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**Midea Group Co., Ltd.**  
**Semi-Annual Report 2022**



**August 2022**

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

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

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

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

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

**The Company plans not to distribute cash dividends or bonus shares or convert capital reserves into share capital.**

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

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## **Documents Available for Reference**

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

## Definitions

Term	Definition
The “Company”, “Midea”, “Midea Group” or the “Group”	Midea Group Co., Ltd.
Midea Holding	Midea Holding Co., Ltd.
TLSC	Toshiba Lifestyle Products & Services Corporation
KUKA	KUKA Aktiengesellschaft
Hiconics	Hiconics Eco-energy Technology Co., Ltd.
WDM	Beijing Wandong Medical Technology Co., Ltd.
Clou Electronics	ShenZhen Clou Electronics Co., Ltd.
Swisslog	Swisslog Holding AG
Servotronix	Servotronix Motion Control Ltd.
WINONE	WINONE Elevator Company Limited
“TTium” or “TTium Motor”	WuHan TTium Motor Technology Co., Ltd.
Reporting Period	1 January 2022 to 30 June 2022

## Section II Company Profile and Key Financial Results

### 1. Corporate Information

Stock name	Midea Group	Stock code	000333
Stock exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	美的集团股份有限公司		
Abbr. of the Company name in Chinese (if any)	美的集团		
Name of the Company in English (if any)	Midea Group Co., Ltd.		
Abbr. of the Company name in English (if any)	Midea Group		
Legal representative	Fang Hongbo		

### 2. Contact Us

	Board Secretary	Representative for Securities Affairs
Name	Jiang Peng	You Mingyang
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Tel.	0757-22607708	0757-23274957
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E-mail	IR@midea.com	

### 3. Other Information

#### 3.1 Ways to Contact the Company

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

Applicable N/A

No such changes in the Reporting Period. The said information can be found in the 2021 Annual Report.

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

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

Applicable N/A

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing this Report and the place where materials carrying disclosed information such as this Report were kept did not change in the Reporting Period. The said information can be found in the 2021 Annual Report.

### 3.3 Other Information

Changes to other information in the Reporting Period:

Applicable N/A

## 4. Key Accounting Data and Financial Indicators

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

Yes No

	H1 2022	H1 2021	Change (%)
Operating revenue (RMB'000)	182,661,009	173,809,565	5.09%
Net profit attributable to shareholders of the Company (RMB'000)	15,995,496	15,009,046	6.57%
Net profit attributable to shareholders of the Company before non-recurring gains and losses (RMB'000)	15,691,512	14,636,511	7.21%
Net cash flows from operating activities (RMB'000)	21,394,710	20,176,410	6.04%
Basic earnings per share (RMB/share)	2.34	2.17	7.83%
Diluted earnings per share (RMB/share)	2.34	2.16	8.33%
Weighted average ROE (%)	12.18%	12.63%	-0.45%
	30 June 2022	31 December 2021	Change (%)
Total assets (RMB'000)	413,104,145	387,946,104	6.48%
Net assets attributable to shareholders of the Company (RMB'000)	129,665,290	124,868,124	3.84%

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

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

Applicable N/A

No such differences for the Reporting Period.

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

Applicable N/A

No such differences for the Reporting Period.

## 6. Non-recurring Gains and Losses

Applicable N/A

Unit: RMB'000

Item	Amount	Note
Gain or loss from disposal of non-current assets	22,156	
Except for effectively hedging business related to normal business operations of the Company, gain or loss arising from the change in the fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and other non-current financial assets, as well as investment income or loss produced from the disposal of the aforesaid financial assets and liabilities	-434,341	
Other non-operating income and expenses except above-mentioned items	772,377	
Less: Corporate income tax	30,095	
Minority interests (after tax)	26,113	
Total	303,984	--

