2021, 2022 and 2023, respectively, representing 8.5%, 8.6% and 9.0% of our revenue in the respective years.

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.”

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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, (ii) sales in laundry appliances and refrigerators increasing by 8.9% from RMB62.7 billion in 2022 to RMB68.3 billion 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 driven by 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, 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.

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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.

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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, 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, as a result of a decline in demand for home appliances due to 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 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.

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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, 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.

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.

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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.

FINANCIAL INFORMATION

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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Current assets			
Inventories	45,924,439	46,044,897	47,339,255
Contract assets	3,823,476	4,498,956	4,045,925
Trade and note receivables at amortized cost	29,421,354	32,996,102	38,406,699
Trade and note receivables at fair value through other comprehensive income	10,273,552	13,526,540	13,330,008
Prepayments, other receivables and other assets	16,424,299	14,181,573	14,796,946
Loan receivables	20,656,600	14,138,756	14,296,958
Derivative financial instruments	1,298,815	752,451	1,670,754
Other financial assets at amortized cost	23,696,825	69,873,261	59,275,572
Other financial assets at fair value through other comprehensive income	19,590,387	6,532,043	4,694,429
Other financial assets at fair value through profit or loss	5,879,202	3,284,593	1,790,588
Term deposits and restricted cash	31,325,517	4,138,131	21,786,586
Cash and cash equivalents	40,550,039	51,131,968	59,887,260
Total current assets	248,864,505	261,099,271	281,320,980
Current liabilities			
Trade and note payables	98,735,566	89,805,646	94,238,073
Contract liabilities	23,916,595	27,960,038	41,765,475
Borrowings	33,647,538	11,417,964	22,109,985
Lease liabilities	860,503	992,142	1,166,901
Customer deposits	78,180	77,469	88,960
Derivative financial instruments	166,649	314,539	413,222
Other financial liabilities at fair value through profit or loss	–	1,580,771	1,346,674
Current tax liabilities	2,972,040	2,813,522	3,477,253
Other payables and accruals	62,474,405	71,379,650	86,639,178
Total current liabilities	222,851,476	206,341,741	251,245,721
Net current assets	26,013,029	54,757,530	30,075,259

We had net current assets positions as at 31 December 2021, 2022 and 2023.

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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 an increase in other payables and accruals mainly due to our enhanced promotion efforts that resulted in an increase in sales rebate, an increase in contract liabilities primarily as a result of an increase in advances on sales and services driven by our business growth, and 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 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 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 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 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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	25,996,426	30,516,233	36,382,765
Right-of-use assets	10,264,315	10,485,657	11,501,892
Investment properties	859,195	809,936	1,293,629
Intangible assets	37,073,861	37,307,434	40,860,697
Deferred tax assets	8,192,309	10,244,296	12,771,150
Prepayments, other receivables and other assets	2,701,909	2,412,405	2,705,275
Investments in associates and joint ventures	3,796,705	5,188,817	4,976,109
Loan receivables	851,927	693,294	975,272
Derivative financial instruments	–	4,276,688	2,082,347
Other financial assets at amortized cost.	35,485,395	42,032,707	79,121,387

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	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Other financial assets at fair value through other comprehensive income .	7,939,682	11,135,618	6,356,921
Other financial assets at fair value through profit or loss	5,912,873	6,348,556	5,687,591
Total non-current assets	139,074,597	161,451,641	204,715,035
Non-current liabilities			
Borrowings	19,734,020	53,849,564	49,356,705
Lease liabilities	1,533,552	1,507,480	2,047,319
Deferred tax liabilities	4,948,450	4,646,555	5,097,810
Other payables and accruals	2,823,276	2,563,915	2,253,296
Deferred income	1,228,459	1,721,092	1,734,932
Derivative financial instruments	—	—	2,282
Total non-current liabilities	30,267,757	64,288,606	60,492,344

Inventories

The following table sets forth details of our inventories as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Inventories			
Finished goods	33,636,462	34,753,459	35,291,863
Raw materials	9,592,914	8,675,143	8,572,689
Work in progress	2,406,866	2,519,241	3,170,699
Consigned processing materials	596,531	427,838	444,995
Contract fulfilment costs ⁽¹⁾	232,049	368,584	556,540
	46,464,822	46,744,265	48,036,786
Less: Provision for impairment loss	(540,383)	(699,368)	(697,531)
Total	45,924,439	46,044,897	47,339,255

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.

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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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Within 3 months	42,134,603	40,513,813	41,744,610
Between 3 and 6 months	2,286,602	2,881,609	2,641,078
Between 6 months and 1 year	1,195,872	2,069,949	1,940,581
Between 1 and 2 years	587,074	963,561	1,249,814
Over 2 years	260,671	315,333	460,703
Total	46,464,822	46,744,265	48,036,786

The following table sets forth our inventory turnover days for the years indicated:

	For the Year Ended 31 December		
	2021	2022	2023
Inventory turnover days ⁽¹⁾	53	64	62

Note:

- (1) Calculated as the average of beginning and ending balance of inventories for the year divided by cost of revenue for that year and multiplied by 365 days.

Our inventory turnover days were 53 days, 64 days and 62 days in 2021, 2022 and 2023, respectively, which are meaningfully below industry averages. 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 March 2024, we had used or sold approximately RMB38.0 billion, or 79.2% of our balance of inventories as at 31 December 2023.

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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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Trade and note receivables at amortized cost			
– Trade receivables	25,495,619	29,570,582	34,367,460
– Note receivables	4,816,538	4,819,885	5,587,562
	30,312,157	34,390,467	39,955,022
Less: allowance for credit losses			
– Trade receivables	(859,179)	(1,332,609)	(1,482,721)
– Note receivables	(31,624)	(61,756)	(65,602)
	(890,803)	(1,394,365)	(1,548,323)
Total	29,421,354	32,996,102	38,406,699

Our trade and note receivables at amortized cost 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 March 2024, RMB27.3 billion, or 79.3% of our trade receivables at amortized cost as at 31 December 2023 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		
	2021	2022	2023
	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
Commercial & Industrial Solutions	12,122,444	14,979,441	16,840,871
Others	199,266	242,418	310,705
Total	29,421,354	32,996,102	38,406,699

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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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Trade receivables at amortized cost			
Below 3 months	21,985,394	24,927,697	29,183,011
Between 3 and 6 months	1,638,277	1,627,320	2,047,141
Between 6 months and 1 year	942,730	1,587,150	1,378,882
Between 1 and 2 years	617,355	1,099,842	1,114,153
Over 2 years	311,863	328,573	644,273
Total	25,495,619	29,570,582	34,367,460

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 indicated:

	For the Year Ended 31 December		
	2021	2022	2023
Trade and note receivables at			
amortized cost turnover days	31	33	35
Smart Home Solutions ⁽¹⁾	27	27	29
Commercial & Industrial Solutions ⁽¹⁾	55	59	59

Note:

- (1) Calculated as the average of beginning and ending balance of trade and note receivables at amortized cost for the year divided by revenue for that year and multiplied by 365 days.

Our trade and note receivables at amortized cost turnover days were 31 days, 33 days and 35 days in 2021, 2022 and 2023, respectively, remaining generally stable in the Track Record Period.

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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 and RMB13.3 billion as at 31 December 2021, 2022 and 2023, 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		
	2021	2022	2023
	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
Deductible value-added tax	6,137,776	3,875,519	5,852,464
Prepaid expenses	828,675	856,455	1,047,492
Deferred [REDACTED] expenses	—	—	30,876
Others	1,711,806	2,100,042	2,060,175
	13,920,025	12,006,599	13,758,464
Less: non-current portion	(1,830,553)	(1,797,807)	(2,454,756)
	<u>12,089,472</u>	<u>10,208,792</u>	<u>11,303,708</u>
Other receivables and other assets			
Other receivables ⁽²⁾	3,147,595	2,249,186	2,233,595
Long-term receivables ⁽³⁾	1,371,022	1,176,968	1,050,627
Futures margin	739,557	1,208,013	632,773
	5,258,174	4,634,167	3,916,995
Less: provision for impairment			
– Other receivables	(43,530)	(38,009)	(51,717)
– Long-term receivables	(8,461)	(8,779)	(121,521)
	(51,991)	(46,788)	(173,238)
Less: non-current portion	(871,356)	(614,598)	(250,519)
	<u>4,334,827</u>	<u>3,972,781</u>	<u>3,493,238</u>
	<u>16,424,299</u>	<u>14,181,573</u>	<u>14,796,946</u>

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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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Loan receivables			
Loan receivables to individuals	2,217,220	1,820,952	1,555,477
Loan receivables to corporations	19,744,034	13,475,027	14,073,508
	21,961,254	15,295,979	15,628,985
Less: Provision for impairment	(452,727)	(463,929)	(356,755)
	21,508,527	14,832,050	15,272,230
Less: Non-current portion	(851,927)	(693,294)	(975,272)
	<u>20,656,600</u>	<u>14,138,756</u>	<u>14,296,958</u>

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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Derivative financial instruments			
Assets:			
– Cross-currency interest rate swaps – used for hedging	–	3,374,926	1,924,092
– Cross-currency interest rate swaps – held for trading	–	901,762	1,213,625

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	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
– Foreign currency and futures contracts – used for hedging	752,950	86,967	392,593
– Others – held for trading	545,865	665,484	222,791
	1,298,815	5,029,139	3,753,101
Less: Non-current portion	–	(4,276,688)	(2,082,347)
	<u>1,298,815</u>	<u>752,451</u>	<u>1,670,754</u>
Liabilities:			
– Foreign currency and futures contracts – used for hedging	9,047	79,933	155,554
– Others – held for trading	157,602	234,606	259,950
	<u>166,649</u>	<u>314,539</u>	<u>415,504</u>
Less: Non-current portion	–	–	(2,282)
	<u>166,649</u>	<u>314,539</u>	<u>413,222</u>

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		
	2021	2022	2023
	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
Less: Non-current portion	(35,485,395)	(42,032,707)	(79,121,387)
	<u>23,696,825</u>	<u>69,873,261</u>	<u>59,275,572</u>

FINANCIAL INFORMATION

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 and RMB11.1 billion as at 31 December 2021, 2022 and 2023, 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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Other financial assets at FVPL			
Non-current:			
– Equity securities	5,912,873	6,348,556	5,687,591
Current:			
– Structured deposits	4,285,607	1,606,608	53,750
– Listed securities	1,319,470	1,264,595	1,726,584
– Others	274,125	413,390	10,254
	5,879,202	3,284,593	1,790,588
Total	11,792,075	9,633,149	7,478,179

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.

FINANCIAL INFORMATION

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 [REDACTED], 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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Intangible assets			
Goodwill	27,874,752	28,548,653	30,858,237
Patents and non-patent technologies . . .	2,169,910	1,952,359	2,814,995
Trademark rights	4,608,913	4,674,769	4,827,900
Others	2,420,286	2,131,653	2,359,565
Total	37,073,861	37,307,434	40,860,697

Our intangible assets remained relatively stable at RMB37.1 billion, RMB37.3 billion and RMB40.9 billion as at 31 December 2021, 2022 and 2023, respectively.

FINANCIAL INFORMATION

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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
KUKA Group	20,544,697	21,122,932	22,364,486
TLSC group	2,580,274	2,437,914	2,338,037
Little Swan	1,361,306	1,361,306	1,361,306
Others	3,893,186	4,149,906	5,327,237
	<u>28,379,463</u>	<u>29,072,058</u>	<u>31,391,066</u>
Less: Impairment	<u>(504,711)</u>	<u>(523,405)</u>	<u>(532,829)</u>
	<u>27,874,752</u>	<u>28,548,653</u>	<u>30,858,237</u>

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 as at 31 December 2021, 2022 and 2023, 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. 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, included: the revenue annual growth rates of 4.10%~17.21%, 0.18%~12.94%, and 4.73%~15.43%; the gross margins of 22.71%~24.59%, 22.76%~23.60%, and 22.79%~23.60%; the perpetual annual growth rates of 2.00%, 2.00% and 2.00%; and the pre-tax discount rates of 9.32%, 10.74% and 10.73%, 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, included: the revenue annual growth rates of 2.89%~5.21%, 2.94%~5.26%, and 2.89%~7.00%; the gross margins of 27.52%~30.80%, 26.52%~30.82%, and 26.22%~29.00%; the perpetual annual growth rates of 1.00%, 1.00% and 1.00%; and the pre-tax discount rates of 15.13%, 15.62% and 14.92%, respectively.

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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, included: the revenue annual growth rates of 2.00%~11.80%, 2.00%~10.00%, and 3.00%~8.70%; the gross margins of 28.34%~28.86%, 29.47%~30.06%, and 31.79%~34.17%; the perpetual annual growth rates of 2.00%, 2.00% and 2.00%; and the pre-tax discount rates of 13.17%, 12.83% and 12.41%, 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

FINANCIAL INFORMATION

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.

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.

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.

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, respectively.

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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, we recorded investments in associates and joint ventures of RMB3.8 billion, RMB5.2 billion and RMB5.0 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		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and note payables			
Trade payables	65,983,559	64,233,225	72,530,465
Note payables	<u>32,752,007</u>	<u>25,572,421</u>	<u>21,707,608</u>
Total	<u>98,735,566</u>	<u>89,805,646</u>	<u>94,238,073</u>

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 and RMB94.2 billion as at 31 December 2023.

As at 31 March 2024, RMB57.9 billion, or 79.8% of our trade payables as at 31 December 2023 had been settled.

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The following is an aging analysis of our trade payables based on the invoice date as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Trade payables			
Below 3 months	60,571,240	58,401,404	67,421,139
Between 3 and 6 months	2,269,335	2,561,447	1,838,583
Between 6 months and 1 year	1,871,896	2,102,026	1,597,946
Over 1 year	1,271,088	1,168,348	1,672,797
Total	65,983,559	64,233,225	72,530,465

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 indicated:

	For the Year Ended 31 December		
	2021	2022	2023
Trade and note payables turnover days ⁽¹⁾	124	131	122

Note:

- (1) Calculated as the average of beginning and ending balance of trade and note payables for the year divided by cost of revenue for the year and multiplied by 365 days.

Our trade and note payables turnover days remained relatively stable at 124 days, 131 days and 122 days in 2021, 2022 and 2023, 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.

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The following table sets forth details of our contract liabilities as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Contract liabilities			
Advances on sales and services	21,319,800	25,143,337	38,549,278
Advances for construction projects	2,596,795	2,816,701	3,216,197
Total	23,916,595	27,960,038	41,765,475

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 March 2024, RMB31.2 billion, or 74.6%, of our contract liabilities as at 31 December 2023 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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Other payables and accruals			
Sales rebate accruals	31,307,753	40,041,953	48,311,934
Marketing and transportation expenses			
accruals	5,689,733	6,118,002	7,908,952
Salaries, wages and benefits	9,360,184	8,640,673	10,509,901
Endorsed note receivables			
without been derecognized and not			
yet due ⁽²⁾	3,002,446	2,647,855	2,951,899
Other taxes payable	2,432,227	2,141,813	1,977,849
Other payables	4,288,104	4,322,025	4,442,928
Others ⁽¹⁾	9,217,234	10,031,244	12,789,011
Total	65,297,681	73,943,565	88,892,474

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	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Less: non-current portion			
– Salaries, wages and benefits	(1,825,016)	(1,488,456)	(1,433,874)
– Others	(998,260)	(1,075,459)	(819,422)
	<u>62,474,405</u>	<u>71,379,650</u>	<u>86,639,178</u>

Notes:

- (1) Others mainly represent (i) warranty and (ii) output tax to be declared.
- (2) 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.

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		
	2021	2022	2023
Net profit margin	8.5%	8.6%	9.0%
ROE ⁽¹⁾	23.6%	22.1%	22.1%
Inventory turnover days ⁽²⁾	53	64	62
Trade and note receivables turnover days ⁽³⁾	31	33	35
Operating cash flow conversion ratio ⁽⁴⁾	1.2	1.2	1.7
Gearing ratio ⁽⁵⁾	65.2%	64.0%	64.1%

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

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- (4) Operating cash flow conversion ratio is calculated by dividing net cash generated from operating activities by profit for the year.
- (5) Gearing ratio is calculated by dividing total liabilities by total assets of the year.

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 [REDACTED] from the [REDACTED], 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 and RMB59.9 billion as at 31 December 2021, 2022 and 2023, 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 indicated.

	For the Year Ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	35,448,953	34,657,828	57,902,611
Net cash generated from/(used in) investing activities	13,599,586	(13,509,510)	(31,219,855)
Net cash used in financial activities . . .	(31,561,788)	(10,854,881)	(17,910,213)
Net increase in cash and cash equivalents	17,486,751	10,293,437	8,772,543
Cash and cash equivalents at the beginning of the year	23,548,508	40,550,039	51,131,968
Exchange (losses)/gains on cash and cash equivalents	(485,220)	288,492	(17,251)
Cash and cash equivalents at the end of the year	40,550,039	51,131,968	59,887,260

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Net cash generated from operating activities

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 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 (payments for purchase of property, plant and equipment, intangible assets and other non-current assets minus proceeds from disposal of these 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.

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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 financial activities

Net cash used in financial 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 financial 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 financial 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 March 2024, the latest date for determining our indebtedness, the aggregate balance of our borrowings was RMB66.4 billion.

The following table sets forth the breakdown of our borrowings as at the dates indicated:

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Non-current:				
Bank loans	19,734,020	50,685,948	46,138,736	46,026,826
Debentures	—	3,163,616	3,217,969	3,200,010
	19,734,020	53,849,564	49,356,705	49,226,836
Current:				
Bank loans	33,647,538	11,417,964	22,109,985	17,129,434
Total	53,381,558	65,267,528	71,466,690	66,356,270

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Our non-current borrowings remained relatively stable at RMB49.4 billion as at 31 December 2023 and RMB49.2 billion as at 31 March 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 decreased from RMB22.1 billion as at 31 December 2023 to RMB17.1 billion as at 31 March 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 and RMB63.2 billion as at 31 December 2021, 2022 and 2023 and 31 March 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 31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Bank loans				
– Mainland China	16,936,758	23,524,764	28,604,958	21,698,761
– Overseas	36,444,800	38,579,148	39,643,763	41,457,499
Total	53,381,558	62,103,912	68,248,721	63,156,260

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 7.04% per annum. The majority of our bank borrowings were unsecured as of 31 March 2024. Additionally, we maintain facilities with a number of commercial banks in support of our operations. As at 31 March 2024, we had bank facilities of approximately RMB205.3 billion, of which RMB128.3 billion remained unutilized.