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

Applicable N/A

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

Applicable N/A



## Section III Management Discussion and Analysis

### 1. Business Scope in the Reporting Period

#### 1.1 Summary of business scope

Midea is a global technology group comprising five major business divisions: the Smart Home Business Group, the Industrial Technology Business Group, the Building Technologies Division, the Robotics & Automation Division, and the Digital Innovation Business. Midea offers diversified products and services. Specifically, the Smart Home Business Group, as the main operating entity of smart appliances, smart home and related peripheral industries and ecological chains, undertakes the construction of intelligent scenarios for end users, user operations and data value discovery, and is committed to providing the best experience of whole-house smart home appliances and service. The Industrial Technology Business Group, with technology as the core driver, commands key technologies in intelligent transportation, industrial automation, green energy and consumer appliances. It operates many brands including GMCC, Welling, HICONICS, SUNYE, SERVOTRONIX, DORNA, MR, MSCT, TOSHIBA, etc., with its products covering high-precision core components such as compressors, motors, chips, auto parts, electronic expansion valves, variable frequency drive, servo and motion control systems, speed reducers and cooling modules. It provides green, efficient and intelligent products and technology solutions for industrial customers across the world. The Building Technologies Division is responsible for providing products and services in relation to buildings, as well as the relevant operations. With the digital building service platform as the core, it facilitates logistics, information, feeling and energy flows of buildings to provide complete building solutions that are intelligent, digital and low-carbon. The Robotics & Automation Division primarily focuses on providing solutions of industrial robotics, automatic logistics systems, and transmission systems for future factory-related fields, as well as solutions for health care, entertainment, new consumption, etc. The Digital Innovation Business primarily includes new business arising from the business model transformation of Midea Group such as intelligent supply chains and Industrial Internet, which can provide software services, unmanned retail solutions, and production services, among others, for the digital transformation of enterprises. The Digital Innovation Business also comprises Beijing Wandong Medical Technology Co., Ltd. (WDM) that is engaged in medical imaging devices and related

services.

With “Bring Great Innovations to Life” as its corporate vision, “Integrate with the World, to Inspire Your Future” as its mission, “Embrace what’s next - Aspiration、Customer First、Innovation、Collaboration、Dedication” as its values, “High-quality Development and High-performance Operations” as its management and operation standard, Midea integrates global resources and promotes technological innovation to create a better life for over 400 million users, major customers and strategic partners in different areas worldwide every year with satisfying products and services. In face of higher requirements for products and services in the digital Internet era, Midea continues to promote its strategic focus of “Technology Leadership, Direct to Users, Digitization & Intelligence Driven, and Global Impact”, so as to rebuild Midea in the new era.

Midea, a global operating company, has now established a global platform with around 200 subsidiaries, 35 R&D centers, 35 major manufacturing bases, and more than 160,000 employees. Its business covers more than 200 countries and regions. Overseas, Midea has 20 R&D centers and 18 major manufacturing bases in more than ten countries, with around 30,000 employees. 22 currencies are used by Midea in settlement. In addition, Midea is the majority shareholder of KUKA, a Germany-based world-leading provider of robotics and automation solutions, with a stake of approximately 95%.

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

Midea ranks No. 245 on the *Fortune Global 500* list unveiled in August 2022, moving up 43 places from the year before and marking its seventh year on the list. In July 2022, the *Fortune China 500* list was released and Midea ranks No. 35, moving up four places compared with the previous year. Meanwhile, Midea ranks No. 217 on the 20th *Forbes Global 2000* list released in May 2022. In August 2022, Forbes China and the China Electronics Chamber of Commerce jointly released the list of “*China Digital 100*”, and Midea was in sixth place for its comprehensive strength in the area of digital economy. In August 2022, Midea Group topped the list of “*Top 200 Enterprises of China’s Light Industry in 2021*” at CLIE Summit 2022 organized by the China National Light Industry Council. In September 2021, Midea won the China Quality Award at the fourth such event with its “5 All 5 Digitalization” intelligent quality management model. Up to early 2022, four factories of Midea have been included in the “Global Lighthouse Network”