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Debentures

Our debentures amounted to nil, RMB3.2 billion, RMB3.2 billion and RMB3.2 billion as at 31 December 2021, 2022 and 2023 and 31 March 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 March 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 March 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 and for the three months ended 31 March 2024, 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 31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current	860,503	992,142	1,166,901	1,096,483
Non-current	1,533,552	1,507,480	2,047,319	1,927,772
Total lease liabilities	2,394,055	2,499,622	3,214,220	3,024,255

Derivative Financial Instruments

Our derivative financial instruments mainly include forwards, options and futures. During the Track Record Period and for the three months ended 31 March 2024, 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 and for the three months ended 31 March 2024, 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

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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 inter-company 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 and 31 March 2024, our derivative financial instruments amounted to RMB166.6 million, RMB314.5 million, RMB415.5 million and RMB1,200.4 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 and 31 March 2024, our other financial liabilities at fair value through profit or loss amounted to nil, RMB1,580.8 million, RMB1,346.7 million and RMB1,183.6 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 and 31 March 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) and BRL727.7 million (equivalent to RMB1,033.4 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 December 2023 was primarily due to the resolution of some of the disputes in 2023. 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

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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 and RMB223.7 million as at 31 December 2021, 2022 and 2023 and 31 March 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 and RMB34.0 million as at 31 December 2021, 2022 and 2023 and 31 March 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 March 2024, the latest date for determining our indebtedness. Our Directors confirm that there has not been any material change in our indebtedness since 31 March 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. The following table sets forth details of our capital commitments as at the dates indicated:

	As at 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for purchase of property, plant and equipment	5,990,809	5,145,982	4,005,911

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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 presented:

	For the Year Ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	706,350	468,401	1,381,338
Overseas land	29,364	29,246	64,694
Machinery and equipment	2,219,034	3,148,615	3,429,407
Motor vehicles	29,775	66,129	168,436
Electronic equipment and others	775,815	1,112,476	1,410,092
Construction in progress	2,381,015	3,294,350	4,386,848
Leasehold improvements	288,260	388,110	524,305
Land use rights	2,382,182	510,764	759,883
Total	<u>8,811,795</u>	<u>9,018,091</u>	<u>12,125,003</u>

We funded these expenditures primarily with our operating cash flow, and we expect to fund our capital expenditures with our operating cash flow and [REDACTED] from the [REDACTED].

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. 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.

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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.

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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, 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;

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- 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);
- 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.

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.

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(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. An impairment loss of RMB3.1 million and RMB51.8 million were individually recognized for contract asset and gross carrying amount were RMB11.4 million and RMB71.4 million as at 31 December 2021 and 2023, respectively. There was no significant concentrations of credit risk as at 31 December 2021, 2022 and 2023.

(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 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, 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.

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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, 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.

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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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Final dividends in respect of the previous year, declared and paid during the year (tax inclusive).	11,066,392	11,677,509	17,188,858
Dividends of lapsed restricted shares.	(13,663)	(25,484)	(44,594)
Dividends provided for during the year . . .	<u>11,052,729</u>	<u>11,652,025</u>	<u>17,144,264</u>

DISTRIBUTABLE RESERVES

As at 31 December 2023, we had approximately RMB136.3 billion of retained earnings available for distribution to our shareholders.

[REDACTED] EXPENSES

Assuming the [REDACTED] is not exercised, an [REDACTED] of HK\$[REDACTED] per [REDACTED] (which is the mid-point of the [REDACTED] range) and the full payment of the discretionary incentive fee, if any, we expect to incur approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]) of [REDACTED] expenses (including (i) [REDACTED]-related expenses, including but not limited to [REDACTED] amounting to approximately RMB[REDACTED], and (ii) fees and expenses of legal advisers and accountants amounted to approximately RMB[REDACTED] and other fees and expenses relating to the [REDACTED], including but not limited to the [REDACTED] fees, amounting to approximately RMB[REDACTED]), accounting for approximately [REDACTED] of the gross [REDACTED] from the [REDACTED]. Approximately RMB[REDACTED] of our [REDACTED] expenses is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately RMB[REDACTED] is expected to be deducted from equity upon [REDACTED]. During the Track Record Period, we incurred [REDACTED] expenses of RMB[REDACTED], of which (i) RMB[REDACTED] was charged to the consolidated statements of profit or loss, and (ii) RMB[REDACTED] was directly attributable to the [REDACTED] and [REDACTED] of our [REDACTED] and will be deducted from equity upon the [REDACTED]. The estimate of [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

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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 [REDACTED] as if it had taken place on 31 December 2023 and based on the audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2023 as shown in 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 [REDACTED] been completed as at 31 December 2023 or any future dates.

Audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2023	Estimated net [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of our Company as at 31 December 2023	Unaudited pro forma adjusted consolidated net tangible assets per Share	
RMB’000 (note 1)	RMB’000 (note 2)	RMB’000	RMB (note 3)	HK\$ (note 4)

Based on an

[REDACTED] of

HK\$[REDACTED]

per H Share . . . 123,798,532 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

Based on an

[REDACTED] of

HK\$[REDACTED]

per H Share . . . 123,798,532 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 December 2023 is extracted 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 31 December 2023 of approximately RMB162,877,163,000, with an adjustment for the intangible assets attributable to the owners of our Company as at 31 December 2023 of approximately RMB39,078,631,000.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on [REDACTED] and the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per H Share respectively, after deduction of the [REDACTED] fees and other related [REDACTED] expenses (excluding [REDACTED] expenses of RMB3,060,000 which have been accounted for in the consolidated

FINANCIAL INFORMATION

statements of profit or loss prior to 31 December 2023) and takes no account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the [REDACTED], 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 [REDACTED] Shares were in issue, assuming that the [REDACTED] had been completed on 31 December 2023 but does not take into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the [REDACTED], 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\$[1.1024]. 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 31 December 2023. In particular, the unaudited pro forma adjusted consolidated net tangible assets and the unaudited pro forma adjusted consolidated net tangible assets per Share have not taken into account the effect of the final dividend in respect of the year ended 31 December 2023 that our Board proposed on 26 March 2024 and our Shareholders’ meeting approved on 19 April 2024 to declare a final dividend of RMB30 per 10 shares (tax inclusive) on the basis of the total number of shares eligible for profit distribution at the record date of the profit distribution. Such dividend will be paid upon or before [REDACTED] from the internal resources of our Company. [For the purpose of the unaudited pro forma financial information, the final dividend amounting to RMB20,777,585,000 is calculated based on 6,925,861,713 shares (excluding the shares repurchased by our Company) at the Latest Practicable Date.] Had the above dividend amounting to [RMB20,777,585,000] been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would have been RMB[REDACTED] (or approximately HK\$[REDACTED]) based on an [REDACTED] of HK\$[REDACTED] per Share and RMB[REDACTED] (or approximately HK\$[REDACTED]) based on an [REDACTED] of HK\$[REDACTED] per Share, respectively.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our business, financial condition and results of operations since 31 December 2023, which is the end date of the years reported on in the Accountant’s Report in Appendix I to this document, and there is no event since 31 December 2023 which would materially affect the information as set out in the Accountant’s Report in Appendix I to this document.

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.

RELATIONSHIP WITH OUR LARGEST GROUP OF SHAREHOLDERS

OUR LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, our Company was held as to approximately 31.1% 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 31.6% in our Company.

Immediately following the completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], Midea Holding will hold approximately [REDACTED] of the issued share capital of our Company and Mr. He will, directly and indirectly, hold approximately [REDACTED] of the issued share capital of our Company. Accordingly, Midea Holding and Mr. He will be our Largest Group of Shareholders immediately upon the [REDACTED].

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 eight consecutive years, we operate a global business that reaches over 200 countries and regions, with 33 R&D centers, 43 major manufacturing bases and over 190,000 employees across different continents.

The 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.

RELATIONSHIP WITH OUR LARGEST GROUP OF SHAREHOLDERS

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 [REDACTED], our Board will consist of [10] Directors, comprising four executive Directors, two non-executive Directors and [four] independent non-executive Directors, and we also have three Supervisors and 15 senior management members (of which four are executive Directors).

RELATIONSHIP WITH OUR LARGEST GROUP OF SHAREHOLDERS

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. He Jianfeng (our non-executive Director) who is also the president of Midea Holding and a non-executive director of Midea Real Estate and Mr. Zhao Jun (our Supervisor) who is also the executive president of Midea Holding and a non-executive director of Midea Real Estate, 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. He Jianfeng, a non-executive Director, and Mr. Zhao Jun, 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;

RELATIONSHIP WITH OUR LARGEST GROUP OF SHAREHOLDERS

- (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 from our Largest Group of Shareholders after the [REDACTED]. 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.

RELATIONSHIP WITH OUR LARGEST GROUP OF SHAREHOLDERS

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 [REDACTED] 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

RELATIONSHIP WITH OUR LARGEST GROUP OF SHAREHOLDERS

- (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 [REDACTED], 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;

RELATIONSHIP WITH OUR 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.

CONNECTED TRANSACTIONS

Upon [REDACTED], 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 [REDACTED]:

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 81.13% 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 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, one of our non-executive Directors. 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.

CONNECTED TRANSACTIONS

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'000)							
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

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.

CONNECTED TRANSACTIONS

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.

SHARE CAPITAL

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of our Company was 6,974,420,601 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*	6,974,420,601	100.0%

Note:

- * Including 48,558,888 A Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 0.70% of the total number of A Shares in issue as of the Latest Practicable Date.

UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the [REDACTED], assuming that the [REDACTED] is 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*	6,974,420,601	[REDACTED]
H Shares to be [REDACTED] pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.0%

Immediately following the completion of the [REDACTED], assuming that the [REDACTED] is 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*	6,974,420,601	[REDACTED]
H Shares to be [REDACTED] pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.0%

SHARE CAPITAL

Note:

- * Including 48,558,888 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 [REDACTED], 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 [REDACTED] AND [REDACTED] 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 [REDACTED]. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (《H股公司境内未上市股份申请“全流通”业务指引》) 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 [REDACTED] and [REDACTED] on the Hong Kong Stock Exchange.

SHARE CAPITAL

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from holders of A Shares is required for our Company to issue H Shares and seek the [REDACTED] 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 [REDACTED]*. The proposed number of H Shares to be [REDACTED] shall not exceed [REDACTED] of the total issued share capital enlarged by the H Shares to be [REDACTED] pursuant to the [REDACTED] (before the exercise of the [REDACTED]). The number of H Shares to be [REDACTED] pursuant to the full exercise of the [REDACTED] shall not exceed [REDACTED] of the total number of H Shares to be [REDACTED] initially under the [REDACTED].
- (ii) *Method of [REDACTED]*. The method of [REDACTED] shall be by way of an [REDACTED] to institutional investors and a [REDACTED] for subscription in Hong Kong.
- (iii) *Target investors*. The H Shares shall be [REDACTED] to [REDACTED] in Hong Kong under the [REDACTED] 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 [REDACTED].
- (iv) *[REDACTED] basis*. The [REDACTED] of the H Shares will be determined, among others, after due consideration of the interests of existing shareholders of our Company, acceptance of [REDACTED] and the risks related to the [REDACTED], according to international practice, through the demands for [REDACTED] and [REDACTED], 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 [REDACTED] of H Shares and [REDACTED] 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 [REDACTED] plans for our Shares except the [REDACTED].

SHARE CAPITAL

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.

REGULATORY OVERVIEW

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 amended on 29 December 2023, which will come 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 will come 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

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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.

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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

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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 policies, 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.

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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

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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

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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.

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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.

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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.

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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,

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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.

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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

REGULATORY OVERVIEW

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

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], 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

Shareholder	Nature of interest	Description of Shares	Number of Shares directly or indirectly held	Approximate % of shareholding in our A Shares immediately after the [REDACTED] ⁽¹⁾	Approximate % of shareholding in the total share capital of our Company immediately after the [REDACTED] ⁽¹⁾
Midea Holding . . .	Beneficial owner	A Shares	2,169,178,713	[REDACTED]	[REDACTED]
Mr. He ⁽²⁾	Interest in controlled corporation	A Shares	2,169,178,713	[REDACTED]	[REDACTED]
	Beneficial owner	A Shares	31,909,643	[REDACTED]	[REDACTED]

Notes:

- (1) The table above assumes the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED] and no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].
- (2) 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 [REDACTED], 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Upon [REDACTED], our Board will consist of [10] Directors, comprising four executive Directors, two non-executive Directors 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. He Jianfeng (何劍鋒先生) . .	56	Non-executive Director	August 2012	August 2012	Providing advice on the operation and management of our Group.
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. 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Positions	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
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.
Dr. Yu Gang (于剛博士) . .	64	Non-executive Director	September 2018	September 2018	Providing advice on the operation and management of our Group.
Dr. Xue Yunkui (薛雲奎博士)	60	Independent non-executive Director	September 2018	September 2018	Supervising and providing independent opinion and judgment to the Board.
Dr. Guan Qingyou (管清友博士) . .	46	Independent non-executive Director	September 2018	September 2018	Supervising and providing independent opinion and judgment to the Board.
Dr. Han Jian (韓踐博士) . .	51	Independent non-executive Director	September 2018	September 2018	Supervising and providing independent opinion and judgment to the Board.
Dr. Xiao Geng (肖耿博士) . .	61	Independent non-executive Director	[REDACTED] ⁽¹⁾	[REDACTED] ⁽¹⁾	Supervising and providing independent opinion and judgment to the Board.

Note:

- (1) The appointment of Dr. Xiao Geng, as an independent non-executive Director, will take effect from the [REDACTED].

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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. 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, and (ii) understands his/her obligations as a director of a listed issuer under the Listing Rules.

Directors

Mr. Fang Hongbo (方洪波先生), aged 57, is our executive 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. He Jianfeng (何劍鋒先生), aged 56, has been a Director since August 2012. Mr. He was re-designated as a non-executive Director on 18 September 2023, which will be effective upon [REDACTED]. Mr. He is responsible for providing advice on the operation and management of our Group. Mr. He has served as a non-executive director of Midea Real Estate (HKEX: 3990) since May 2018, the president of Midea Holding since January 2016, the chairman of Guangdong He Philanthropic Foundation (廣東省和的慈善基金會) since December 2013, the chief curator of He Art Museum (和美美術館) since September 2013, and the

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

chairman of the board and the president of Infore Group Co., Ltd. (盈峰集團有限公司) since 2002. Mr. He received his college degree in industrial and management engineering from South China University of Technology (華南理工大學) in 1988.

Dr. Gu Yanmin (顧炎民博士), aged 60, has been our executive Director and vice president since April 2014 and is a member of the Strategy Committee. 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. Wang Jianguo (王健國先生), aged 47, has been our executive 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 executive 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Yu Gang (于剛博士), aged 64, has been a Director since September 2018. Dr. Yu was re-designated as a non-executive Director on 18 September 2023, which will be effective upon [REDACTED]. Dr. Yu is responsible for providing advice on the operation and management of our Group 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. Yu is a co-founder and has served as the executive chairman of 111, Inc. (111 集團) (NASDAQ: YI) since 2015. Additionally, Dr. Yu is a co-founder of YHD.COM (1 號店) and served as the co-chairman of YHD.COM from November 2009 to October 2014. He has also served as an executive director and a co-chairman of the board of Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司) (“Zall”) (HKEX: 2098) since August 2015. He also served as an independent director of Chindata Group Holding Limited (NASDAQ: CD) from September 2020 to December 2023. Prior to that, Dr. Yu served as the vice president responsible for global procurement at Dell, Inc. and the vice president responsible for worldwide supply chain at Amazon.com, Inc. (NASDAQ: AMZN). Dr. Yu also served as a professor and director of the Centre for Management of Operations and Logistics at the University of Texas at Austin. Dr. Yu received his doctoral degree in Decision Sciences from The Wharton School of the University of Pennsylvania in the United States in 1990, his master’s degree in science from Cornell University in 1986 and his bachelor’s degree in space physics from Wuhan University (武漢大學) in 1982.

Dr. Yu has served as a director of Zall since August 2015. In June 2016, Zall’s controlling shareholder executed a charge of its Zall shares to a bank as security for a term loan granted to Zall (the “**Share Charge**”). The Share Charge was not disclosed as soon as reasonably practicable after it was executed or in Zall’s interim report for the six months ended 30 June 2016. The Listing Committee found that (i) Zall’s professional advisers advised its chief financial officer that it is mandatory to disclose the Share Charge in the interim report, but the chief financial officer did not share that information with Zall’s directors or tell them that disclosure was mandatory; and (ii) Zall’s directors had delegated to the chief financial officer the responsibility of inter alia supervising Zall’s compliance with the Listing Rules and finalising the interim report, and had no knowledge of the need to disclose the Share Charge. Having made the findings of above facts, the Listing Committee decided to (i) censure Zall for its breaches of Rules 13.17 and 13.21 of the Listing Rules, and (ii) criticise Zall’s directors for a breach of their respective undertaking to use their best endeavours to procure the Zall’s compliance with the Listing Rules. Taking into account that (i) Dr. Yu had no prior knowledge of the need to disclose the Share Charge, (ii) the incident took place more than seven years ago and no similar incident involving Dr. Yu was found by the Stock Exchange in the last seven years, and (iii) Dr. Yu remains eligible to serve as a director of Zall, our Directors are of the view that the above incident does not impugn the integrity and suitability of Dr. Yu to serve as a director of our Company. Taking into account of the above, as well as 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 the Directors’ view.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Xue Yunkui (薛雲奎博士), aged 60, has been our independent non-executive Director since September 2018. Dr. Xue is primarily responsible for supervising and providing independent opinion and judgment to the Board and serving as the chairman of Audit Committee and a member of the Nominating Committee and the Remuneration and Evaluation Committee of the Board.

Dr. Xue is a professor of Cheung Kong Graduate School of Business (長江商學院) in Beijing since June 2002. Dr. Xue has served as an independent director of Bank of Shanghai Co., Ltd. (上海銀行股份有限公司) (SSE: 601229) since January 2021 and was an independent director of Hinova Pharmaceuticals Inc. (海創藥業股份有限公司) (SSE: 688302) from September 2020 to September 2023. Additionally, he was an associate dean of Shanghai National Accounting Institute (上海國家會計學院) in Shanghai. Dr. Xue was a doctoral supervisor at the School of Accountancy of Shanghai University of Finance and Economics (上海財經大學) in Shanghai from June 2000 to June 2003. Prior to that, he held several positions at the Southwest University (西南大學) in Chongqing, including lecturer and associate professor. Dr. Xue received his doctoral degree in agricultural economy and administration from Southwest University (西南大學) in Chongqing in 1995 and his bachelor's degree in accounting from Southwestern University of Finance and Economics (西南財經大學), previously known as Sichuan Institute of Finance and Economics (四川財經學院), in Chengdu, Sichuan in 1984. Dr. Xue (薛雲奎博士) is currently a certified public accountant conferred by the Certified Public Accountants Test Committee established by the Ministry of Finance (財政部註冊會計師考試委員會).

Dr. Guan Qingyou (管清友博士), aged 46, has been our independent non-executive director since September 2018. Dr. Guan is primarily responsible for supervising and providing independent opinion and judgment to the Board and serving as chairman of the Remuneration and Evaluation Committee and a member of the Audit Committee, the Nominating Committee and the Strategy Committee of the Board.

Dr. Guan currently holds various positions at public and private institutions, including as the dean of Reality Institute of Advanced Finance (如是金融研究院) and the legal representative of the board of Beijing Rushi Woyan Information Consulting Service Co., Ltd. (北京如是研信息諮詢服務有限公司) since February 2018 and as a professor at the School of Economics of Hainan University (海南大學) since June 2020. He has also served as an independent director of various companies, including Ucap Cloud Information Technology Co., Ltd. (開普雲信息科技股份有限公司) (SSE: 688228) since September 2022, Hangzhou Hikvision DIGITAL Technology Co., Ltd. (杭州海康威視數字技術股份有限公司) (SZSE: 002415) since March 2021, Shaanxi International Trust Co., Ltd. (陝西省國際信託股份有限公司) (SZSE: 000563) since July 2019, Beijing Yingpu Technology Co., Ltd. (北京影譜科技股份有限公司) since August 2019 and Nanhua Futures Co., Ltd. (南華期貨股份有限公司) (SSE: 603093) since February 2019. Dr. Guan served as an independent director of Shandong Hi-Speed Road & Bridge Group Co., Ltd. (山東高速路橋集團股份有限公司) (SZSE: 000498)

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

from January 2021 to May 2022 and the vice president of Minsheng Securities Co., Ltd. (民生證券股份有限公司) from September 2012 to October 2017. From April 2009 to October 2012, Dr. Guan worked at CNOOC Energy Economics Institute (中國海洋石油總公司能源經濟研究院).

Dr. Guan received his doctoral degree in global economics from the Chinese Academy of Social Sciences (中國社會科學院) in 2007, his master’s degree in economics from Shanghai Academy of Social Sciences (上海社會科學院) in 2004 and his bachelor’s degree in economics from Shandong University (山東大學) in 2001.

Dr. Han Jian (韓踐博士), aged 51, has been our independent non-executive director since September 2018. She is primarily responsible for supervising and providing independent opinion and judgment to the Board and serving as chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration and Evaluation Committee of the Board. She has been working at China Europe International Business School (中歐國際工商學院) since March 2008. She currently is a professor of management at China Europe International Business School and a member of the World Economic Forum’s network of Global Future Councils (世界經濟論壇全球未來理事會). She has served as an independent director of Dada Nexus Limited (NASDAQ: DADA) since August 2022, an independent director of Changzhou Xingyu Automotive Lighting Systems Co., Ltd. (常州星宇車燈股份有限公司) (SSE: 601799) since April 2022, and an independent non-executive director of Jinmao Property Services Co., Limited (金茂物業服務發展股份有限公司) (HKEX: 00816) since March 2022. She also served as an independent director of Shenzhen Jiang & Associates Creative Design Co., Ltd. (深圳市傑恩創意設計股份有限公司) (SZSE: 300668) from June 2015 to June 2018 and an assistant professor at Guanghua School of Management of Peking University (北京大學光華管理學院).

Dr. Han received her doctoral degree in human resources management from Cornell University in the United States in 2005, her master’s degree in design of learning system from Ithaca College in the United States in 1997 and her bachelor’s degree in British and American literature from Renmin University of China (中國人民大學) in 1995. She is a member of the Academy of Management.

Dr. Xiao Geng (肖耿博士), aged 61, has been appointed as an independent non-executive Director with effect from the [REDACTED], primarily responsible for supervising and providing independent opinion and judgment to 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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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.

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) . .	38	Chairman of the Supervisory Committee	January 2016	Supervise the finances of our Group and exercise supervision over the directors and senior management.
Mr. Zhao Jun (趙軍先生) . . .	48	Supervisor	March 2000	Supervise the finances of our Group and exercise supervision over the directors and senior management.
Ms. Liang Huiming (梁惠銘女士).	40	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 38, 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.

DIRECTORS, SUPERVISORS 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.

Mr. Zhao Jun (趙軍先生), aged 48, is our Supervisor. He was appointed as a Supervisor in April 2014 and is primarily responsible for supervision of the finances of our Group and supervision over the Directors and senior management.

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.

Ms. Liang Huiming (梁惠銘女士), aged 40, 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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. Guan Jinwei (管金偉先生) . .	45	Vice President	July 2002	Responsible for the overall strategy and operations of Intelligent Building Technology.
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) . . .	38	Vice President	July 2018	Responsible for the overall strategy and operations of our residential air-conditioning division.
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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Positions	Date of joining our Group	Roles and responsibilities
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.
Dr. Hu Ziqiang (胡自強博士) . .	66	Vice President	June 2012	Responsible for the overall strategy and operations of Wandong Medical.
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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Guan Jinwei (管金偉先生), aged 45, is our vice president. He is also the president of our 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.

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 (華科技大學) in 2003.

Mr. Zhao Lei (趙磊先生), aged 38, 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 (鍾鐸女士), 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Guolin (李國林先生), aged 47, is our vice president. He also serves as the director of quality and intelligent manufacturing 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.

Dr. Hu Ziqiang (胡自強博士), aged 66, is our vice president. Dr. Hu is also the chairman of the board of Wandong Medical (SSE: 600055), a subsidiary of our Group. Dr. Hu joined our Group in June 2012. He received his doctoral degree in mechanical engineering from Purdue University in the United States in 1992, his master’s degree in engineering from Shanghai University of Technology (上海工業大學) in Shanghai in 1985 and his college degree in light industrial machinery design from Shanghai Light Industry Vocational College (上海輕工業專科學校) in Shanghai in 1981.

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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 corporate 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.

COMPETING INTERESTS

As of the Latest Practicable Date, none of our Directors (other than our non-executive Directors) had interests in any business, which competes directly or indirectly with our business. From time to time, our non-executive Directors may serve on the boards of both private and public companies within the logistics and retail industries. However, as the non-executive Directors are neither our controlling shareholders nor members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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. Xue Yunkui, Dr. Yu Gang, Dr. Guan Qingyou and Dr. Han Jian as the members of the Audit Committee, with Dr. Xue Yunkui 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. Guan Qingyou, Dr. Yu Gang, Dr. Xue Yunkui and Dr. Han Jian, with Dr. Guan Qingyou 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. Han Jian, Dr. Yu Gang, Dr. Xue Yunkui and Dr. Guan Qingyou, with Dr. Han Jian as the chairperson of the Nomination Committee.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 four members, namely Mr. Fang Hongbo, Dr. Gu Yanmin, Dr. Yu Gang and Dr. Guan Qingyou, 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 [REDACTED], 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 six non-executive Directors, including four independent non-executive Directors, with different industry backgrounds. Taking into account our existing

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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, the total remuneration paid to our Directors amounted to RMB114.9 million, RMB107.1 million and RMB113.4 million, respectively.

For the years ended 31 December 2021, 2022 and 2023, the total remuneration paid to our Supervisors amounted to RMB1.1 million, RMB1.0 million and RMB1.4 million, respectively.

For the years ended 31 December 2021, 2022 and 2023, the total emoluments paid to the five highest paid individuals (including Directors) by us amounted to RMB158.9 million, RMB146.9 million and RMB160.5 million, respectively.

For the years ended 31 December 2021, 2022 and 2023, 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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 RMB[124] 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 [REDACTED] of the [REDACTED] 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 [REDACTED] 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 [REDACTED] and such appointment may be subject to extension by mutual agreement.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business — Our Strategies” in this document for a detailed description of our future plans.

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the [REDACTED] of between HK\$[REDACTED] and HK\$[REDACTED] per H Share), we estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED] after deducting the [REDACTED] and other estimated expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] 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 . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Upgrading our intelligent manufacturing system and supply chain management	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancing our distribution channels and sales network around the world and increasing our overseas sales under our own brands	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital and general corporate purposes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED], 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 [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED], 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.

FUTURE PLANS AND USE OF [REDACTED]

- 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 [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED], 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.

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED], 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 [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED] 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, refrigerator
2024	Indonesia	Residential AC
2025	Thailand	Refrigerator
2025	Brazil	Refrigerator, washing machine
2026	Egypt	Refrigerator, washing machine
Commercial & Industrial Solutions		
2024	Italy	Heat pump
2025	Mexico	New energy vehicle components
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.

FUTURE PLANS AND USE OF [REDACTED]

- 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 [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED] is expected to be used for enhancing the level of digitalization and intelligence for our manufacturing infrastructure and supply chain:
 - approximately [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED] 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 [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED] 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 [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED], 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 [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED] is expected to be used for building and strengthening our brand and product portfolio in overseas markets:
 - approximately [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED] 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.

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED] 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 [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED] is expected to be used for expanding and upgrading our sales network around the world:
 - approximately [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED] 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 [REDACTED] of the net [REDACTED], or approximately HK\$ [REDACTED] 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 [REDACTED] of the net [REDACTED], or approximately HK\$[REDACTED], is expected to be used for working capital and general corporate purposes.

FUTURE PLANS AND USE OF [REDACTED]

In the event that the [REDACTED] is set at the maximum [REDACTED] or the minimum [REDACTED] of the indicative [REDACTED], the net [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED], respectively. If we make an upward or downward [REDACTED] adjustment to set the final [REDACTED] to be above or below the mid-point of the [REDACTED], we will increase or decrease the allocation of the net [REDACTED] to the above purposes on a pro rata basis.

The additional net [REDACTED] that we would receive if the [REDACTED] were exercised in full would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the [REDACTED]), (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the [REDACTED]) and (iii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the [REDACTED]).

To the extent that the net [REDACTED] from the [REDACTED] (including the net [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we may adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis.

We will only place the net [REDACTED] of the [REDACTED] 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.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages I-[1] to I-[2], received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this [REDACTED]. 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.

[Letterhead of PricewaterhouseCoopers]

[Draft]

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-[3] to I-[116], which comprises the consolidated statements of financial position as at 31 December 2021, 2022 and 2023, the Company statements of financial position as at 31 December 2021, 2022 and 2023, 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 (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-[3] to I-[116] forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] of the Company dated [Date] (the “[REDACTED]”) in connection with the [REDACTED] 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.

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.

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ACCOUNTANT’S REPORT

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 the consolidated financial position of the Group as at 31 December 2021, 2022 and 2023 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.

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-[3] 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

[Date]

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ACCOUNTANT’S REPORT

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 for the years 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 the International Auditing and Assurance Standards Board (the “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.

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ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Note</i>	Year ended 31 December		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	5	343,360,825	345,708,706	373,709,804
Cost of revenue	8	(266,450,882)	(262,321,797)	(275,320,160)
Gross profit		<u>76,909,943</u>	<u>83,386,909</u>	<u>98,389,644</u>
Selling and marketing expenses	8	(28,646,188)	(28,715,439)	(34,880,794)
General and administrative expenses	8	(10,742,475)	(12,023,970)	(13,975,965)
Research and development expenses	8	(12,014,891)	(12,667,099)	(14,586,346)
Net impairment losses on financial assets and contract assets	3.1(b)	(384,501)	(538,108)	(235,002)
Other income	6	6,177,047	7,088,757	8,120,251
Other gains/(losses), net	7	<u>2,777,178</u>	<u>(1,065,436)</u>	<u>(945,664)</u>
Operating profit		<u>34,076,113</u>	<u>35,465,614</u>	<u>41,886,124</u>
Finance income	10	401,501	793,175	1,085,256
Finance costs	10	<u>(1,299,556)</u>	<u>(1,902,422)</u>	<u>(3,372,815)</u>
Finance costs, net		<u>(898,055)</u>	<u>(1,109,247)</u>	<u>(2,287,559)</u>
Share of profit of associates and joint ventures, net	21	560,679	608,278	680,759
Impairment provision for investments in associates and joint ventures		<u>–</u>	<u>(6,179)</u>	<u>–</u>
Profit before income tax		<u>33,738,737</u>	<u>34,958,466</u>	<u>40,279,324</u>
Income tax expense	11	<u>(4,707,309)</u>	<u>(5,146,341)</u>	<u>(6,532,371)</u>
Profit for the year		<u>29,031,428</u>	<u>29,812,125</u>	<u>33,746,953</u>
Attributable to:				
Owners of the Company		28,586,980	29,553,342	33,721,536
Non-controlling interests		<u>444,448</u>	<u>258,783</u>	<u>25,417</u>
		<u>29,031,428</u>	<u>29,812,125</u>	<u>33,746,953</u>
Earnings per share for profit attributable to owners of the Company:	13			
– Basic (RMB per share)		4.17	4.34	4.93
– Diluted (RMB per share)		4.14	4.33	4.92

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ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Profit for the year	<u>29,031,428</u>	<u>29,812,125</u>	<u>33,746,953</u>
Other comprehensive (loss)/income:			
<i>Items that may be reclassified to profit or loss, net of tax</i>			
– 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
– Cash flow hedging reserves, net of tax	(3,370)	365,978	(139,710)
– Currency translation differences of foreign operations, net of tax	(231,698)	1,222,797	(53,552)
– Others, net of tax	–	69,882	25,033
<i>Items that will not be reclassified to profit or loss, net of tax</i>			
– Changes arising from remeasurement of defined benefit plan, net of tax	(1,029)	219,408	(88,017)
– Changes in fair value of investments in other equity instruments, net of tax	2,238	(2,458)	(1,025)
Other comprehensive (loss)/income for the year, net of tax	<u>(236,891)</u>	<u>1,892,998</u>	<u>(249,520)</u>
Attributable to:			
Owners of the Company	(206,664)	1,865,962	(272,554)
Non-controlling interests	<u>(30,227)</u>	<u>27,036</u>	<u>23,034</u>
Total comprehensive income for the year	<u><u>28,794,537</u></u>	<u><u>31,705,123</u></u>	<u><u>33,497,433</u></u>
Attributable to:			
Owners of the Company	28,380,316	31,419,304	33,448,982
Non-controlling interests	414,221	285,819	48,451

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ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Note	2021	2022	2023
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	25,996,426	30,516,233	36,382,765
Right-of-use assets	15	10,264,315	10,485,657	11,501,892
Investment properties		859,195	809,936	1,293,629
Intangible assets	16	37,073,861	37,307,434	40,860,697
Deferred tax assets	17	8,192,309	10,244,296	12,771,150
Prepayments, other receivables and other assets . .	18	2,701,909	2,412,405	2,705,275
Investments in associates and joint ventures	21	3,796,705	5,188,817	4,976,109
Loan receivables	20	851,927	693,294	975,272
Derivative financial instruments	25	–	4,276,688	2,082,347
Other financial assets at amortized cost	23	35,485,395	42,032,707	79,121,387
Other financial assets at fair value through other comprehensive income	24	7,939,682	11,135,618	6,356,921
Other financial assets at fair value through profit or loss	24	5,912,873	6,348,556	5,687,591
Total non-current assets		139,074,597	161,451,641	204,715,035
Current assets				
Inventories	26	45,924,439	46,044,897	47,339,255
Contract assets	27	3,823,476	4,498,956	4,045,925
Trade and note receivables at amortized cost	28	29,421,354	32,996,102	38,406,699
Trade and note receivables at fair value through other comprehensive income	19	10,273,552	13,526,540	13,330,008
Prepayments, other receivables and other assets . .	18	16,424,299	14,181,573	14,796,946
Loan receivables	20	20,656,600	14,138,756	14,296,958
Derivative financial instruments	25	1,298,815	752,451	1,670,754
Other financial assets at amortized cost	23	23,696,825	69,873,261	59,275,572
Other financial assets at fair value through other comprehensive income	24	19,590,387	6,532,043	4,694,429
Other financial assets at fair value through profit or loss	24	5,879,202	3,284,593	1,790,588
Term deposits and restricted cash	29	31,325,517	4,138,131	21,786,586
Cash and cash equivalents	29	40,550,039	51,131,968	59,887,260
Total current assets		248,864,505	261,099,271	281,320,980
Total assets		387,939,102	422,550,912	486,036,015

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ACCOUNTANT’S REPORT

		As at 31 December		
	Note	2021	2022	2023
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	30	19,734,020	53,849,564	49,356,705
Lease liabilities	15	1,533,552	1,507,480	2,047,319
Deferred tax liabilities.	17	4,948,450	4,646,555	5,097,810
Other payables and accruals	33	2,823,276	2,563,915	2,253,296
Deferred income	35	1,228,459	1,721,092	1,734,932
Derivative financial instruments	25	—	—	2,282
Total non-current liabilities		30,267,757	64,288,606	60,492,344
Current liabilities				
Trade and note payables	31	98,735,566	89,805,646	94,238,073
Contract liabilities	32	23,916,595	27,960,038	41,765,475
Borrowings	30	33,647,538	11,417,964	22,109,985
Lease liabilities	15	860,503	992,142	1,166,901
Customer deposits		78,180	77,469	88,960
Derivative financial instruments	25	166,649	314,539	413,222
Other financial liabilities at fair value through profit or loss	34	—	1,580,771	1,346,674
Current tax liabilities		2,972,040	2,813,522	3,477,253
Other payables and accruals	33	62,474,405	71,379,650	86,639,178
Total current liabilities		222,851,476	206,341,741	251,245,721
Total liabilities		253,119,233	270,630,347	311,738,065
EQUITY				
Share capital	36	6,986,564	6,997,273	7,025,769
Treasury shares	37	(14,044,550)	(14,933,944)	(12,871,738)
Reserves.	39	28,943,657	31,193,091	32,440,770
Retained earnings.	38	102,979,342	119,675,616	136,282,362
Equity attributable to owners of the Company . . .		124,865,013	142,932,036	162,877,163
Non-controlling interests		9,954,856	8,988,529	11,420,787
Total equity		134,819,869	151,920,565	174,297,950
Total equity and liabilities		387,939,102	422,550,912	486,036,015

APPENDIX I

ACCOUNTANT’S REPORT

COMPANY STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	<i>Note</i>	2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	14	1,461,935	1,728,310	2,050,932
Right-of-use assets		671,703	661,360	585,397
Investment properties		428,460	386,435	393,988
Deferred tax assets		272,946	327,251	289,426
Prepayments, other receivables and other assets . .	18	83,722	85,154	324,180
Investments in associates and joint ventures	21	2,428,841	3,398,523	3,559,731
Investments in subsidiaries	49	64,376,850	69,705,046	72,398,113
Other financial assets at amortized cost	23	33,019,381	35,423,894	70,880,635
Other financial assets at fair value through other comprehensive income	24	6,034,563	7,215,301	3,334,059
Other financial assets at fair value through profit or loss	24	537,214	347,698	285,170
Total non-current assets		109,315,615	119,278,972	154,101,631
Current assets				
Prepayments, other receivables and other assets . .	18	31,845,837	26,500,974	20,019,238
Derivative financial instruments		157,501	–	–
Other financial assets at amortized cost	23	11,422,032	61,117,250	48,703,727
Other financial assets at fair value through other comprehensive income	24	19,095,262	5,236,623	4,049,224
Other financial assets at fair value through profit or loss	24	3,442,317	274,120	299,001
Term deposits and restricted cash	29	26,196,955	588,172	977,444
Cash and cash equivalents	29	21,957,042	27,904,229	29,283,158
Total current assets		114,116,946	121,621,368	103,331,792
Total assets		223,432,561	240,900,340	257,433,423

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ACCOUNTANT’S REPORT

		As at 31 December		
	<i>Note</i>	2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES				
Non-current liabilities				
Borrowings	30	12,509,900	15,619,900	16,600,000
Lease liabilities		–	2,350	–
Deferred income		154,015	152,548	157,917
Total non-current liabilities		<u>12,663,915</u>	<u>15,774,798</u>	<u>16,757,917</u>
Current liabilities				
Borrowings	30	90,000	5,890,000	7,019,900
Lease liabilities		2,647	6,701	2,010
Other payables and accruals	33	153,091,836	160,922,422	171,422,566
Total current liabilities		<u>153,184,483</u>	<u>166,819,123</u>	<u>178,444,476</u>
Total liabilities		<u><u>165,848,398</u></u>	<u><u>182,593,921</u></u>	<u><u>195,202,393</u></u>
EQUITY				
Share capital	36	6,986,564	6,997,273	7,025,769
Treasury shares	37	(14,044,550)	(14,933,944)	(12,871,738)
Reserves	39	36,547,759	38,523,457	40,175,469
Retained earnings	38	28,094,390	27,719,633	27,901,530
Total equity		<u>57,584,163</u>	<u>58,306,419</u>	<u>62,231,030</u>
Total equity and liabilities		<u><u>223,432,561</u></u>	<u><u>240,900,340</u></u>	<u><u>257,433,423</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Treasury Shares	Reserves	Retained earnings	Total		
	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 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	<u>6,986,564</u>	<u>(14,044,550)</u>	<u>28,943,657</u>	<u>102,979,342</u>	<u>124,865,013</u>	<u>9,954,856</u>	<u>134,819,869</u>