initiated by the World Economic Forum, covering air conditioners, microwave ovens, refrigerators and laundry appliances, which represents Midea's leading intelligent manufacturing and digital capabilities across the global manufacturing sector. Meanwhile, Midea takes the lead among domestic home appliance makers by ranking No. 36 on the *2022 Brand Finance Tech 100* list released by Brand Finance, a British brand assessment institution. Also, Midea ranks No. 33 on the *2021 BrandZ™ Top 100 Most Valuable Chinese Brands* list, with its brand value up 58%. Midea has been given excellent credit ratings by the three major international credit rating agencies, Standard & Poor's, Fitch Ratings and Moody's. The ratings are in a leading position among home appliance manufacturers worldwide as well as among Chinese non-state-owned enterprises. Particularly, Standard & Poor's has raised the credit rating on Midea to "A", making it the highest-rated private manufacturer in China.

In the first half of 2022, Midea has successfully retained the "Number One Engine" of ToC business on the domestic market. According to data provider AVC, Midea ranks first with respect to both the online and offline domestic market share for seven home appliance categories, namely, residential air conditioners, microwave ovens, countertop ovens, electric fans, electric radiators, induction cookers, and electric kettles.

The table below shows the offline market shares and rankings of the Company's primary home appliance products (by retail sales) in H1 2022:

Product category	Market share	Ranking
Residential air conditioners	34.27%	1
Laundry appliances	25.66%	2
Clothes dryers	26.04%	2
Refrigerators	13.91%	2
Rice cookers	40.76%	1
Microwave ovens	54.74%	1
Electric radiators	50.88%	1
Induction cookers	46.57%	1
Electric fans	40.74%	1
Electric kettles	36.96%	1

Product category	Market share	Ranking
Water dispensers	43.67%	1
Countertop ovens	35.76%	1
Electric pressure cookers	39.54%	2
Blenders	30.63%	2
Water purifiers	19.00%	2
Electric water heaters	16.93%	3

The table below shows the online market shares and rankings of the Company's primary home appliance products (by retail sales) in H1 2022:

Product category	Market share	Ranking
Residential air conditioners	35.62%	1
Laundry appliances	33.40%	2
Clothes dryers	35.47%	1
Refrigerators	18.50%	2
Microwave ovens	47.11%	1
Countertop ovens	25.04%	1
Electric pressure cookers	39.15%	1
Induction cookers	47.57%	1
Dishwashers	29.37%	1
Electric kettles	24.52%	1
Electric fans	20.94%	1
Electric radiators	23.29%	1
Water purifiers	19.79%	1
Rice cookers	26.68%	2
Electric water heaters	31.81%	2
Gas water heaters	15.97%	2
Sterilizing cabinets	18.39%	2
Gas stoves	12.15%	2
Water dispensers	13.84%	3

Product category	Market share	Ranking
Blenders	12.02%	3
Range hoods	12.58%	3

### 1.3 Industry Overview

#### A. Home Appliance Industry

In the first half of 2022, the domestic economy bumped along under multiple pressures. The domestic GDP growth slowed, the recurrent COVID-19 pandemic dampened economic development, and low income perceptions and confidence indicators among residents led to a setback in consumption intention and a decline in total retail of consumer goods. In addition, prices of raw materials related to home appliances remained high. According to the 2022 Semi-Annual Report of China's Household Electrical Appliance Industry jointly published by the China Household Electric Appliance Research Institute (CHEARI) and the National Household Electrical Appliance Industry Information Center, China saw a decline in both the exports and domestic sales of home appliances. To be specific, the export sales of home appliances was RMB283.3 billion in H1 2022, down 8.2% year-on-year; and the domestic sales of home appliances was RMB360.9 billion in H1 2022, down 11.2% year-on-year. Currently, the world is still in a grave and complex situation due to the pandemic, with multiple challenges for economic development. Nevertheless, in the medium and long run, upgrading of the industrial structure, relatively stable increase of household income, diversified consumption, the national policy support for the green and smart industries, as well as continuous upgrading of the standards for home appliances will create new opportunities for growth. In July 2022, the Ministry of Commerce and 12 other authorities issued the Notice on Several Measures to Promote Consumption of Green and Smart Household Appliances, proposing nine policy measures to promote consumption of green and smart home appliances, which mainly cover four aspects: First, to carry out nationwide household appliance trade-in; second, to promote the use of green and smart home appliances in rural areas; third, to strengthen the whole chain of service and guarantee; and fourth, to consolidate infrastructure support. With the introduction of detailed rules on trade-in and "household appliances going to the countryside", it is expected that household appliance consumption will heat up in the second half of the year.