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ACCOUNTANT’S REPORT

	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 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	<u>6,997,273</u>	<u>(14,933,944)</u>	<u>31,193,091</u>	<u>119,675,616</u>	<u>142,932,036</u>	<u>8,988,529</u>	<u>151,920,565</u>

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	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 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	<u>7,025,769</u>	<u>(12,871,738)</u>	<u>32,440,770</u>	<u>136,282,362</u>	<u>162,877,163</u>	<u>11,420,787</u>	<u>174,297,950</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities				
Cash generated from operations.	41(a)	40,548,210	41,456,166	64,551,866
Interest received.		401,501	756,341	974,378
Income tax paid.		(5,500,758)	(7,554,679)	(7,623,633)
Net cash generated from operating activities. . .		35,448,953	34,657,828	57,902,611
Cash flows from investing activities:				
Proceeds from/(payments for) disposal of subsidiaries, net of cash acquired/(disposed) . . .		188,490	14,829	(83,019)
(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
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
Payments for purchase of financial assets		(105,300,800)	(108,149,101)	(146,991,826)
Proceeds from disposal of property, plant and equipment, intangible asset and other non- current assets		336,186	239,226	391,359
Payments for purchase of property, plant and equipment, intangible asset and other non- current assets		(6,825,357)	(7,352,115)	(6,314,051)
Interest received.		5,361,610	3,450,802	4,975,483
Dividends received from associates	21	286,667	349,293	360,750
Net cash generated from/(used in) investing activities.		13,599,586	(13,509,510)	(31,219,855)

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	<i>Note</i>	Year ended 31 December		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from financing activities:				
Proceeds from share schemes		1,481,558	1,397,746	2,647,263
Payments for repurchase of shares and refund the exercise price of lapsed restricted shares		(13,802,839)	(2,831,545)	(257,576)
Transactions with non-controlling interests		156,934	(2,876,898)	24,812
Proceeds from borrowings		19,033,432	53,321,016	33,888,703
Repayments of borrowings		(24,225,351)	(44,920,787)	(33,114,644)
Interests paid.		(1,400,786)	(1,783,312)	(2,121,654)
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)
Related payments of lease liabilities.		(1,315,418)	(1,198,421)	(1,553,852)
[REDACTED] expenses paid		—	—	(30,876)
Others		4,021	(5,955)	129,785
Net cash used in financial activities		(31,561,788)	(10,854,881)	(17,910,213)
Net increase in cash and cash equivalents		17,486,751	10,293,437	8,772,543
Cash and cash equivalents at beginning of the year		23,548,508	40,550,039	51,131,968
Exchange (losses)/gains on cash and cash equivalents.		(485,220)	288,492	(17,251)
Cash and cash equivalents at end of the year	29	40,550,039	51,131,968	59,887,260

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II. NOTES TO THE HISTORICAL 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. BASIC OF PREPARATION

2.1 Basis of preparation

The principal accounting policies applied in the preparation of Historical Financial Information are 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 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.

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2.2 Amended standards not yet been adopted

Amended standards that have been issued but not yet effective and have not been early adopted by the Group during the Track Record Period, are as follows:

		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
Amendments to IAS 21 . . .	Lack of Exchangeability	1 January 2025
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 31 December 2021, 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 reduce or increase by approximately RMB85,400,000, increase or reduce by approximately RMB39,468,000 and RMB27,850,000, respectively.

As at 31 December 2021, 2022 and 2023, 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 and RMB317,553,000, respectively.

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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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Net foreign exchange gains/(losses) included in other gains/(losses), net (Note 7)	733,270	(435,574)	(340,027)
Exchange gains/(losses) on foreign currency borrowings included in finance costs (Note 10)	64,850	(71,507)	(564,711)
Total net foreign exchange gains/(losses) recognized in profit before income tax for the year	<u>798,120</u>	<u>(507,081)</u>	<u>(904,738)</u>

(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, with all other variable held constant, pre-tax profit would increase/decrease approximately RMB723,234,000, RMB761,315,000 and RMB606,750,000 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 and RMB3,787,000, 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, total borrowings of the Group which were bearing at floating rates amounted to approximately RMB891,817,000, RMB347,729,000 and nil, 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 and nil, as at 31 December 2021, 2022 and 2023, 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.

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(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, 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.

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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		
	2021	2022	2023
Assessed based on grouping:			
Domestic business grouping			
Expected loss rate	4.22%	2.80%	2.31%
Gross carrying amount (RMB’000)	840,430	1,469,430	1,359,776
Loss allowance provision (RMB’000)	(35,436)	(41,155)	(31,467)
Overseas business grouping			
Expected loss rate	0.27%	1.03%	1.25%
Gross carrying amount (RMB’000)	3,018,369	3,102,747	2,732,050
Loss allowance provision (RMB’000)	(8,275)	(32,066)	(34,103)

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. An impairment loss of RMB3,056,000 and RMB51,772,000 were individually recognized for contract asset and gross carrying amount were RMB11,444,000 and RMB71,441,000 as at 31 December 2021 and 2023, respectively. There was no significant concentrations of credit risk as at 31 December 2021, 2022 and 2023.

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(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)

The expected loss rate of trade receivables assessed based on domestic business grouping for time band “over 2 years” continue to decreased over the Track Record Period 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)

The expected loss rate of trade receivables assessed based on overseas business grouping for time band “1 to 2 years” continued to decrease over the Track Record Period mainly due to the improved repayment and collection data of the corresponding period.

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	As at 31 December		
	2021	2022	2023
Assessed individually:			
Domestic business grouping			
Expected loss rate	47.74%	52.13%	89.86%
Gross carrying amount (RMB'000)	111,443	1,061,199	656,920
Loss allowance provision (RMB'000).	(53,208)	(553,196)	(590,325)
Overseas business grouping			
Expected loss rate	100.00%	97.37%	30.73%
Gross carrying amount (RMB'000)	561	22,437	624,425
Loss allowance provision (RMB'000).	(561)	(21,847)	(191,906)

The Group individually assessed the recoverability of the balance with certain customers as at 31 December 2021, 2022 and 2023 as significant increase in credit risk were identified. Changes in the expected loss rate of trade receivables assessed individually for domestic business group 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, 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.

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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)
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)

As at 31 December 2021, 2022 and 2023, 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, the loss allowance provision for long-term receivables and futures margin were not material and set out in Note 18.

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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)
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)
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)

Other financial assets at amortized cost and other financial assets at FVOCI (excluding unlisted securities)

As at 31 December 2021, 2022 and 2023, 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.

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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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Impairment losses			
– movement in loss allowance for trade and note receivables at amortized cost	(205,124)	(741,275)	(594,362)
– movement in loss allowance for contract assets	(5,022)	(28,475)	(47,814)
– movement in loss allowance for other receivables and other assets	(168,049)	(36,745)	(146,971)
– movement in loss allowance for loan receivables	(144,691)	(25,814)	(44,273)
Reversal of previous impairment losses			
– movement in reversal for trade and note receivables at amortized cost.	88,658	235,786	402,822
– movement in reversal for contract assets	3,972	4,053	11,436
– movement in reversal for other receivables and other assets	44,007	39,750	13,886
– movement in reversal for loan receivables.	1,748	14,612	170,274
Net impairment losses on financial assets and contract assets	<u>(384,501)</u>	<u>(538,108)</u>	<u>(235,002)</u>

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.

	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
	<u>138,464,437</u>	<u>7,323,725</u>	<u>15,293,631</u>	<u>143,316</u>	<u>161,225,109</u>	<u>159,731,801</u>

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	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 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
	<u>109,532,631</u>	<u>13,480,031</u>	<u>41,174,783</u>	<u>312,797</u>	<u>164,500,242</u>	<u>164,548,082</u>
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
	<u>123,653,179</u>	<u>39,168,844</u>	<u>12,244,050</u>	<u>600,684</u>	<u>175,666,757</u>	<u>175,249,932</u>

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.

The Group monitors capital on the basis of the asset-liability ratio and the asset-liability ratio as at 31 December 2021, 2022 and 2023 were as follows:

	As at 31 December		
	2021	2022	2023
Total assets (RMB'000)	387,939,102	422,550,912	486,036,015
Total liabilities (RMB'000)	253,119,233	270,630,347	311,738,065
Asset-liability ratio	<u>65.25%</u>	<u>64.05%</u>	<u>64.14%</u>

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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 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, 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	<u>1,319,470</u>	<u>43,616,421</u>	<u>5,958,620</u>	<u>50,894,511</u>
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	<u>1,264,595</u>	<u>38,201,979</u>	<u>6,389,915</u>	<u>45,856,489</u>
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	<u>–</u>	<u>314,539</u>	<u>1,580,771</u>	<u>1,895,310</u>

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	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 (<i>Note 19</i>)	–	13,330,008	–	13,330,008
Derivative financial instruments (<i>Note 25</i>)	–	3,753,101	–	3,753,101
Other financial assets at FVPL (<i>Note 24(a)</i>)	1,726,584	64,004	5,687,591	7,478,179
Other financial assets at FVOCI (<i>Note 24(b)</i>)	–	11,013,476	37,874	11,051,350
Total financial assets	<u>1,726,584</u>	<u>28,160,589</u>	<u>5,725,465</u>	<u>35,612,638</u>
Financial liabilities:				
Other financial liabilities at FVPL (<i>Note 34</i>)	–	–	1,346,674	1,346,674
Derivative financial instruments (<i>Note 25</i>)	–	415,504	–	415,504
Total financial liabilities	<u>–</u>	<u>415,504</u>	<u>1,346,674</u>	<u>1,762,178</u>

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.

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The following table presents the changes in level 3 items for the years ended 31 December 2021, 2022 and 2023:

Reconciliation of Level 3 fair value measurements	Financial assets at FVOCI and FVPL		
	Years ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Opening balance	3,407,500	5,958,620	6,389,915
Additions	2,492,898	1,746,172	172,008
Disposals/settlements	(869,794)	(190,586)	(282,046)
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)
Changes in fair value recognized in profit or loss	943,969	(409,005)	(199,037)
Currency translation differences	(46,857)	125,541	21,116
Closing balance	<u>5,958,620</u>	<u>6,389,915</u>	<u>5,725,465</u>

- (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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Opening balance	—	—	1,580,771
Additions	—	1,766,953	—
Disposals/settlements	—	(99,876)	(364,272)
Changes in fair value recognized in profit or loss	—	(86,306)	130,175
Closing balance	<u>—</u>	<u>1,580,771</u>	<u>1,346,674</u>

For the years ended 31 December 2021, 2022 and 2023, the Group’s own credit risk on other financial liabilities at FVPL was not considered to be a significant input factor.

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(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)	Un-observable inputs	Range of inputs			Sensitivity of fair value to the input
	As at 31 December					As at 31 December			
	2021	2022	2023			2021	2022	2023	
	RMB'000	RMB'000	RMB'000						
Equity securities	2,128,250	3,665,369	3,149,305	Market approach	Price Earnings Ratio	19.95 – 29.73	7.12 – 29.28	1.82 – 16.98	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)
					Price Sales Ratio	17.40	1.66 – 12.67	2.21 – 13.39	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)
					Discount for lack of marketability (“DLOM”)	15% – 60%	4% – 60%	4% – 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
	2,302,916	1,694,977	1,792,884	Net asset value (Note (a))	N/A	N/A	N/A	N/A	N/A
	1,050,000	431,874	458,865	Consensus pricing	Offered quotes	2.22 – 36.60	16.67 – 67.94	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)

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Description	Fair value			Valuation technique(s)	Un-observable inputs	Range of inputs			Sensitivity of fair value to the input
	As at 31 December					As at 31 December			
	2021	2022	2023			2021	2022	2023	
	RMB'000	RMB'000	RMB'000						
	-	243,750	119,994	Option model	Expected volatility	N/A	30% – 73%	38% – 43%	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)
					Risk-free rate	N/A	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
Liabilities to fund investors . . .	-	1,580,771	1,346,674	Net asset value (Note (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.

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(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:

4.1 Critical accounting estimate and its key assumption

(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.

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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.

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(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
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 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

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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
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 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

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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

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.

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Timing of revenue recognition for the Track Record Period is as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	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
Consumer appliances.	140,391,986	135,621,495	145,841,574
Robotics and automation system.	12,251,834	13,790,400	14,916,864
Other segments and unallocated	6,491,410	9,201,492	13,320,756
Revenue recognized over time			
Robotics and automation system.	15,268,950	16,387,408	18,465,147
Heating & ventilation, as well as			
air-conditioner	322,419	145,268	214,027
Other segments and unallocated	1,317,673	1,743,925	1,805,451

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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Mainland China	205,706,997	203,063,764	222,804,120
Other countries or regions	137,653,828	142,644,942	150,905,684
	<u>343,360,825</u>	<u>345,708,706</u>	<u>373,709,804</u>

(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, 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 and RMB13,546,344,000, 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.

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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

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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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Interest income (a)	4,780,157	5,081,372	5,977,068
Government grants (b)	1,396,890	2,007,385	1,892,262
Additional Deduction for VAT (c)	—	—	250,921
	<u>6,177,047</u>	<u>7,088,757</u>	<u>8,120,251</u>

(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, 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, advanced manufacturing enterprises 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.

7. OTHER GAINS/(LOSSES), NET

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Net gains/(losses) on financial instruments (a) . .	1,731,713	(519,286)	(262,395)
Net foreign exchange gains/(losses)	733,270	(435,574)	(340,027)
Net gains/(losses) on disposal of property, plant and equipment and other assets	58,257	(59,854)	(60,868)
Others	<u>253,938</u>	<u>(50,722)</u>	<u>(282,374)</u>
	<u>2,777,178</u>	<u>(1,065,436)</u>	<u>(945,664)</u>

(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.

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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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Raw materials and consumables used	221,124,402	212,264,850	219,556,360
Employee benefit expenses	34,719,136	37,350,384	43,210,848
Installation and after-sales expenses	10,175,312	9,578,756	11,692,876
Transportation and insurance charges	13,957,907	16,169,955	16,656,570
Advertising and promotion expenses	13,013,741	12,079,701	16,024,801
Depreciation and amortization	6,491,339	6,505,385	7,346,760
Auditors’ remuneration	53,320	52,198	55,872
[REDACTED] expenses	–	–	3,060
Others	18,319,279	21,727,076	24,216,118
	<u>317,854,436</u>	<u>315,728,305</u>	<u>338,763,265</u>

9. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are analyzed as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses.	27,071,702	29,439,271	33,546,497
Share-based compensation expenses	1,578,070	1,028,950	1,245,456
Pension costs – defined contribution plans (a) . .	1,565,424	1,764,080	2,019,454
Pension costs – defined benefit plans (b).	70,348	77,003	59,925
Other employee benefits	4,433,592	5,041,080	6,339,516
	<u>34,719,136</u>	<u>37,350,384</u>	<u>43,210,848</u>

(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, the contributions payable in respect of the abovementioned social insurance plan amounted to RMB104,573,000, RMB110,244,000 and RMB103,515,000, respectively.

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(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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Present value of obligation	3,572,482	3,209,466	3,208,084
Less: Fair value of plan assets	(1,867,042)	(1,840,953)	(1,905,589)
Defined benefit liabilities	<u>1,705,440</u>	<u>1,368,513</u>	<u>1,302,495</u>

The net liability disclosed by subsidiaries is as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
TLSC Group (i)	975,350	841,298	746,082
Others	<u>730,090</u>	<u>527,215</u>	<u>556,413</u>
	<u>1,705,440</u>	<u>1,368,513</u>	<u>1,302,495</u>

The actuarial assumptions used to determine the present value of defined benefit obligation are as follows:

	As at 31 December		
	2021	2022	2023
Discount rate (%)	0.06%-7.75%	0.02%-9.25%	0.22%~10.00%
Inflation rate (%)	1.00%	1.07%	1.23%
Salary growth rates (%)	0.50%-6.90%	0.50%-6.60%	0.00%~6.20%
Pension dynamics (%)	0.00%-3.70%	1.00%-3.55%	1.10%~2.50%
Early retirement rate (%)	0.00%-11.60%	0.00%-12.90%	0.00%~11.60%
Changes in cost of medical services (%)	6.25%	7.50%	8.25%

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(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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At the beginning of the year	1,667,046	1,566,671	1,370,625
Current service cost	50,220	36,440	29,063
Gains on curtailment and settlement	(2,361)	–	(454)
Interest expense	5,846	4,801	11,071
Remeasurement losses/(gains)	170,058	(66,545)	44,686
Exchange realignment on foreign plans	(212,458)	(88,215)	(56,149)
Payments made	(111,680)	(82,527)	(87,801)
At the end of the year	<u>1,566,671</u>	<u>1,370,625</u>	<u>1,311,041</u>

Movements in the fair value of the plan assets during the Track Record Period were as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At the beginning of the year	(604,522)	(591,321)	(529,327)
Interest income	(2,901)	(2,774)	(6,355)
Remeasurement (gains)/losses	(20,644)	42,663	(53,718)
Exchange realignment on foreign plans	78,330	33,057	21,735
Contributions from the employer	(83,899)	(43,478)	(29,063)
Payments made	<u>42,315</u>	<u>32,526</u>	<u>31,769</u>
At the end of the year	<u>(591,321)</u>	<u>(529,327)</u>	<u>(564,959)</u>

The major categories of plan assets are as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Equity instruments	214,474	204,080	240,214
Debt instruments	310,310	249,556	238,608
Other instruments	<u>66,537</u>	<u>75,691</u>	<u>86,137</u>
Total	<u>591,321</u>	<u>529,327</u>	<u>564,959</u>

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		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Discount rate	0.10%	(10,736)	(8,031)	(7,241)
Inflation rate	0.10%	2,196	1,595	1,668
Salary growth rates	0.10%	719	439	242
Early retirement rate	0.10%	(1,402)	(881)	(826)

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	Decrease in assumption	Increase/(decrease) impact on defined benefit obligation		
		As at 31 December		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Discount rate	0.10%	10,901	8,141	7,342
Inflation rate	0.10%	(2,172)	(1,567)	(1,640)
Salary growth rates	0.10%	(706)	(651)	(246)
Early retirement rate	0.10%	1,248	709	694

(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	<u>1,800</u>	<u>26,197</u>	<u>88,008</u>	<u>116,005</u>

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	Fees	Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	Share-based compensation expense	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>1,800</u>	<u>35,798</u>	<u>70,549</u>	<u>108,147</u>

	Fees	Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	Share-based compensation expense	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>1,800</u>	<u>41,990</u>	<u>71,004</u>	<u>114,794</u>

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- (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) The appointment of Dr. Xiao Geng, as an independent non-executive director of the Company, will take effect from the [REDACTED]. During the Track Record Period, he had not been yet appointed and received no emolument.