According to the data from the National Household Appliances Industry Information Center, the domestic retail sales of air conditioners was RMB78.2 billion in H1 2022, down 16.2% year on year. In terms of the product structure, the market share of high-end products kept rising, with the market share (by unit sales) of products with a unit price of over RMB7,000 exceeding 10% in H1 2022. In terms of product functions, the concept of air conditions kept expanding from the functions of cooling and heating to fresh air, self-cleaning, dehumidification, odor removal, air purification, etc. As the comfort of product experience has been focused on, the fresh air function products have developed rapidly, with their offline market share (by retail sales) surpassing 7% in H1 2022.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of laundry appliances was RMB30 billion in H1 2022, down 9.4% year-on-year, with the retail sales of clothes dryers reaching RMB3.2 billion, up 15.5% year-on-year. In the upgrade of the laundry appliance market, in terms of the product types, the market share of front-loading products keeps growing stably, with the offline market share (by unit sales) climbing to over 64% (over 35% for washer-dryers). Washing capacity continued to be upgraded, with large-capacity products increasingly replacing small-capacity ones. The offline unit sales of 10kg-12kg washers occupied a 70% market share, with a year-on-year increase of over 12%. Meanwhile, mid- and high-end products saw a much bigger share in the offline market by unit sales. To give an example, products with a unit price of over RMB7,000 took up a market share of nearly 10%.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of refrigerators were RMB42.7 billion in H1 2022, down 7.3% year-on-year. The market share (by retail sales) of the top five brands in the domestic refrigerator market has further increased to 72.5%. Due to the impacts of rising raw material prices and structural upgrading, structural upgrading was evident with refrigerators of different prices, with the market share (by unit sales) of products priced over RMB12,000 reaching 7.6% and the offline market share (by unit sales) of refrigerators with an over-400L capacity exceeding 60%. Consumer's intensified willingness to pursue quality life has prompted the refrigerator market to pivot towards high-end multi-dimensional design, which is mainly manifested as "good looking", "capacious", "fresh", and "intelligent". In other words, better appearance design and material, larger capacity and structure, improved storage and preservation

technology, and more smart applications.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of kitchen appliances was RMB93 billion in H1 2022, down 8.3% year-on-year, with online sales accounting for 50% of the total retail sales. As dishwashers became more popular on the domestic market, the retail sales reached RMB5 billion during H1 2022, up 8.9% year-on-year. And product upgrading continued. Integration of functions of washing, sterilization, drying and storage is a growing trend, with nearly 70% of dishwashers carrying the sterilization function and integrated dishwashers becoming more and more popular. With respect to models and specifications, the market share (by unit sales) of built-in products has approximated 85%, with the offline market share (by unit sales) of dishwashers with 15 place settings capacity soaring from 2.5% in H1 2021 to 17% in H1 2022. Integrated stove sales reached RMB11.8 billion in the domestic market, an increase of 16.9% year-on-year. Due to the surge in demand for high-end kitchen appliances, in particular steamers and ovens as a result of the pandemic, integrated stove products have evolved and upgraded rapidly, with the market share (by unit sales) of integrated stoves priced over RMB13,000 reaching 20.8% in H1 2022. The steamer-ovens have developed dramatically, with the market share (by unit sales) of products priced over RMB8,000 approximating 20%. Smart products with multiple functions are the trend. For instance, intelligent voice control function will be built in to deliver a more convenient handling experience, and integration of different cooking methods such as sautéing, stir-frying, stewing, baking and steaming enables the multi-cooking scenario possible.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic sales of small domestic appliances was RMB58.9 billion in H1 2022, down 10.8% year-on-year, of which the online sales took up a higher 76.7% of the total retail sales. With respect to the market performance of all categories, traditional products such as rice cookers, blenders and electric fans saw a decline in domestic sales while the sales of health-friendly vacuum cleaners were relatively strong due to the pandemic. In H1 2022, the domestic sales of vacuum cleaners were RMB12.7 billion, a slight year-on-year growth of 1.1%. By categories, the robot cleaner industry registered a slowdown in growth. According to AVC, the retail sales of robot cleaners were RMB5.73 billion, up 9% year-on-year. Innovative product functions boosted growth, with the market share of products carrying self-cleaning and automatic