During the years ended 31 December 2021, 2022 and 2023, 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 include 2, 2 and 2 directors respectively whose emoluments are reflected in the analysis shown in Note 9(c). The emoluments paid to the remaining 3, 3 and 3 individuals during the years ended 31 December 2021, 2022 and 2023, respectively, are as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Salaries, wages, bonuses and benefits in kind (including contributions to pension plans) . . .	40,595	53,573	50,919
Share-based compensation expenses	19,736	16,382	25,360
	<u>60,331</u>	<u>69,955</u>	<u>76,279</u>

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The emoluments of the above individuals fell within the following bands:

Number of individuals

	Year ended 31 December		
	2021	2022	2023
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, NET

	Year ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance income:			
Interest income from financial assets held for cash management purposes (a)	401,501	756,341	974,378
Reclassification from cost of hedge reserves (Note 25 (c)) (b)	–	36,834	110,878
	<u>401,501</u>	<u>793,175</u>	<u>1,085,256</u>
Finance costs:			
Interest and finance charges paid/payable for borrowings	(1,252,661)	(1,719,142)	(2,656,770)
Interest and finance charges paid/payable for lease liabilities (Note 15(b))	(111,745)	(111,773)	(151,334)
Net exchange gains/(losses) on foreign currency borrowings	64,850	(71,507)	(564,711)
	<u>(1,299,556)</u>	<u>(1,902,422)</u>	<u>(3,372,815)</u>
Finance costs, net	<u>(898,055)</u>	<u>(1,109,247)</u>	<u>(2,287,559)</u>

(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 CCIRs, and excluded from the designation of the CCIRs as hedging instruments which hedge time-period relate hedged items. According to IFRS 9, the foreign currency basis spread from the CCIRs 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 CCIRs 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.

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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% and 6% during the years ended 31 December 2021, 2022 and 2023, 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.

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(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, 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, 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 31 December 2023, 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 or substantively enacted, but not yet in effect.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the Group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per 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.

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The following table sets forth the component of income tax expenses of the Group for the years ended 31 December 2021, 2022 and 2023:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Current income tax	5,959,551	7,500,259	8,474,651
Deferred income tax (<i>Note (17)</i>)	(1,252,242)	(2,353,918)	(1,942,280)
	<u>4,707,309</u>	<u>5,146,341</u>	<u>6,532,371</u>

Reconciliation between income tax expenses and profit before income tax at applicable tax rates for the years ended 31 December 2021, 2022 and 2023:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Profit before tax	33,738,737	34,958,466	40,279,324
Tax at the statutory tax rate of 25%	8,434,684	8,739,617	10,069,831
Effect of different tax rates applicable to subsidiaries	(2,703,750)	(2,302,968)	(2,932,107)
Adjustments of prior years	1,453	(45,762)	36,833
Tax effect of non-taxable income	(566,876)	(544,607)	(387,848)
Tax effect of non-deductible expenses	476,697	486,777	642,991
Utilization of previously unrecognized tax losses and temporary differences	(75,134)	(106,106)	(304,850)
Others	(859,765)	(1,080,610)	(592,479)
	<u>4,707,309</u>	<u>5,146,341</u>	<u>6,532,371</u>

12. DIVIDENDS

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Ordinary A shares			
Final dividends in respect of the previous year, declared and paid during the year (tax inclusive).	11,066,392	11,677,509	17,188,858
Dividends of lapsed restricted shares	(13,663)	(25,484)	(44,594)
	<u>11,052,729</u>	<u>11,652,025</u>	<u>17,144,264</u>

The final dividends of RMB16, RMB17 and RMB25 per 10 shares (tax inclusive) in respect of the years ended 31 December 2020, 2021 and 2022 were approved by the Annual General Meeting of the Company.

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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		
	2021	2022	2023
Profit attributable to owners of the Company (RMB’000).	28,586,980	29,553,342	33,721,536
Less: Dividends payable to expected vested restricted shares (RMB’000)	(82,152)	(63,556)	(66,155)
Profit attributable to owners of the Company used in calculating basic EPS (RMB’000). . . .	28,504,828	29,489,786	33,655,381
Weighted average number of ordinary shares in issue (thousand shares)	6,837,497	6,790,926	6,824,100
Basic EPS (RMB per share).	4.17	4.34	4.93

(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, 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		
	2021	2022	2023
Adjusted profit attributable to owners of the Company used in calculating diluted EPS (RMB’000).	28,586,980	29,553,083	33,715,846
Weighted average number of ordinary shares in issue (thousand shares)	6,837,497	6,790,926	6,824,100
Adjustments for potential shares arising from share schemes (thousand shares).	68,827	28,297	25,141
Weighted average number of ordinary shares used in calculating diluted EPS (thousand shares)	6,906,324	6,819,223	6,849,241
Diluted EPS (RMB per share)	4.14	4.33	4.92

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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	<u>10,825,850</u>	<u>1,388,547</u>	<u>8,369,528</u>	<u>219,446</u>	<u>1,409,495</u>	<u>1,477,302</u>	<u>418,010</u>	<u>24,108,178</u>
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	<u>11,099,121</u>	<u>1,325,387</u>	<u>8,839,881</u>	<u>166,331</u>	<u>1,422,128</u>	<u>2,690,930</u>	<u>452,648</u>	<u>25,996,426</u>
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	<u>11,099,121</u>	<u>1,325,387</u>	<u>8,839,881</u>	<u>166,331</u>	<u>1,422,128</u>	<u>2,690,930</u>	<u>452,648</u>	<u>25,996,426</u>
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	<u>12,111,161</u>	<u>1,329,912</u>	<u>10,633,450</u>	<u>200,284</u>	<u>1,808,185</u>	<u>3,843,777</u>	<u>589,464</u>	<u>30,516,233</u>

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	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 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	<u>12,111,161</u>	<u>1,329,912</u>	<u>10,633,450</u>	<u>200,284</u>	<u>1,808,185</u>	<u>3,843,777</u>	<u>589,464</u>	<u>30,516,233</u>
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	<u>15,390,258</u>	<u>1,382,410</u>	<u>11,687,212</u>	<u>248,737</u>	<u>2,229,346</u>	<u>4,681,220</u>	<u>763,582</u>	<u>36,382,765</u>
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	<u>15,390,258</u>	<u>1,382,410</u>	<u>11,687,212</u>	<u>248,737</u>	<u>2,229,346</u>	<u>4,681,220</u>	<u>763,582</u>	<u>36,382,765</u>

(a) Certain property, plant and equipment as at 31 December 2021, 2022 and 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:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Cost of revenue	2,243,657	2,441,336	2,344,088
Administration expenses and research and development expenses	927,658	910,848	1,402,729
Selling and marketing expenses	293,028	270,475	292,649
	<u>3,464,343</u>	<u>3,622,659</u>	<u>4,039,466</u>

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	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment and others	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>658,194</u>	<u>15,619</u>	<u>46,729</u>	<u>29,293</u>	<u>204,304</u>	<u>954,139</u>

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 . .	<u>558,579</u>	<u>14,923</u>	<u>18,613</u>	<u>69,577</u>	<u>800,243</u>	<u>1,461,935</u>

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	<u>558,579</u>	<u>14,923</u>	<u>18,613</u>	<u>69,577</u>	<u>800,243</u>	<u>1,461,935</u>

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment and others	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

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 . .	<u>1,122,282</u>	<u>15,198</u>	<u>18,047</u>	<u>68,026</u>	<u>504,757</u>	<u>1,728,310</u>

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	<u>1,122,282</u>	<u>15,198</u>	<u>18,047</u>	<u>68,026</u>	<u>504,757</u>	<u>1,728,310</u>

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	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 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 . .	<u>1,215,675</u>	<u>14,059</u>	<u>18,181</u>	<u>53,083</u>	<u>749,934</u>	<u>2,050,932</u>
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	<u>1,215,675</u>	<u>14,059</u>	<u>18,181</u>	<u>53,083</u>	<u>749,934</u>	<u>2,050,932</u>

- (i) Depreciation amounting to approximately RMB141,172,000, RMB146,477,000 and RMB178,211,000, respectively, had been recognized in general and administrative expenses, for the years ended 31 December 2021, 2022 and 2023, 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.

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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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Right-of-use assets			
Buildings	2,095,036	2,147,152	2,804,826
Machinery and equipment	104,019	99,263	157,036
Land use rights and others	6,111,609	6,434,563	6,845,052
Trademark use rights	1,953,651	1,804,679	1,694,978
	<u>10,264,315</u>	<u>10,485,657</u>	<u>11,501,892</u>
Lease liabilities			
Current	860,503	992,142	1,166,901
Non-current	1,533,552	1,507,480	2,047,319
	<u>2,394,055</u>	<u>2,499,622</u>	<u>3,214,220</u>

Additions to the right-of-use assets during the years ended 31 December 2021, 2022 and 2023 were approximately RMB3,628,730,000, RMB1,784,120,000 and RMB3,044,727,000, respectively.

Certain Leasehold land and land use rights were pledged as securities for bank loan facilities as at 31 December 2023.

(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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets			
Buildings	1,107,663	1,069,481	1,182,850
Machinery and equipment	90,266	83,938	100,858
Land use rights and others	169,446	168,314	218,928
Trademark use rights	42,478	54,413	52,334
	<u>1,409,853</u>	<u>1,376,146</u>	<u>1,554,970</u>
Interest expense (included in finance cost)	111,745	111,773	151,334
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	803,982	778,995	821,277
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
Expense relating to variable lease payments not included in lease liabilities (included in operating expenses and administrative expenses)	271,346	297,344	348,469

The total cash outflow for leases during the years ended 31 December 2021, 2022 and 2023 were approximately RMB2,487,643,000, RMB2,368,811,000 and RMB2,823,561,000, respectively.

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(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.

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16. INTANGIBLE ASSETS

	Goodwill	Patents and non-patent technologies	Trademark rights	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>29,557,218</u>	<u>1,301,143</u>	<u>5,145,850</u>	<u>2,831,255</u>	<u>38,835,466</u>
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 .	<u>27,874,752</u>	<u>2,169,910</u>	<u>4,608,913</u>	<u>2,420,286</u>	<u>37,073,861</u>
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	<u>27,874,752</u>	<u>2,169,910</u>	<u>4,608,913</u>	<u>2,420,286</u>	<u>37,073,861</u>
	Goodwill	Patents and non-patent technologies	Trademark rights	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 .	<u>28,548,653</u>	<u>1,952,359</u>	<u>4,674,769</u>	<u>2,131,653</u>	<u>37,307,434</u>
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	<u>28,548,653</u>	<u>1,952,359</u>	<u>4,674,769</u>	<u>2,131,653</u>	<u>37,307,434</u>

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	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	<u>30,858,237</u>	<u>2,814,995</u>	<u>4,827,900</u>	<u>2,359,565</u>	<u>40,860,697</u>
At 31 December 2023					
Cost	31,391,066	4,415,503	5,116,437	6,408,543	47,331,549
Accumulated amortization and impairment	<u>(532,829)</u>	<u>(1,600,508)</u>	<u>(288,537)</u>	<u>(4,048,978)</u>	<u>(6,470,852)</u>
Net book amount	<u>30,858,237</u>	<u>2,814,995</u>	<u>4,827,900</u>	<u>2,359,565</u>	<u>40,860,697</u>

- (a) Amortization of the Group’s intangible assets has been recognized as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Cost of revenue	884,879	673,001	832,292
Research and development expenses	32,800	9,747	10,009
Administration expenses	105,966	128,980	109,392
	<u>1,023,645</u>	<u>811,728</u>	<u>951,693</u>

- (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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
KUKA Group	20,544,697	21,122,932	22,364,486
TLSC Group	2,580,274	2,437,914	2,338,037
Little Swan	1,361,306	1,361,306	1,361,306
Others	3,893,186	4,149,906	5,327,237
	<u>28,379,463</u>	<u>29,072,058</u>	<u>31,391,066</u>
Less: Impairment	<u>(504,711)</u>	<u>(523,405)</u>	<u>(532,829)</u>
	<u>27,874,752</u>	<u>28,548,653</u>	<u>30,858,237</u>

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 and RMB4,375,217,000 as at 31 December 2021, 2022 and 2023, respectively.

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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, 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, included: the revenue annual growth rates of 4.10%~17.21%, 0.18%~12.94%, and 4.73%~15.43%; the gross margins of 22.71%~24.59%, 22.76%~23.60%, and 22.79%~23.60%; the perpetual annual growth rates of 2.00%, 2.00% and 2.00%; and the pre-tax discount rates of 9.32%, 10.74% and 10.73%, 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, included: the revenue annual growth rates of 2.89%~5.21%, 2.94%~5.26%, and 2.89%~7.00%; the gross margins of 27.52%~30.80%, 26.52%~30.82%, and 26.22%~29.00%; the perpetual annual growth rates of 1.00%, 1.00% and 1.00%; and the pre-tax discount rates of 15.13%, 15.62% and 14.92%, 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, included: the revenue annual growth rates of 2.00%~11.80%, 2.00%~10.00%, and 3.00%~8.70%; the gross margins of 28.34%~28.86%, 29.47%~30.06%, and 31.79%~34.17%; the perpetual annual growth rates of 2.00%, 2.00% and 2.00%; and the pre-tax discount rates of 13.17%, 12.83% and 12.41%, 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.

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(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		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
KUKA Group.	2,979,426	2,717,753	2,963,925
TLSC Group	1,006,797	1,521,649	1,682,908
Little Swan	20,731,467	24,965,476	27,501,707

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.

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.

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 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, 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.

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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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Gross deferred tax assets:			
– to be recovered after more than 12 months . . .	2,770,591	3,457,647	4,084,927
– to be recovered within 12 months	7,205,683	8,754,919	10,595,710
	9,976,274	12,212,566	14,680,637
Offsetting against deferred tax liabilities	(1,783,965)	(1,968,270)	(1,909,487)
Net deferred tax assets	8,192,309	10,244,296	12,771,150
Gross deferred tax liabilities			
– to be recovered after more than 12 months . . .	5,464,949	5,393,222	5,848,421
– to be recovered within 12 months	1,267,466	1,221,603	1,158,876
	6,732,415	6,614,825	7,007,297
Offsetting against deferred tax assets	(1,783,965)	(1,968,270)	(1,909,487)
Net deferred tax liabilities	4,948,450	4,646,555	5,097,810

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(i) Deferred tax assets

The movements in deferred tax assets before offsetting for the years ended 31 December 2021, 2022 and 2023 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	<u>1,371,028</u>	<u>596,763</u>	<u>285,263</u>	<u>5,531,170</u>	<u>2,192,050</u>	<u>9,976,274</u>
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	<u>1,500,622</u>	<u>753,511</u>	<u>190,398</u>	<u>6,534,476</u>	<u>3,233,559</u>	<u>12,212,566</u>
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	<u>2,126,566</u>	<u>1,038,938</u>	<u>213,045</u>	<u>7,386,896</u>	<u>3,915,192</u>	<u>14,680,637</u>

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(ii) Deferred tax liabilities

The movements in deferred tax liabilities before offsetting for the years ended 31 December 2021, 2022 and 2023 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	<u>3,145,282</u>	<u>349,208</u>	<u>3,237,925</u>	<u>6,732,415</u>
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	<u>2,921,290</u>	<u>236,440</u>	<u>3,457,095</u>	<u>6,614,825</u>
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	<u>3,124,747</u>	<u>202,257</u>	<u>3,680,293</u>	<u>7,007,297</u>

(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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Tax losses	13,144,541	13,187,089	13,498,350
Deductible temporary differences	351,814	504,142	1,692,317
	<u>13,496,355</u>	<u>13,691,231</u>	<u>15,190,667</u>

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The tax losses not recognized deferred tax assets can be carried forward in future years. As at 31 December 2021, 2022 and 2023, the following table shows unused tax losses based on its expected expiry date:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Expiring within 1 year (including 1 year)	74,057	95,687	264,348
Expiring within 2 years (including 2 years)	188,005	142,962	495,325
Expiring within 3 years (including 3 years)	228,217	316,508	702,361
Expiring within 4 years (including 4 years)	385,821	591,687	991,896
Expiring after 4 years (excluding 4 years)	12,268,441	12,040,245	11,044,420
	<u>13,144,541</u>	<u>13,187,089</u>	<u>13,498,350</u>

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Prepayments and other assets			
Prepayments (a)	5,241,768	5,174,583	4,767,457
Deductible value-added tax	6,137,776	3,875,519	5,852,464
Prepaid expenses	828,675	856,455	1,047,492
Deferred [REDACTED] expenses	—	—	30,876
Others	<u>1,711,806</u>	<u>2,100,042</u>	<u>2,060,175</u>
	13,920,025	12,006,599	13,758,464
Less: non-current portion	<u>(1,830,553)</u>	<u>(1,797,807)</u>	<u>(2,454,756)</u>
	<u>12,089,472</u>	<u>10,208,792</u>	<u>11,303,708</u>
Other receivables and other assets			
Other receivables (d)	3,147,595	2,249,186	2,233,595
Long-term receivables (b)	1,371,022	1,176,968	1,050,627
Futures margin	<u>739,557</u>	<u>1,208,013</u>	<u>632,773</u>
	5,258,174	4,634,167	3,916,995
Less: provision for impairment			
– Other receivables	(43,530)	(38,009)	(51,717)
– Long-term receivables	<u>(8,461)</u>	<u>(8,779)</u>	<u>(121,521)</u>
	(51,991)	(46,788)	(173,238)
Less: non-current portion	<u>(871,356)</u>	<u>(614,598)</u>	<u>(250,519)</u>
	<u>4,334,827</u>	<u>3,972,781</u>	<u>3,493,238</u>
Prepayments, other receivables and other assets .	<u>16,424,299</u>	<u>14,181,573</u>	<u>14,796,946</u>

(a) The non-current portion of prepayments mainly comprise prepaid construction equipment.

(b) Long-term receivables mainly comprise finance lease receivables.

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- (c) Movements on the Group’s allowance for impairment of other receivables and other assets are as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
At the beginning of the year	53,025	51,991	46,788
Allowance for impairment	168,049	36,745	146,971
Written off as uncollectible	(124,041)	(1,565)	(4,096)
Reversal	(44,007)	(39,750)	(13,886)
Exchange adjustment	(1,035)	(633)	(2,539)
At the end of the year	<u>51,991</u>	<u>46,788</u>	<u>173,238</u>

The Company

The prepayments, other receivables and other assets of the Company mainly comprise the amounts due from related parties.

- (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.

19. TRADE AND NOTE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Trade and note receivables at FVOCI	<u>10,273,552</u>	<u>13,526,540</u>	<u>13,330,008</u>

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 not qualified for derecognition.

Trade and note receivables at FVOCI is subject to the impairment assessment of IFRS 9, the impairment loss was immaterial as at 31 December 2021, 2022 and 2023. Details are disclosed in Note 3.1(b)(ii).

20. LOAN RECEIVABLES

	As at 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Loan receivables to individuals	2,217,220	1,820,952	1,555,477
Loan receivables to corporations	19,744,034	13,475,027	14,073,508
	21,961,254	15,295,979	15,628,985
Less: Provision for impairment	(452,727)	(463,929)	(356,755)
	21,508,527	14,832,050	15,272,230
Less: Non-current portion	(851,927)	(693,294)	(975,272)
	<u>20,656,600</u>	<u>14,138,756</u>	<u>14,296,958</u>

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By type of collateral held:

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Unsecured loans	2,211,108	1,818,768	1,553,285
Guaranteed loans	587,936	598,437	481,542
Pledged loans	19,162,210	12,878,774	13,594,158
	<u>21,961,254</u>	<u>15,295,979</u>	<u>15,628,985</u>

Movement of impairment of loan receivables is analyzed as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At the beginning of the year	312,854	452,727	463,929
Increase in the current year	144,691	25,814	44,273
Reversal	(1,748)	(14,612)	(170,274)
Write-off	(3,070)	—	(9,466)
Others	—	—	28,293
At the end of the year	<u>452,727</u>	<u>463,929</u>	<u>356,755</u>

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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At the beginning of the year	2,901,337	3,796,705	5,188,817
Additions and transfers	645,837	1,129,210	15,348
Disposals and transfers	(41,691)	(32,421)	(936,303)
Business combination	17,294	—	366,938
Share of profit, net	560,679	608,278	680,759
Share of other comprehensive income	(3,032)	17,391	8,031
Share of other equity movement	(3,577)	(1,834)	3,412
Dividends	(286,667)	(349,293)	(360,750)
Currency translation differences	6,525	20,781	9,857
	<u>3,796,705</u>	<u>5,188,817</u>	<u>4,976,109</u>
Less: Impairment loss	—	—	—
At the end of the year	<u>3,796,705</u>	<u>5,188,817</u>	<u>4,976,109</u>

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..

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The Company

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At the beginning of the year	1,670,583	2,428,841	3,398,523
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
Share of other comprehensive income	8,714	1,616	(960)
Share of other equity movement	(1,535)	(1,625)	(1,455)
Dividends	(107,844)	(107,609)	(104,051)
	<u>2,428,841</u>	<u>3,398,523</u>	<u>3,559,731</u>
Less: Impairment loss	—	—	—
At the end of the year	<u>2,428,841</u>	<u>3,398,523</u>	<u>3,559,731</u>

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		
	2021	2022	2023
	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
Aggregate amounts of the Group’s share of:			
Profit from operations	560,679	608,278	680,759
Other comprehensive income	(3,032)	17,391	8,031
Total comprehensive income	<u>557,647</u>	<u>625,669</u>	<u>688,790</u>

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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	2,428,841	3,398,523	3,559,731
Aggregate amounts of the Company’s share of:			
Profit from operations	271,367	260,651	157,844
Other comprehensive income	8,714	1,616	(960)
Total comprehensive income	<u>280,081</u>	<u>262,267</u>	<u>156,884</u>

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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		
	2021	2022	2023
	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
– Other financial assets at FVOCI (Note 24) . . .	27,530,069	17,667,661	11,051,350
– Trade and note receivables at FVOCI (Note 19)	10,273,552	13,526,540	13,330,008
– Derivative financial instruments (Note 25)	1,298,815	5,029,139	3,753,101
Financial assets at amortized costs:			
– Trade and note receivables (Note 28)	29,421,354	32,996,102	38,406,699
– Loan receivables (Note 20)	21,508,527	14,832,050	15,272,230
– Other receivables (Note 18)	3,104,065	2,211,177	2,181,878
– Long-term receivables and futures margin (Note 18)	2,102,118	2,376,202	1,561,879
– Other Financial assets at amortized cost (Note 23)	59,182,220	111,905,968	138,396,959
– Term deposits and restricted cash (Note 29(b))	31,325,517	4,138,131	21,786,586
– Cash and cash equivalents (Note 29(a))	40,550,039	51,131,968	59,887,260
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
– Derivative financial instruments (Note 25) . . .	166,649	314,539	415,504
Financial liabilities at amortized cost:			
– Trade and note payables (Note 31)	98,735,566	89,805,646	94,238,073
– Other payables (Note 33)	4,288,104	4,322,025	4,442,928
– Borrowings (Note 30)	53,381,558	65,267,528	71,466,690
– Lease liabilities (Note 15)	2,394,055	2,499,622	3,214,220

23. OTHER FINANCIAL ASSETS AT AMORTIZED COST

The Group

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Constant Return Financial Products	59,182,220	111,905,968	138,396,959
Less: Non-current portion	(35,485,395)	(42,032,707)	(79,121,387)
	<u>23,696,825</u>	<u>69,873,261</u>	<u>59,275,572</u>

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The Company

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Constant Return Financial Products	44,441,413	96,541,144	119,584,362
Less: Non-current portion	(33,019,381)	(35,423,894)	(70,880,635)
	<u>11,422,032</u>	<u>61,117,250</u>	<u>48,703,727</u>

As at 31 December 2021, 2022 and 2023, 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.

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. 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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Non-current:			
– Equity securities (a)	<u>5,912,873</u>	<u>6,348,556</u>	<u>5,687,591</u>
Current:			
– Structured deposits	4,285,607	1,606,608	53,750
– Listed securities	1,319,470	1,264,595	1,726,584
– Others	<u>274,125</u>	<u>413,390</u>	<u>10,254</u>
	<u>5,879,202</u>	<u>3,284,593</u>	<u>1,790,588</u>
	<u>11,792,075</u>	<u>9,633,149</u>	<u>7,478,179</u>

The Company

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Non-current:			
– Equity securities (a)	<u>537,214</u>	<u>347,698</u>	<u>285,170</u>
Current:			
– Structured deposits	3,050,005	–	–
– Listed securities	<u>392,312</u>	<u>274,120</u>	<u>299,001</u>
	<u>3,442,317</u>	<u>274,120</u>	<u>299,001</u>
	<u>3,979,531</u>	<u>621,818</u>	<u>584,171</u>

- (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.

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(b) Other Financial assets at FVOCI

The Group

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Non-current:			
– Equity securities	45,747	41,359	37,874
– Transferable certificate of deposits	7,893,935	11,094,259	6,319,047
	<u>7,939,682</u>	<u>11,135,618</u>	<u>6,356,921</u>
Current:			
– Transferable certificate of deposits	19,590,387	6,532,043	4,694,429
	<u>27,530,069</u>	<u>17,667,661</u>	<u>11,051,350</u>

The Company

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Non-current:			
– Transferable certificate of deposit	6,034,563	7,215,301	3,334,059
Current:			
– Transferable certificate of deposit	19,095,262	5,236,623	4,049,224
	<u>25,129,825</u>	<u>12,451,924</u>	<u>7,383,283</u>

As at 31 December 2021, 2022 and 2023, 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. Details are disclosed in Note 3.1(b)(ii).

25. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Assets:			
– Cross-currency interest rate swaps – used for hedging (a)	–	3,374,926	1,924,092
– Cross-currency interest rate swaps – held for trading	–	901,762	1,213,625
– Foreign currency and futures contracts – used for hedging (b)	752,950	86,967	392,593
– Others – held for trading	545,865	665,484	222,791
	<u>1,298,815</u>	<u>5,029,139</u>	<u>3,753,101</u>
Less: Non-current portion	<u>–</u>	<u>(4,276,688)</u>	<u>(2,082,347)</u>
	<u>1,298,815</u>	<u>752,451</u>	<u>1,670,754</u>

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	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Liabilities:			
– Foreign currency and futures contracts –			
used for hedging (b)	9,047	79,933	155,554
– Others – held for trading	157,602	234,606	259,950
	<u>166,649</u>	<u>314,539</u>	<u>415,504</u>
Less: Non-current portion	<u>–</u>	<u>–</u>	<u>(2,282)</u>
	<u>166,649</u>	<u>314,539</u>	<u>413,222</u>

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) The effects of applying hedge accounting on the Group’s reserve are as follows:

	Cost of hedging reserve	Cash flow hedge reserve		Total hedge reserves
		Cross-currency interest rate swaps	Others	
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	–	–	<u>(14,285)</u>	<u>(14,285)</u>
Closing balance				
31 December 2021	–	–	<u>304,344</u>	<u>304,344</u>

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	Cost of hedging reserve	Cash flow hedge reserve		Total hedge reserves
		Cross-currency interest rate swaps	Others	
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	<u>69,882</u>	<u>663,057</u>	<u>36,904</u>	<u>769,843</u>
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	<u>94,915</u>	<u>371,328</u>	<u>193,429</u>	<u>659,672</u>

26. INVENTORIES

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Finished goods	33,636,462	34,753,459	35,291,863
Raw materials	9,592,914	8,675,143	8,572,689
Work in progress	2,406,866	2,519,241	3,170,699
Consigned processing materials	596,531	427,838	444,995
Contract fulfilment costs	232,049	368,584	556,540
	<u>46,464,822</u>	<u>46,744,265</u>	<u>48,036,786</u>
Less: Provision for impairment loss	<u>(540,383)</u>	<u>(699,368)</u>	<u>(697,531)</u>
	<u>45,924,439</u>	<u>46,044,897</u>	<u>47,339,255</u>

- (i) The cost of inventories recognized as expenses and included in cost of revenue for the years ended 31 December 2021, 2022 and 2023 amounted to approximately RMB288,094,553,000, RMB278,545,411,000 and RMB293,347,487,000, respectively.

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27. CONTRACT ASSETS

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Contract assets (i)	3,870,243	4,572,177	4,163,267
Less: allowance for credit losses	(46,767)	(73,221)	(117,342)
	<u>3,823,476</u>	<u>4,498,956</u>	<u>4,045,925</u>

(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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Trade and note receivables			
– Trade receivables	25,495,619	29,570,582	34,367,460
– Note receivables.	4,816,538	4,819,885	5,587,562
	<u>30,312,157</u>	<u>34,390,467</u>	<u>39,955,022</u>
Less: allowance for credit losses			
– Trade receivables	(859,179)	(1,332,609)	(1,482,721)
– Note receivables.	(31,624)	(61,756)	(65,602)
	<u>(890,803)</u>	<u>(1,394,365)</u>	<u>(1,548,323)</u>
	<u>29,421,354</u>	<u>32,996,102</u>	<u>38,406,699</u>

(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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Below 3 months	21,985,394	24,927,697	29,183,011
Between 3 and 6 months	1,638,277	1,627,320	2,047,141
Between 6 months and 1 year.	942,730	1,587,150	1,378,882
Between 1 and 2 years	617,355	1,099,842	1,114,153
Over 2 years	311,863	328,573	644,273
	<u>25,495,619</u>	<u>29,570,582</u>	<u>34,367,460</u>

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 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).

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Movements on the provision for impairment of trade and note receivables at amortized cost are as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At the beginning of the year	876,920	890,803	1,394,365
Allowance for impairment	205,124	741,275	594,362
Written off as uncollectible	(92,215)	(55,411)	(75,948)
Reversal	(88,658)	(235,786)	(402,822)
Exchange adjustment	(10,368)	53,484	38,366
At the end of the year	<u>890,803</u>	<u>1,394,365</u>	<u>1,548,323</u>

- (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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Cash at banks and in hand.	38,892,189	50,513,570	57,783,145
Short-term bank deposits with initial terms within three months	1,384,901	446,004	1,956,144
Surplus reserve deposits with the Central Bank . .	272,949	172,394	147,971
	<u>40,550,039</u>	<u>51,131,968</u>	<u>59,887,260</u>

The Company

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Cash at banks and in hand.	<u>21,957,042</u>	<u>27,904,229</u>	<u>29,283,158</u>

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(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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Term bank deposits (i)	29,767,516	1,911,210	16,848,494
Guarantee deposits (ii)	443,893	1,688,278	4,072,963
Statutory reserve deposits with the Central Bank for banking operations	419,718	328,409	415,070
Interest receivable	694,390	210,234	450,059
	<u>31,325,517</u>	<u>4,138,131</u>	<u>21,786,586</u>

The Company

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Term bank deposits (i)	25,150,000	–	–
Guarantee deposits (ii)	381,737	588,172	977,444
Interest receivable	665,218	–	–
	<u>26,196,955</u>	<u>588,172</u>	<u>977,444</u>

(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.

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30. BORROWINGS

The Group

	As at 31 December								
	2021			2022			2023		
	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
Secured									
Bank loans (b)	28,771,097	14,716	28,785,813	588,853	–	588,853	3,094,159	152,966	3,247,125
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
Debentures	–	–	–	–	3,163,616	3,163,616	–	3,217,969	3,217,969
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
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

- (a) As at 31 December 2021, 2022 and 2023, the annual interest rate of short-term borrowings were ranged from 0.41% to 9.75%, 1.40% to 15.45%, and 2.20% to 7.04%, respectively.

As at 31 December 2021, 2022 and 2023, the annual interest rate range of long-term borrowings were ranged from 0.49% to 5.50%, 0.30% to 5.99% and 0.30% 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.

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(d) At 31 December 2021 and 2022 and 2023, the Group’s borrowings were repayable as follows:

	Borrowings		
	As at 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Within 1 year.	33,647,538	11,417,964	22,109,985
Between 1 and 2 years	6,225,500	13,047,462	38,383,925
Between 2 and 5 years	13,508,520	40,802,102	10,839,625
Over 5 years	—	—	133,155
	<u>53,381,558</u>	<u>65,267,528</u>	<u>71,466,690</u>

(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								
	2021			2022			2023		
	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
Bank loans.	<u>90,000</u>	<u>12,509,900</u>	<u>12,599,900</u>	<u>5,890,000</u>	<u>15,619,900</u>	<u>21,509,900</u>	<u>7,019,900</u>	<u>16,600,000</u>	<u>23,619,900</u>

31. TRADE AND NOTE PAYABLES

	As at 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Trade and note payables			
– Trade payables.	65,983,559	64,233,225	72,530,465
– Notes payables	<u>32,752,007</u>	<u>25,572,421</u>	<u>21,707,608</u>
	<u>98,735,566</u>	<u>89,805,646</u>	<u>94,238,073</u>

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		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Below 3 months	60,571,240	58,401,404	67,421,139
Between 3 and 6 months	2,269,335	2,561,447	1,838,583
Between 6 months and 1 year.	1,871,896	2,102,026	1,597,946
Over 1 year.	<u>1,271,088</u>	<u>1,168,348</u>	<u>1,672,797</u>
	<u>65,983,559</u>	<u>64,233,225</u>	<u>72,530,465</u>

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32. CONTRACT LIABILITIES

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Contract liabilities			
– advances on sales and services	21,319,800	25,143,337	38,549,278
– advances for construction projects	2,596,795	2,816,701	3,216,197
	<u>23,916,595</u>	<u>27,960,038</u>	<u>41,765,475</u>

- (i) More than 90% of contract liabilities included in the carrying amount as at 31 December 2021 and 2022, were transferred to operating revenue in following year.
- (ii) For the years ended 31 December 2021, 2022 and 2023, more than 4% of the revenue recognized relates to carried-forward contract liabilities.

33. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Sales rebate accruals	31,307,753	40,041,953	48,311,934
Marketing and transportation expenses accruals	5,689,733	6,118,002	7,908,952
Salaries, wages and benefits	9,360,184	8,640,673	10,509,901
Endorsed note receivables without been derecognized and not yet due	3,002,446	2,647,855	2,951,899
Other taxes payable	2,432,227	2,141,813	1,977,849
Other payables (a)	4,288,104	4,322,025	4,442,928
Others	<u>9,217,234</u>	<u>10,031,244</u>	<u>12,789,011</u>
	65,297,681	73,943,565	88,892,474
Less: non-current portion			
– Salaries, wages and benefits	(1,825,016)	(1,488,456)	(1,433,874)
– Others	<u>(998,260)</u>	<u>(1,075,459)</u>	<u>(819,422)</u>
	<u>62,474,405</u>	<u>71,379,650</u>	<u>86,639,178</u>

- (a) Other payables mainly comprise restricted stock repurchase obligations and deposits.

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The Company

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Payments payable to subsidiaries	148,430,832	157,685,237	168,758,484
Restricted share repurchase obligations	1,563,155	1,269,309	1,020,323
Taxes payable	1,184,813	718,181	411,715
Interest payable	1,027,834	597,500	628,620
Accrued expense	35,932	77,066	147,552
Salaries, wages and employee benefits	420,536	173,824	169,349
Others	428,734	401,305	286,523
	<u>153,091,836</u>	<u>160,922,422</u>	<u>171,422,566</u>

34. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Liabilities to fund investors	—	1,580,771	1,346,674
	<u>—</u>	<u>1,580,771</u>	<u>1,346,674</u>

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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Government grant	1,228,459	1,721,092	1,734,932
	<u>1,228,459</u>	<u>1,721,092</u>	<u>1,734,932</u>

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
Repurchases and cancellation	(77,849)	(77,849)	(7,893)	(7,893)
At the end of the year	<u>6,986,564</u>	<u>6,986,564</u>	<u>6,997,273</u>	<u>6,997,273</u>

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	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
Repurchases and cancellation	(9,994)	(9,994)
At the end of the year	<u>7,025,769</u>	<u>7,025,769</u>

- (i) As at 31 December 2021, 2022 and 2023, Midea Holding Co., Ltd. was holding 330,000,000 shares of the Company, accounting for 31.05%, 31.00% and 30.87% of the total shares, respectively.

(b) Shares held for share schemes

	As at 31 December		
	2021	2022	2023
Shares held for share schemes ('000)	<u>194,529</u>	<u>213,279</u>	<u>174,179</u>

Details	Year ended 31 December		
	2021	2022	2023
At the beginning of the year	116,284	194,529	213,279
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)
At the end of the year	<u>194,529</u>	<u>213,279</u>	<u>174,179</u>

37. TREASURY SHARES

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At the beginning of the year	6,094,347	14,044,550	14,933,944
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)	–	–
Treasury shares transferred to the grantees or cancelled under share schemes	(714,945)	(1,747,627)	(2,062,206)
At the end of the year	<u>14,044,550</u>	<u>14,933,944</u>	<u>12,871,738</u>

- (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 scheme, 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.

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- (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.

38. RETAINED EARNINGS

The Group

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At the beginning of the year	87,057,702	102,979,342	119,675,616
Net profit	28,586,980	29,553,342	33,721,536
Transfer from other comprehensive income (Note 39)	2,866	(1,351)	–
Dividends (Note 12)	(11,052,729)	(11,652,025)	(17,144,264)
Appropriation to general reserves (Note 39)	(131,938)	–	(19,678)
Reversal of general reserves (Note 39)	–	47,923	49,152
Appropriation to statutory reserves (Note 39) . . .	(1,483,539)	(1,253,027)	–
Others	–	1,412	–
At the end of the year	<u>102,979,342</u>	<u>119,675,616</u>	<u>136,282,362</u>

The Company

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At the beginning of the year	25,795,178	28,094,390	27,719,633
Net profit	14,835,480	12,530,295	17,326,161
Dividends (Note 12)	(11,052,729)	(11,652,025)	(17,144,264)
Appropriation to statutory reserves (Note 39) . . .	(1,483,539)	(1,253,027)	–
At the end of the year	<u>28,094,390</u>	<u>27,719,633</u>	<u>27,901,530</u>

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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, net of tax	–	–	–	–	–	–	(189,887)	–	(189,887)
Others	–	–	–	–	–	–	–	422,415	422,415
At 31 December 2021	<u>2,161,354</u>	<u>14,944,914</u>	<u>9,449,901</u>	<u>719,922</u>	<u>15,542</u>	<u>304,344</u>	<u>(1,983,858)</u>	<u>3,331,538</u>	<u>28,943,657</u>

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	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, net of tax	–	–	–	–	–	–	1,175,615	–	1,175,615
Others	–	–	–	–	–	–	–	9,596	9,596
At 31 December 2022	<u>2,279,108</u>	<u>15,507,577</u>	<u>10,702,928</u>	<u>671,999</u>	<u>16,350</u>	<u>769,843</u>	<u>(808,243)</u>	<u>2,053,529</u>	<u>31,193,091</u>

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	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, net of tax	–	–	–	–	–	–	(84,370)	–	(84,370)
Others	–	–	–	–	–	–	–	(11,819)	(11,819)
At 31 December 2023	<u>2,020,605</u>	<u>17,382,223</u>	<u>10,702,928</u>	<u>642,525</u>	<u>16,040</u>	<u>659,672</u>	<u>(892,613)</u>	<u>1,909,390</u>	<u>32,440,770</u>

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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 . . .	<u>2,778,756</u>	<u>23,897,003</u>	<u>9,449,901</u>	<u>422,099</u>	<u>36,547,759</u>
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 . . .	<u>2,927,774</u>	<u>24,452,338</u>	<u>10,702,928</u>	<u>440,417</u>	<u>38,523,457</u>
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 . . .	<u>2,706,105</u>	<u>26,324,507</u>	<u>10,702,928</u>	<u>441,929</u>	<u>40,175,469</u>

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- (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

(a) 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

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	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

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price	Share options		
			As at 31 December		
			2021	2022	2023
			(‘000)	(‘000)	(‘000)
7 May 2018	6 May 2024	56.34	24,669	16,401	4,883
11 March 2019	10 March 2025	47.17	3,936	2,641	1,409
30 May 2019	29 May 2025	52.87	34,171	25,352	13,341
5 June 2020	4 June 2024	50.43	54,254	41,721	15,047
4 June 2021	3 June 2026	81.41	81,740	81,740	45,785
8 June 2022	7 June 2027	54.61	–	107,693	107,693
			198,770	275,548	188,158

The weighted-average remaining contract life for outstanding share options was 3.42 years, 3.29 years and 2.71 years as at 31 December 2021, 2022 and 2023, 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.