dust collecting functions continuing to expand. Meanwhile, the product mix has been substantially improved, with the market share of products priced between RMB3,000 and RMB4,000 reaching 42.7%. Meanwhile, functions and experience of floor scrubbers have been improved as a result of the advancement of technology, represented by the application of new technologies such as roller brush and mop self-drying, sterilization through electrolysed water, push-and-pull. According to AVC, floor scrubbers recorded retail sales of RMB4.2 billion in H1 2022, up 84% year on year. In the meantime, competition is increasingly fierce. As of June 2022, more than 100 floor scrubber brands compete in the online market.

According to the data from the National Household Electrical Appliance Industry Information Center, the online retail sales of home appliances in China surpassed the offline retail sales with RMB199.48 billion in H1 2022, down 1.3% year-on-year, accounting for a higher market share of 55.3%; while the offline retail sales amounted to RMB161.39 billion, down 21% year-on-year, accounting for a lower 44.7% of the total retail sales. From the perspective of the development trend of the domestic household appliance industry: First, the phenomena of brand concentration and new brand rise coexist, where the concentration of large household appliance brands increase, and brands in the field of kitchen appliances and small household appliances still have opportunities and develop rapidly. Second, the product upgrade is still continuing, mainly focusing on the four development trends of high-end, innovation, integration, and product suites. Third, a variety of channels and scenes jointly promote the progress of the industry. On the one hand, in addition to the traditional offline and online channels and platforms, emerging channels such as Pinduoduo, Douyin, and Kuaishou are rapidly rising. During the "618" period in 2022, the total transaction amount of livestreaming marketing reached RMB144.5 billion, accounting for around 20% of the online transaction amount. On the other hand, new applications and scenes tapped based on insight into new user needs are increasing, expanding from diet, personal care, cleaning, and sleep to health care, pets, fitness, mother and infant products, security, and more scenes.

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

*World Robotics 2021 Industrial Robotics* released by the International Federation of Robotics (hereinafter referred to as "IFR") showed that there will be five trends in robot industry in 2022, which refer to that robots will be applied to more new industries, it will be more easy to operate robots, the skills of robots and workers will get promoted, robots will guarantee manufacturing, and robots will support digital



automation technology. Global robot installations rebounded strongly in 2021, with IFR projecting a 13% increase of global robot installations, amounting to 435,000 units. In particular, Americas achieved an increase of 18% year on year, Europe achieved an increase of 7.4% year on year, and Asia achieved an increase of 15% year on year. IFR also predicted that the growth rate of the global industrial robotics industry will slow down relatively from 2022 to 2024, and the annual new installations will exceed 510,000 units in 2024.

According to the data released by the National Bureau of Statistics, the domestic production volume of industrial robotics stood at 202 thousand units in H1 2022, down 11% year on year. In the first half of 2022, the continuation and recurrence of the epidemic had an impact on China's economy, as Shanghai and other regions entered a long shutdown one after another. The uncertainty of the international environment increased, and factors such as the continued trade friction between China and the United States and the outbreak of the Russia-Ukraine conflict exacerbated the instability of the global supply chain. The robotics industry chain was also greatly affected, as the chip shortage, raw material price rise, and logistics disruption and cost increase all had a significant negative impact on the supply side. Some industrial robotics manufacturers encountered capacity shortage and shipping delay, so order delivery was affected. The epidemic also affected the investment plans of downstream manufacturing enterprises, with some of them suspending or postponing their investment activities. According to the statistical analysis of MIR, in the first half of 2022, only six-axis robots above 20 kg and collaborative robots grew against the trend, whereas all other models showed a decline. Specifically, shipments of six-axis robots above 20 kg grew significantly due to the market demand for new energy vehicles and power batteries; shipments of six-axis robots below 20 kg saw a year-on-year decline due to the contraction of market demand in general industries such as metal processing as a result of the macroeconomic downturn, commodity price increase, and export obstacles; shipments of SCARA robots declined year-on-year as the 3C electronics industry was affected by the epidemic and slowdown in product innovation and the consumer demand was low; in addition, non-manufacturing sectors such as new retail, health, catering, and education were also affected by the epidemic, which led to a decrease in demand for robot applications, while the robot application markets such as electric power, inspection, and medical care performed relatively well. According to the analysis of GG-Robot Industry Institute, with the epidemic under control and economic stimulation policies introduced successively, the industrial robotics industry

is expected to achieve a high after a low start. Based on the analysis of the leading economic indicators, the momentum mainly comes from four aspects: First, industrial production has stopped falling and trended upward significantly. The industrial value added above the designated size increased by 3.4% year-on-year in the first half of the year, and accelerated and rebound to an year-on-year increase of 3.9% in June. Second, the proportion of manufacturing industry in GDP has increased. In the first half of the year, the manufacturing value added above the designated size increased by 2.8% year-on-year, and manufacturing value added accounted for 28.8% of GDP. Third, the driving force of export continues to strengthen. The delivery value for export of industrial enterprises grew by 10.8% in the first half of the year and increased by 11.1% and 15.1% in May and June, respectively. Fourth, manufacturing investment maintains a high increase. Manufacturing investment increased by 10.4% year-on-year in the first half of the year. As the recovery of the manufacturing industry, especially the acceleration of capacity expansion in new energy industries such as lithium battery and photovoltaic markets, drove the growth in demand for industrial robotics, downstream industries will also gradually recover. Meanwhile, in order to reduce the reliance on manpower, the demand for automated production lines in various fields of manufacturing will continue to increase, and the output of robotics is expected to usher in growth. Moreover, MIR predicts that the industrial robotics market will continue to grow throughout 2022, with a year-on-year growth rate of around 10%.

According to the latest statistics of IFR, in terms of industrial robotic density (the average number of industrial robotics per 10,000 workers), South Korea ranks No.1 in the world with 932 robotics, while the robotic density of China has increased from 49 robotics in 2015 to 246, nearly twice the global average of 126. China ranks No. 9 in this respect, with great potential and prospects. Supported by diverse factors such as flexible demands of the manufacturing sector, declining demographic dividend, emerging markets and the development of innovative technologies, industrial robotics will be applied to more and more areas.

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

In the smart building industry, Midea focuses on products, services and related businesses with respect to buildings. It aims to provide users with comprehensive, intelligent and sustainable building solutions based on the digital building platform and by facilitating the logistics, information, feeling and energy flows.