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The number of restricted shares granted to the Group’s incentive participants is summarized as follows:

	Year ended 31 December		
	2021	2022	2023
	('000)	('000)	('000)
Outstanding as at the beginning of the year	74,082	62,267	50,211
Granted	9,940	12,153	18,325
Vested	(15,882)	(16,316)	(18,639)
Lapsed	(5,873)	(7,893)	(9,994)
Outstanding as at the end of the year	<u>62,267</u>	<u>50,211</u>	<u>39,903</u>

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.

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.

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The fair value of granted shares were RMB201,500,000, RMB212,200,000 and RMB564,849,000 for Seventh Global Partner Stock Ownership Scheme, Eighth Global Partner Stock Ownership Scheme and 2023 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 were RMB1,578,070,000, RMB1,028,950,000 and RMB1,245,456,000, respectively.

An accumulated amount of RMB2,161,354,000, RMB2,279,108,000 and RMB2,020,605,000 respectively, for the years ended 31 December 2021, 2022 and 2023 has been recognized as capital reserve.

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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Profit before income tax for the year	33,738,737	34,958,466	40,279,324
Adjustments for:			
Interest income (<i>Note (6)</i>)	(4,780,157)	(5,081,372)	(5,977,068)
Finance cost – net (<i>Note (10)</i>)	898,055	1,109,247	2,287,559
Depreciation and amortization of non-current assets	6,491,339	6,505,385	7,346,760
Net (gains)/losses on disposal of property, plant and equipment and other non-current assets (<i>Note (7)</i>)	(58,257)	59,854	60,868
Net impairment losses on financial assets and contract assets (<i>Note (3.1)(b)</i>)	384,501	538,108	235,002
Impairment provision for investments in associates and joint ventures	–	6,179	–
Impairment provision for inventories and other assets	482,370	502,762	403,399
Share of profit of associates and joint ventures, net (<i>Note (21)</i>)	(560,679)	(608,278)	(680,759)
Net (gains)/losses on financial instruments (<i>Note (7)</i>)	(1,731,713)	519,286	262,395
Net losses on other assets	93,025	132,109	181,295
Net foreign exchange losses/(gains)	485,220	(288,492)	17,251
Share-based compensation expenses and others	1,578,169	1,028,950	1,261,836
Changes in working capital:			
Increase in trade and note receivables	(1,022,166)	(10,141,150)	(8,012,781)
(Increase)/decrease in contract assets	(670,733)	(269,229)	547,562
(Increase)/decrease in loan receivables	(4,065,830)	6,665,275	(333,006)
(Increase)/decrease in inventories	(15,201,834)	(423,933)	206,064
Increase/(decrease) in trade and note payables	13,081,493	(9,089,349)	1,989,270
Increase in contract liabilities	9,424,503	2,573,501	12,251,616
Increase in other payables and accruals	1,436,864	13,543,384	14,174,995
Changes in other assets and liabilities	545,303	(784,537)	(1,949,716)
Cash generated from operations	40,548,210	41,456,166	64,551,866

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(b) Non-cash activities

	Year ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Purchase of inventories and long-term assets by bank acceptance notes	62,462,970	55,682,577	65,413,361
Addition of right-of-use assets	3,628,730	1,784,120	3,044,727
	<u>66,091,700</u>	<u>57,466,697</u>	<u>68,458,088</u>

(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	<u>53,525,069</u>	<u>–</u>	<u>2,394,055</u>	<u>55,919,124</u>
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	<u>62,350,510</u>	<u>3,163,616</u>	<u>2,499,622</u>	<u>68,013,748</u>
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	<u>68,487,826</u>	<u>3,217,969</u>	<u>3,214,220</u>	<u>74,920,015</u>

(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.

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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.

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(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 recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

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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 and RMB54,307,000 in reserves for the year ended 31 December 2022 and 2023, 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		
			2021	2022	2023
Midea Holding Co., Ltd.	Ultimate parent entity	Foshan	31.05%	31.00%	30.87%

The Company’s ultimate holding company is Midea Holding Co., Ltd., and the ultimate controlling person is Mr. He Xiangjian.

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(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:

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 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.

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	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
Associates and joint ventures of the Group	654,657	658,775	859,288
Holding company of a principal subsidiary’s substantial shareholder together with its subsidiaries	468,195	395,726	358,684
Controlled by the Company’s ultimate controlling shareholder.	8,149	24,045	36,915
	<u>4,144,799</u>	<u>2,500,914</u>	<u>2,697,313</u>
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
Associates and joint ventures of the Group	691,182	792,561	939,683
Controlled by the Company’s ultimate controlling shareholder.	222,778	252,484	474,962
Controlled by immediate family members of the Company’s ultimate controlling shareholder. . .	5,304	9,196	11,270
	<u>3,512,023</u>	<u>3,692,580</u>	<u>5,147,848</u>
Interest income:			
Associates and joint ventures of the Group	<u>223,659</u>	<u>366,918</u>	<u>293,347</u>
Dividend income:			
Associates and joint ventures of the Group (Note (21)).	<u>286,667</u>	<u>349,293</u>	<u>360,750</u>

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(d) Balance with related parties

	As at 31 December		
	2021	2022	2023
	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
Other financial assets at amortized cost			
Associates and joint ventures of the Group	–	2,658,912	5,900,564
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
Associates and joint ventures of the Group	181,981	233,308	183,835
Controlled by the Company’s ultimate controlling shareholder.	60	7,652	75,472
Controlled by immediate family members of the Company’s ultimate controlling shareholder. . .	2,516	28,189	3,222
	676,459	489,336	545,682
Trade and note payables			
Holding company of a principal subsidiary’s substantial shareholder together with its subsidiaries	32,130	142,300	106,645
Associates and joint ventures of the Group	119,310	98,202	269,155
Controlled by immediate family members of the Company’s ultimate controlling shareholder. . .	497,519	103,743	204,348
Controlled by the Company’s ultimate controlling shareholder.	610	516	897
	649,569	344,761	581,045
Contract liabilities			
Controlled by the Company’s ultimate controlling shareholder.	10,760	20,520	7,693
Controlled by immediate family members of the Company’s ultimate controlling shareholder. . .	1,290	2,307	534
Associates and joint ventures of the Group	5,016	8,114	28,588
	17,066	30,941	36,815
Prepayments, other receivables and other assets			
Associates and joint ventures of the Group	5,455	800	1,777
Other payables and accruals			
Controlled by the Company’s ultimate controlling shareholder.	1,699	3,328	1,600
Controlled by immediate family members of the Company’s ultimate controlling shareholder. . .	367	502	69
Associates and joint ventures of the Group	1,462	1,601	18,873
	3,528	5,431	20,542

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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 31 December 2023 are other financial assets at amortized cost, which will be mature until July 2026 according to the agreements.

(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		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Fee	1,800	1,800	1,800
Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	69,345	95,076	120,684
Share-based compensation expenses	118,993	114,805	124,707
	<u>190,138</u>	<u>211,681</u>	<u>247,191</u>

The short-term benefits disclosed above include RMB36,170,000, RMB16,990,000 and RMB73,726,000 of bonuses payable under a short-term incentive scheme which were unpaid as at year 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

	Year ended 31 December		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Contracted, but not provided for purchase of property, plant and equipment	<u>5,990,809</u>	<u>5,145,982</u>	<u>4,005,911</u>

47. CONTINGENCIES

As at 31 December 2021, 2022 and 2023 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) and BRL735 million (equivalent to RMB1,075 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 and RMB230 million as at 31 December 2021, 2022 and 2023, 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

On 26 March 2024, a final dividend in respect of the year ended 31 December 2023 of RMB30 per 10 shares (tax inclusive) has been proposed by the directors. On 19 April 2024, the proposed final dividend in respect of 2023 is approved by shareholders in the shareholders’ meeting. These financial statements do not reflect this dividend payable as it was not approved as at the balance sheet date.

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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:

Name	Place of Incorporation and Operation	Principal Activities	Issued ordinary/registered share capital (’000)	Percentage of equity interest							
				As at 31 December				As at the date of this report			
				2021		2022		2023		the date of this report	
				Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
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%
Annto Logistics Supply Chain Technology Co., Ltd.	Mainland China	Logistics and warehousing services	RMB540,000	–	75.61%	–	75.61%	–	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%
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%
Foshan Shunde Midea Household Appliances Industry Co., Ltd.	Mainland China	Investment holding	RMB5,500,000	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%

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Name	Place of Incorporation and Operation	Principal Activities	Issued ordinary/registered share capital ('000)	Percentage of equity interest					
				As at 31 December			As at the date of this report		
				2021		2022		2023	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
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%
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%
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%
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%
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%
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%
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%
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%

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Name	Place of Incorporation and Operation	Principal Activities	Issued ordinary/registered share capital ('000)	Percentage of equity interest					
				As at 31 December			As at the date of this report		
				2021		2022		2023	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
KUKA AG	Germany	Manufacturing and sales of robots and robot-based products and solutions	EUR103,416	-	95.00%	-	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%
Midea Electric Netherlands (I) B.V.	Netherlands	Investment holding	EUR25	-	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%
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%
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%
Midea Innovation Investment Co., Ltd.	Mainland China	Investment holding	RMB100,000	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%	-
Midea Investment Development Company Limited	British Virgin Islands	Investment in home appliances manufacturers	Nil	-	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%	-
TLSC	Japan	Manufacturing of home and kitchen appliances, office appliances, and industrial appliances	JPY100,000	-	100.00%	-	100.00%	-	100.00%

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Name	Place of Incorporation and Operation	Principal Activities	Issued ordinary/registered share capital (‘000)	Percentage of equity interest					
				As at 31 December			As at the date of this report		
				2021		2022		2023	
				Direct	Indirect	Direct	Indirect	Direct	Indirect
Toshiba Consumer Marketing Corporation . . . Japan		Manufacturing and sales of home appliances	JPY100,000	-	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%
Wuhu Annto Logistics Technology Co., Ltd.	Mainland China	Logistics and warehousing services	RMB198,063	-	75.61%	-	75.61%	-	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%
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%	-
Wuxi Little Swan Electric Co., Ltd.	Mainland China	Manufacturing and sales of laundry appliances	RMB732,488	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%	-

(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.

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The statutory auditors of the subsidiaries of the Group during the Track Record Period are set out below:

Company name	Note	Name of statutory auditors		
		2021	2022	2023
Anhui Meizhi Precision Manufacturing Co., Ltd. . . .	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Annto Logistics Supply Chain Technology Co., Ltd.	(b)	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.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Foshan Shunde Midea Household Appliances Industry Co., Ltd.	(b)	RSM China CPA LLP	RSM China CPA LLP	RSM China CPA LLP
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
GD Midea Air-Conditioning Equipment Co., Ltd.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
GD Midea Heating & Ventilating Equipment Co., Ltd.	(b)	RSM China CPA LLP	RSM China CPA LLP	RSM China CPA LLP
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Hefei Midea Refrigerator Co., Ltd.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Hubei Midea Refrigerator Co., Ltd.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
KUKA AG	(b)	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Midea Capital Corporation Limited	(b)	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. . .	(b)	PricewaterhouseCoopers LLP	PricewaterhouseCoopers LLP	PricewaterhouseCoopers LLP
Midea Group (Shanghai) Co. Ltd.	(b)	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.	(b)	RSM China CPA LLP	RSM China CPA LLP	RSM China CPA LLP

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Company name	Note	Name of statutory auditors		
		2021	2022	2023
Midea International Corporation Company Limited	(b)	PricewaterhouseCoopers	PricewaterhouseCoopers	PricewaterhouseCoopers
Midea Investment Development Company Limited.	(a)	–	–	–
Ningbo Midea United Materials Supply Co. Ltd.	(b)	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.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Wuhu Annto Logistics Technology Co., Ltd.	(b)	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.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Wuhu Midea Life Appliances Mfg Co., Ltd.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Wuxi Little Swan Electric Co., Ltd.	(b)	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP	PricewaterhouseCoopers Zhong Tian LLP
Zhejiang Meizhi Compressor Co., Ltd.	(b)	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 audit of these companies for the year ended 31 December 2023 are still in progress, the audited financial statements for the year ended 31 December 2023 of which have not been issued.
- (c) The English names of the Mainland China companies are direct translation or transliteration of their Chinese registered names.
- (d) 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.
- (e) 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).

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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.

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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.

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(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.

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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.

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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, 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.

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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.

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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

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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 hedged 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.

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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.

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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.

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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).

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(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.

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(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 recognising 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 granted 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.

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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.

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- (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 hat 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 31 December 2023 and up to the date of this report.

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 [REDACTED] as if it had taken place on 31 December 2023 and based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023 as shown in 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 [REDACTED] been completed as at 31 December 2023 or any future dates:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023	Estimated net [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB’000 (Note 1)	RMB’000 (Note 2)	RMB’000	RMB (Note 3)	HK\$ (Note 4)
Based on an [REDACTED] of HK\$[REDACTED] per H Share . . .	<u>123,798,532</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on an [REDACTED] of HK\$[REDACTED] per H Share . . .	<u>123,798,532</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

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Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023 is extracted 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 31 December 2023 of approximately RMB162,877,163,000, with an adjustment for the intangible assets attributable to the owners of the Company as at 31 December 2023 of approximately RMB39,078,631,000.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on [REDACTED] and the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per H Share respectively, after deduction of the [REDACTED] fees and other related [REDACTED] expenses (excluding [REDACTED] expenses of RMB3,060,000 which have been accounted for in the consolidated statements of profit or loss prior to 31 December 2023) and takes no account of any Shares which may be allotted and 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 [REDACTED] Shares were in issue, assuming that the [REDACTED] had been completed on 31 December 2023 but does not take into account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the [REDACTED], 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\$[1.1024]. 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 31 December 2023. In particular, the unaudited pro forma adjusted consolidated net tangible assets and the unaudited pro forma adjusted consolidated net tangible assets per Share have not taken into account the effect of the final dividend in respect of the year ended 31 December 2023 that the Board proposed on 26 March 2024 and the shareholders’ meeting approved on 19 April 2024 to declare a final dividend of RMB30 per 10 shares (tax inclusive) on the basis of the total number of shares eligible for profit distribution at the record date of the profit distribution. Such dividend will be paid upon or before [REDACTED] from the internal resources of the Company. [For the purpose of the unaudited pro forma financial information, the final dividend amounting to RMB20,777,585,000 is calculated based on 6,925,861,713 shares (excluding the shares repurchased by the Company) at the Latest Practicable Date.] Had the above dividend amounting to [RMB20,777,585,000] been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would have been RMB[REDACTED] (or approximately HK\$[REDACTED]) based on an [REDACTED] of HK\$[REDACTED] per Share and RMB[REDACTED] (or approximately HK\$[REDACTED]) based on an [REDACTED] of HK\$[REDACTED] per Share, respectively.

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[REDACTED]

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[REDACTED]

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[REDACTED]

APPENDIX III

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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%.

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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

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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.

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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.

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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.

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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.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

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.

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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.

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SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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.

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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

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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

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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

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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 will come 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 is 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.

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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 two 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. A joint stock limited company established by the subscription method shall obtain the approval for public offering from the securities regulatory authority of the State Council and submit the approval to the company registration authority.

A joint stock limited company's promoters shall be liable for: (1) the payment of debts and expenses incurred in the incorporation process jointly and severally if a company cannot be incorporated; (2) the refund of subscription monies paid by the subscribers, together with interest, at bank rates of deposit for the same period jointly and severally if a company cannot be incorporated; and (3) the compensation of any damages suffered by a company as a result of the default of the promoters in the course of its establishment. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on 22 April 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

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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 or land use rights.

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, when a company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters: (i) the name and domicile of a shareholder; (ii) the number of shares held by each shareholder; (iii) the serial number of the shares held by each shareholder; 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.

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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. When a company launches a public offering of new shares under the permission of the securities regulatory authority of the State Council, it must publish a prospectus for the new shares and financial and accounting reports, and prepare the share subscription form. After payment in full for the new shares issued, a company must change its registration with a company registration authority and make an announcement accordingly.

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 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.

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;

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- (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. However, if any law provides otherwise for the registration of changes in the register of members of a listed company, such provisions shall prevail. The transfer of bearer share certificates shall become effective upon delivery of such share certificates to the transferee by the shareholder.

Under the Company Law, shares in the company held by promoters shall not be transferred within one year after the date of establishment of a company. 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. Directors, Supervisors and senior management of a company shall declare to a company their shareholdings in a company and any changes of such shareholdings, and the shares transferred

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each year during their term of office shall not exceed 25% of the total shares they hold in a 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.

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;

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- (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 decide on a company's business policies and investment plans;
- (ii) to elect and replace directors and supervisors who are not representatives of the employees 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 supervisory committee or supervisors;
- (v) to examine and approve a company's annual financial budget and final accounts;
- (vi) to examine and approve a company's profit distribution plans and loss recovery plans;
- (vii) to resolve on the increase or reduction of a company's registered capital;
- (viii) to resolve on the issuance of corporate bonds;
- (ix) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;
- (x) to amend the company's Articles of Association;
- (xi) other functions and powers specified in provision of the Articles of Association.

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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.

Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall 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.

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.

Pursuant to the Guidelines for Articles of Association, shareholders who individually or jointly hold more than 3% 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.

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Under the Company Law, a shareholder may entrust a proxy to attend a shareholders’ general meeting. 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, save that shares held by a company 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 shall have a board of directors, which shall consist of five to nineteen 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 annual financial budget and final accounts;
- (v) to formulate a company’s profit distribution plan and loss recovery plan;

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- (vi) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;
- (vii) to formulate plans for cake, division, dissolution or change of corporate form of a company;
- (viii) to decide on the internal management structure of a company;
- (ix) to decide on the appointment or dismissal of the manager of a company and their remuneration;
- (x) 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;
- (xi) to formulate a company's basic management system;
- (xii) other functions and powers specified in the Articles of Association.