The smart building ecosystem mainly includes HVAC, elevator, intelligent building (building automation) and integrated energy management. From the perspective of the industry competition pattern, domestic HVAC, elevator and building control have the same pattern and two major characteristics. The first is the high proportion of foreign and joint venture brands; the second is the low market concentration. According to the data from HVAC, Industry Online and Changjiang Securities Research Institute, the proportion of foreign brands of commercial air conditioner in 2021 was about 48%, and the long tail effect was obvious as only four manufacturers have a share of more than 10%. For elevator, the data from the Business Yearbook of Elevator Industry in China and Changjiang Securities Research Institute indicates that the proportion of foreign and joint venture brands in the elevator market is as high as 70%, while the revenue scale and market share of the top domestic brands are still low. In 2021, the four major brands of Kone, Mitsubishi, Hitachi and OTIS's revenues exceeded RMB20 billion in China. The building control market is also dominated by Honeywell, Siemens, Johnson Controls, Schneider and other foreign brands. From the perspective of the market size and development prospects, according to the data from Industry Online, HVAC and Changjiang Securities Research Institute, the sales revenue (excluding tax) of domestic commercial air conditioner in 2021 was RMB123.2 billion, up 25% year on year, of which domestic sales accounted for about 90%; the compound annual growth rate of the industry in the past five years was 9%. Affected by the real estate industry and the COVID-19 pandemic, sales revenue (net of tax) of commercial air conditioners was RMB62.7 billion during H1 2022, up 4% year on year. The application field of commercial air conditioner is mainly divided into residential, commercial, industrial and public building. By business type, the sales of ToB business accounted for more than 70%, and the revenue scale was nearly RMB100 billion. In industrial development, the periodicity of the non-residential part of commercial air conditioner was smaller than that of residential part, which was more related to infrastructure investment. For example, government public construction, transportation, data center, culture, education and entertainment, medicine and other downstream segmentation still maintained a good growth trend, and a long-term high growth rate. According to the data of National Bureau of Statistics and Changjiang Securities Research Institute, in 2021 the production of domestic elevators, escalators and lifts was 1.55 million sets, up 17% year on year, which was mainly for domestic sales; the compound annual growth rate was 10% in the past five years, maintaining a steady expansion. Affected by the real estate industry and the COVID-19 pandemic, the domestic output of elevators, escalators and lifts was 647 thousand units during H1 2022, down 11.5% year on year. Judging from the operating data of major manufacturers,

the output value of a single elevator was about RMB200,000, considering the average factory price of a single elevator equipment and the maintenance business; the annual market size of domestic elevator equipment was RMB250-300 billion, and the scale of the elevator industry was even larger. The data from EqualOcean Intelligence and Changjiang Securities Research Institute shows that the current market size of intelligent building, which was about RMB7.1 billion in 2021, is relatively small. The equipment-based businesses such as commercial air conditioner and elevator are "organs" in building construction, whereas building control is the "nervous system" which controls various equipments for the high-efficiency and low-carbon operation of buildings, and determines the overall quality of building solutions. Overall, the domestic revenue of the smart building industry alone is nearly RMB400 billion, and the compound annual growth rate of the industry is between 5% and 10% (revenue caliber).

New opportunities are ushered into the smart building industry, which are "carbon emission peak and carbon neutrality", "digital and intelligent transformation" and "domestic replacement". With the establishment of the dual-carbon strategy, the intelligent and low-carbon process of building construction is expected to accelerate. As the Building Energy Conservation Research Center of Tsinghua University and the Changjiang Securities Research Institute showed in relevant data, the energy consumption and carbon emissions of buildings account for a high proportion in the whole society. The carbon emissions of building operation accounted for about 22% of the total domestic carbon emissions in 2019, and the proportion will further increase for the growing newly started buildings and the decreasing inventory buildings. Therefore, as one of the major sources of carbon emissions in the whole society, the low-carbon or even zero-carbon process in the construction field will undoubtedly be propelled. In 2021, a series of "carbon emissions peaking and carbon neutrality" policies were successively issued, such as the Opinions on Implementing the New Development Concept to Achieve Peak Carbon Emissions and Carbon Neutrality in a Complete, Accurate and Comprehensive Manner, the Opinions on Advancing the Green Development of Urban and Rural Development, the Action Plan for Peak Carbon Emissions by 2030, and the 14th Five-Year Plan for Comprehensive Work on Energy Conservation and Emission Reduction. In 2022, China's local governments issued their action plans for peaking carbon emissions while the ministries and committees of the central government rolled out documents for the same purpose, such as the Opinion on Fiscal Support for Peaking Carbon Emissions and Achieving Carbon Neutrality issued by the Ministry of Finance. All these policies mention buildings and constructions, with a view to