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 is:

- (i) a person without capacity or with restricted capacity;
- (ii) a person who has been sentenced to criminal punishment due to corruption, bribery, infringement of property, misappropriation of property or destruction of the socialist market economic order, where less than five years have elapsed since the date of completion of the sentence; or a person who has been deprived of his political rights due to a crime, where less than five years have elapsed since the date of completion of the sentence;
- (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;

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- (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; and
- (v) persons who have a relatively large amount of debts due and outstanding.

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;

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- (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 shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

- (i) to be in charge of the production, operation and management of the company and to organize the implementation of the resolutions of the board of directors;
- (ii) to organize the implementation of the company’s annual business plans and investment plans;
- (iii) to formulate plans for the establishment of the company’s internal management structure;
- (iv) to draft the company’s basic management system;
- (v) to formulate the basic rules and regulations of the company;
- (vi) to propose the appointment or dismissal of the company’s deputy manager and financial controller;
- (vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the board of directors; and
- (viii) to exercise other powers conferred by the Articles of Association and the Board.

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.

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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 and senior management are prohibited from:

- (i) misappropriation of the company's capital;
- (ii) depositing the company's capital into accounts under his own name or the name of other individuals;
- (iii) loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- (iv) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- (v) using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- (vi) accept and possess commissions paid by a third party for transactions conducted with the company;
- (vii) unauthorized divulgence of confidential business information of the company; or
- (viii) other acts in violation of their fiduciary duty to the company.

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.

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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 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. However, the capital reserve shall not be used to make up the company's losses. When the statutory reserve fund is converted into 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.

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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 or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors 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

Under the Company Law, a company shall not distribute profits before losses are covered and the statutory reserve fund is drawn.

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.

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Where the company is dissolved in accordance with sub-paragraph (i) above, it may carry on its existence by amending its articles of association, 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, a liquidation committee shall be established and the liquidation shall commence within 15 days after the occurrence of an event of dissolution. The liquidation committee of a joint stock limited company shall be composed of directors or the personnel determined by a shareholders' general meeting. If a liquidation committee is not established within the stipulated period to conduct liquidation, the creditors may apply to the people's court to appoint relevant personnel to form a liquidation committee to conduct liquidation. The people's court should accept such application and form a liquidation committee to conduct 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) to deal with the remaining property of the company after paying off debts;
- (vii) to participate in civil litigations on behalf of the company.

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 apply to the people's court for a declaration of insolvency. After the people's court has declared the company bankrupt, the liquidation committee shall hand over the affairs of the liquidation to the people's court.

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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 and to announce the termination of the company.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company’s properties. A member of the liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

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.

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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.

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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.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

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;

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- (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

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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;

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- (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;

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- (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.

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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;

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- (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.

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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

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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 9:30 a.m. on the day of the on-site General Meeting, nor later than 9:15 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.

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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.

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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.

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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;

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- (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;

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- (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.

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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;

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- (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.

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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;

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- (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;

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- (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 151 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;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (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 allocate 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 allocations 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 allocation 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.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

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.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

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.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

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.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

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.

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As approved by the third meeting of the fourth session of the Board on 24 December 2021, 2,761,793 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 20 April 2022. The total issued share capital of our Company was then decreased from RMB6,999,815,234 comprising 6,999,815,234 A Shares of nominal value of RMB1.00 each to RMB6,997,053,441 comprising 6,997,053,441 A Shares of nominal value of RMB1.00 each.

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 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.

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.

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STATUTORY AND GENERAL INFORMATION

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 [REDACTED]

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 [REDACTED] on the Hong Kong Stock Exchange;
- (b) the number of H Shares to be issued before the exercise of the [REDACTED] shall not exceed [REDACTED] of the enlarged share capital of our Company upon completion of the [REDACTED] and granting the [REDACTED] the [REDACTED] of no more than [REDACTED] of the above number of H Shares to be [REDACTED];
- (c) subject to the completion of the [REDACTED], the conditional adoption of the Articles of Association, which shall become effective on [REDACTED]; and
- (d) authorization of the Board and its authorized person to handle relevant matters relating to, among other things, the [REDACTED], the [REDACTED] and [REDACTED] 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) [the [REDACTED]]; and
- (b) the [REDACTED].

APPENDIX VI STATUTORY AND GENERAL INFORMATION

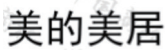
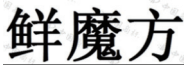
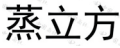
B. Our Material Intellectual Property Rights

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.

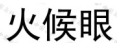
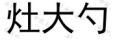
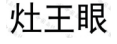
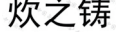
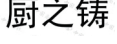
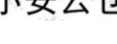
(a) Trademarks

(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.		the Company	PRC
2.		the Company	PRC
3.		the Company	PRC
4.		the Company	PRC
5.		GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	PRC
6.		GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司)	PRC
7.		Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司)	PRC
8.		Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司)	PRC
9.		Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd. (廣東美的廚房電器製造有限公司)	PRC
10.		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.		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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Trademark	Registered owner	Place of registration
12.		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.		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.		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.		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.		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.		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.		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.		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.		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.		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.		Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)	PRC
23.		Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)	PRC
24.		Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)	PRC
25.		Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)	PRC
26.		Wuhu Annto Smart Logistics Technology Co., Ltd (蕪湖安得智聯科技有限公司)	PRC

APPENDIX VI STATUTORY AND GENERAL INFORMATION

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. (無錫小天鹅電器有限公司)	PRC
30.		Wuxi Little Swan Electric Co., Ltd. (無錫小天鹅電器有限公司)	PRC
31.	全心全意小天鹅	Wuxi Little Swan Electric Co., Ltd. (無錫小天鹅電器有限公司)	PRC
32.		Wuxi Little Swan Electric Co., Ltd. (無錫小天鹅電器有限公司)	PRC
33.	小天鹅洗衣	Wuxi Little Swan Electric Co., Ltd. (無錫小天鹅電器有限公司)	PRC
34.	小天鹅	Wuxi Little Swan Electric Co., Ltd. (無錫小天鹅電器有限公司)	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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner	Patent category	Place of Registration
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
3.	Control method and device for intelligent cooking equipment, and intelligent cooking equipment	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
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. (合肥華凌股份有限公司)	Invention patent	PRC

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner	Patent category	Place of Registration
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
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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner	Patent category	Place of Registration
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
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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner	Patent category	Place of Registration
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
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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner	Patent category	Place of Registration
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
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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner	Patent category	Place of Registration
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
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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner	Patent category	Place of Registration
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
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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner	Patent category	Place of Registration
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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

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 (廣州華凌製冷設備有限公司) and our Company	Invention patent	PRC
68.	Drive control circuit, drive control method, circuit board and air conditioner	Guangzhou Hualing Refrigerating Equipment Co., Ltd (廣州華凌製冷設備有限公司)	Invention patent	PRC
69.	Operation detection method, operation detection device, vehicle air conditioner and storage medium	Guangzhou Hualing Refrigerating Equipment Co., Ltd (廣州華凌製冷設備有限公司)	Invention patent	PRC

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner	Patent category	Place of Registration
70.	Drive control module and vehicle air conditioner	Guangzhou Hualing Refrigerating Equipment Co., Ltd (廣州華凌製冷設備有限公司)	Invention patent	PRC
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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner	Patent category	Place of Registration
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
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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner	Patent category	Place of Registration
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
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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Software name	Place of Registration	Registered owner
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
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

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Software name	Place of Registration	Registered owner
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
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

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No.	Software name	Place of Registration	Registered owner
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
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)

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Software name	Place of Registration	Registered owner
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)
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)

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No.	Software name	Place of Registration	Registered owner
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)
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)

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No.	Software name	Place of Registration	Registered owner
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)
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)

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No.	Software name	Place of Registration	Registered owner
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)
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)

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No.	Software name	Place of Registration	Registered owner
96.	ANNT0 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.	ANNT0 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.	ANNT0 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.	ANNT0 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)
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

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

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 were approximately RMB116.0 million, RMB108.1 million and RMB114.8 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 RMB[124] 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 by any member of our Group to any of our Directors.

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C. Disclosure of Interests

Save as disclosed below, immediately following the completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], 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 [REDACTED] 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 [REDACTED]	Nature of interest	Number of Shares	Approximate % interest in Shares of our Company immediately after the [REDACTED] ⁽¹⁾
Mr. Fang Hongbo . . .	Executive Director, Chairman of the Board and Chief Executive Officer	A Shares	Beneficial Owner	116,990,492	[REDACTED]
Mr. Fu Yongjun . . .	Executive Director, Mechanical and electrical department president	A Shares	Beneficial Owner	200,000	[REDACTED]
Dr. Xue Yunkui . . .	Independent non-executive Director	A Shares	Beneficial Owner	179,914	[REDACTED]

Note:

- (1) The calculation is based on the assumption that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].

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(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 Meishan (Guangdong) Equity Investment Partnership (Limited Partnership) and Meishan (Guangdong) Equity Investment Partnership (Limited Partnership), respectively.

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(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 [REDACTED] and assuming that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], 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%

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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 TIAN TI 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%

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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%

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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%
JV “Midea-Gorizont” Co., Ltd. ⁽¹⁾ . . .	Belarusian Horizon Limited Liability Company ⁽¹⁾	45.0%
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 (Việt Nam) Technology Co., Ltd.	HL-VT CORP (VIETNAM)	30.0%
Carrier S.R.L.	Arco S.R.L.	27.9%

Note:

(1) The English name is for identification only.

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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 [REDACTED];
- (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 [REDACTED], 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

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- (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 [REDACTED], 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.

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(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:

<u>Stock Option Incentive Plan</u>	<u>Maximum number of options to be granted under the plan</u>
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;

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- (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.

(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.

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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.

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(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 167,576,258 A Shares, representing approximately [REDACTED] of the issued Shares immediately following the completion of the [REDACTED] (assuming no changes to our issued and outstanding shares between the Latest Practicable Date and the [REDACTED]). As of the Latest Practicable Date, the outstanding options were held by 4,223 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 [REDACTED] will be diluted by approximately [REDACTED]. The dilution effect on our earnings per Share would be approximately [REDACTED].

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	Number of outstanding options granted	Exercise price	Option period	A Shares underlying outstanding options as a percentage of issued Shares immediately after the [REDACTED] ⁽¹⁾
<i>Connected Persons</i>						
Mr. Sun Yuhuan	Director of GD Midea Air Conditioning Equipment Co., Ltd.	4 June 2021	56,000	RMB77.24	4 June 2021 to 3 June 2026	[REDACTED]
		8 June 2022	80,000	RMB52.11	8 June 2022 to 7 June 2027	[REDACTED]
Mr. Qin Shuyang	Director of Ningbo Midea United Materials Supply Co. Ltd.	5 June 2020	10,000	RMB44.69	5 June 2020 to 4 June 2024	[REDACTED]
Ms. Luo Huidan	Supervisor of Ningbo Midea United Materials Supply Co. Ltd.	8 June 2022	30,000	RMB52.11	8 June 2022 to 7 June 2027	[REDACTED]

Note:

- (1) The calculation is based on the assumption that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].

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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 which were outstanding as of the Latest Practicable Date:

Stock Option Incentive Plan	Number of grantees	Date of grant	Number of A Shares underlying the outstanding options	Exercise price	Option period	A Shares underlying the outstanding options as a percentage of issued Shares immediately after completion of the [REDACTED] ⁽¹⁾
The Fifth Stock Option Incentive Plan	14	7 May 2018	62,150	RMB47.71	7 May 2018 to 6 May 2024	[REDACTED]
	55	11 March 2019	850,000	RMB38.54	11 March 2019 to 10 March 2025	[REDACTED]
The Sixth Stock Option Incentive Plan	852	30 May 2019	9,440,523	RMB45.54	30 May 2019 to 29 May 2025	[REDACTED]
The Seventh Stock Option Incentive Plan	381	5 June 2020	4,226,335	RMB44.69	5 June 2020 to 4 June 2024	[REDACTED]
The Eighth Stock Option Incentive Plan	1,511	4 June 2021	45,340,750	RMB77.24	4 June 2021 to 3 June 2026	[REDACTED]
The Ninth Stock Option Incentive Plan	2,808	8 June 2022	107,480,500	RMB52.11	8 June 2022 to 7 June 2027	[REDACTED]

Note:

- (1) The calculation is based on the assumption that no new Shares are issued under the [REDACTED] and our Share Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].

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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 [REDACTED]. 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.

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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.

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(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;

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- (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.

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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.

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(x) Outstanding restricted Shares

As of the Latest Practicable Date, the number of outstanding restricted Shares granted under the Restricted Share Incentive Schemes was 38,981,061, representing approximately [REDACTED] of the issued Shares immediately following the completion of the [REDACTED] (assuming no changes to our issued and outstanding shares between the Latest Practicable Date and the [REDACTED]).

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 [REDACTED]
<i>Senior Management</i>						
Ms. Zhao Wenxin . . .	Chief People Officer	11 March 2019	25,000	RMB23.59	2 years	[REDACTED]
		30 May 2019	25,000	RMB25.79	2 years	[REDACTED]
		4 June 2021	56,000	RMB39.92	2 years	[REDACTED]
		8 June 2022	80,000	RMB26.47	2 years	[REDACTED]
Mr. Wang Jinliang . . .	Vice President	30 May 2019	30,000	RMB25.79	2 years	[REDACTED]
		4 June 2021	70,000	RMB39.92	2 years	[REDACTED]
		8 June 2022	80,000	RMB26.47	2 years	[REDACTED]
Mr. Li Guolin . . .	Vice President	4 June 2021	70,000	RMB39.92	2 years	[REDACTED]
		8 June 2022	80,000	RMB26.47	2 years	[REDACTED]
Mr. Guan Jinwei . . .	Vice President	30 May 2019	25,000	RMB25.79	2 years	[REDACTED]
Mr. Jiang Peng	Board Secretary	4 June 2021	56,000	RMB39.92	2 years	[REDACTED]
		8 June 2022	80,000	RMB26.47	2 years	[REDACTED]
Mr. Zhao Lei .	Vice President	11 March 2019	20,000	RMB23.59	2 years	[REDACTED]

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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 [REDACTED]
<i>Connected persons</i>						
Mr. Hu Jia . . .	Director of GD	30 May 2019	25,000	RMB25.79	2 years	[REDACTED]
	Midea Air-	4 June 2021	115,000	RMB39.92	2 years	[REDACTED]
	Conditioning Equipment Co., Ltd.	8 June 2022	60,000	RMB26.47	2 years	[REDACTED]
Ms. Chen Lihong . . .	Director of GD	30 May 2019	30,000	RMB25.79	2 years	[REDACTED]
	Midea Air-Conditioning Equipment Co., Ltd.	8 June 2022	60,000	RMB26.47	2 years	[REDACTED]
Mr. Fu Jian . . .	Director of GD	4 June 2021	56,000	RMB39.92	2 years	[REDACTED]
	Midea Air-Conditioning Equipment Co., Ltd.	8 June 2022	80,000	RMB26.47	2 years	[REDACTED]
Mr. Jiang Xuan	Director of Midea	30 May 2019	25,000	RMB25.79	2 years	[REDACTED]
	Electric Trading	4 June 2021	56,000	RMB39.92	2 years	[REDACTED]
	(Singapore) Co. Ptd. Ltd.	8 June 2022	80,000	RMB26.47	2 years	[REDACTED]
Mr. Liu Jin . . .	Director of GD	4 June 2021	42,000	RMB39.92	2 years	[REDACTED]
	Midea Air-Conditioning Equipment Co., Ltd.	8 June 2022	70,000	RMB26.47	2 years	[REDACTED]
Mr. Sun Xinmin . . .	Director of Ningbo	30 May 2019	12,500	RMB25.79	2 years	[REDACTED]
	Midea United Materials Supply Co. Ltd.					
Mr. Yang Hao .	Director of GD	30 May 2019	20,000	RMB25.79	2 years	[REDACTED]
	Midea Air-	4 June 2021	49,000	RMB39.92	2 years	[REDACTED]
	Conditioning	8 June 2022	60,000	RMB26.47	2 years	[REDACTED]
	Equipment Co., Ltd.					

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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 [REDACTED]
Mr. Zhao Dongye . . .	Director of GD Midea Air-Conditioning Equipment Co., Ltd.	30 May 2019 4 June 2021 8 June 2022	25,000 49,000 80,000	RMB25.79 RMB39.92 RMB26.47	2 years 2 years 2 years	[REDACTED] [REDACTED] [REDACTED]
Mr. Zhou Shuqing . . .	Chairman and general manager of Ningbo Midea United Materials Supply Co. Ltd.	30 May 2019 4 June 2021 8 June 2022	25,000 56,000 60,000	RMB25.79 RMB39.92 RMB26.47	2 years 2 years 2 years	[REDACTED] [REDACTED] [REDACTED]
Mr. Zhou Zhiwen . . .	Director of GD Midea Air-Conditioning Equipment Co., Ltd.	4 June 2021 8 June 2022	56,000 80,000	RMB39.92 RMB26.47	2 years 2 years	[REDACTED] [REDACTED]

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 [REDACTED]
2018 Restricted Share Incentive Scheme . . .	14	11 March 2019	245,416	RMB23.59	2 years	[REDACTED]
2019 Restricted Share Incentive Scheme . . .	296	30 May 2019	4,801,145	RMB25.79	2 years	[REDACTED]
2021 Restricted Share Incentive Scheme . . .	92	4 June 2021	4,227,250	RMB39.92	2 years	[REDACTED]
2022 Restricted Share Incentive Scheme . . .	156	8 June 2022	9,416,750	RMB26.47	2 years	[REDACTED]
2023 Restricted Share Incentive Scheme . . .	415	20 June 2023	18,322,000	RMB25.89	1 year	[REDACTED]

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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.

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(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 [REDACTED] of the issued Shares immediately following the completion of the [REDACTED] (assuming no changes to our issued Shares between the Latest Practicable Date and the [REDACTED]).

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 [REDACTED]
The Fourth Core Management Team and Business Partner Stock Ownership Scheme . . .	44	1,985,611	0.03%	[REDACTED]
The Fifth Core Management Team and Business Partner Stock Ownership Scheme	55	2,826,759	0.04%	[REDACTED]
The Seventh Core Management Team and Global Partner Stock Ownership Scheme	15	2,436,518	0.03%	[REDACTED]

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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 [REDACTED]
The Eighth Core Management Team and Global Partner Stock Ownership Scheme . . .	15	3,770,433	0.05%	[REDACTED]
2023 Stock Ownership Scheme	147	9,946,276	0.14%	[REDACTED]
2024 Stock Ownership Scheme	604	20,106,662	0.29%	[REDACTED]

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 [REDACTED] of, and permission to [REDACTED], the H Shares of our Company. All necessary arrangements have been made enabling the H Shares to be admitted into [REDACTED].

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 [REDACTED] on the Hong Kong Stock Exchange.

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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	Licensed 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 licensed 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 Accountant 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.

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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 31 December 2023, 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 [REDACTED] and the related transactions described in this document.

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STATUTORY AND GENERAL INFORMATION

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;

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- (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 [REDACTED], 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 [REDACTED] 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).

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

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;
- (d) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the texts of which are set out in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this document;
- (e) the industry report issued by Frost & Sullivan referred to in “Industry Overview” in this document;
- (f) 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;
- (g) 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;
- (h) the written consents referred to in “Statutory and General Information — 5. Other Information — F. Consents of Experts” in Appendix VI to this document;

**APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

- (i) 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
- (j) 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.