improving the building energy consumption management system, enhancing the building energy consumption monitoring capacity, building energy saving management capacity, and building energy efficiency level, and promoting the large-scale development of ultra-low energy consumption, near-zero energy consumption, and low-carbon buildings. With stronger policy incentives and constraints, the building energy-saving upgrading, intelligent operation, and cooperative energy management are bound to become the main measures for the targets in addition to the construction of low-carbon building standards and administrative supervision. As to the market side, the electricity price reform, "power rationing" and other measures have raised the cost and the input-output ratio in building energy saving renovation, energy management, and digital operation, and thus more and more market entities begin to positively carry out the "dual carbon" strategy and energy saving renovation. Taken as a whole, under the background of "dual carbon", the building construction, as one of the main sources of energy consumption and carbon emissions in the whole society, accelerates the process of energy conservation and carbon reduction, and catalyzes the outbreak of demand for efficient low-carbon building solutions. The demand for digital intelligent building will also increase significantly, as the development level of buildings is a key link in "smart city" and still lagging behind under the trend of digital economy. At the same time, with continuous progress of communication, computing power and algorithms, the system-level control such as HVAC and elevators will move to the building-level control - the first is the space expansion brought by changes from "control" to "service"; the second is the narrowing gap to foreign enterprises with first mover advantage. Additionally, the more positive and clear signal comes from the transformation and upgrading of the elevator industry driven by digital intelligence. In 2018, the General Office of the State Council issued the Opinions on Strengthening the Quality and Safety of Elevators for the purpose of promoting the elevator installation on existing residences and the maintenance of old elevators. Specifically, the maintenance should press for quality, and resources should be allocated on the basis of fully grasping the operation of elevators, hence the application of information technology such as big data and IoT is getting more important. In 2020, the State Administration for Market Regulation divided the maintenance methods of different elevators according to the standard of "whether there is a remote monitoring system based on IoT". The domestic replacement of commercial air conditioner has undergone three processes: unit machine, multi-split machine, and large-scale water units. In 2021, the share growth of chillers of domestic brands began to accelerate and made breakthroughs, leading the commercial air conditioner industry to the stage of domestic replacement in all aspects, and thus there is

a large space for future increase. Compared with air conditioner, the domestic replacement process of elevator is relatively slow, but the relevant market pattern will be optimized with the gradually weakened real estate dividend, the changes in maintenance mode, and the application of IoT. In the medium and long term, there will be more competition opportunities in the smart building industry with the market structure of "high proportion of foreign investment & low market concentration". On the one hand, the policy of "double carbon" is fostering the energy-saving upgrading and smart operation under the context of high proportion of carbon emissions and energy consumption by buildings. On the other hand, with the improvement of digital intelligence, the input-output effect of smart buildings is changing qualitatively, and the optimization of competition pattern is underway.

#### **D. The Company's Key Operations during the Reporting Period**

The business environment remained harsh in the first half of 2022. With the recurrent COVID-19 pandemic and the Russia-Ukraine conflict, the political and economic environment became more complicated both at home and abroad. Meanwhile, due to supply chain disruptions, the prices of bulk raw materials such as copper and aluminum remained at high levels. In face of these challenges, Midea adhered to the profitability-oriented annual operational principle of "rational revenue, and recovery of profitability". At the very beginning of 2022, it made swift plan adjustments to concentrate on the core businesses and products and return to the nature of business. Upon relentless efforts, remarkable results were achieved in the first half of the year. Overall, Midea delivered expected operating results, with substantial improvement in profit and cash flow, manifesting its resilience once again. Against an increasingly uncertain backdrop, technology-driven transformation remains the main theme of the current era. Midea adhered to the strategic focus with "Technology Leadership" as the core, promoted development both in the ToB and ToC business, and ignited the "Number Two Engine" of the ToB business. Through improving product competitiveness and core technologies in the ToC business, Midea is able to increase profitability, which provides strategic support for ToB transformation. It is transforming from a Chinese company to a global one by continuously enhancing its globalization capabilities. Also, the Company is shifting its competitive edges from efficiency to products, technologies and innovation. For H1 2022, Midea achieved, on a consolidated basis, total revenue of RMB183.7 billion, up 5.04% YoY; and a net profit attributable to shareholders of the Company of RMB16 billion, up 6.57% YoY.

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

In order to carry on with the “customer-oriented” strategic reform, the Company creates more user value in business scenes, products and services which are in direct contact with users. Based on users' yearning and pursuit for a better life, Midea pursues higher goals such as originality, sustainable selling points and technology explicitness, and continues to empower itself with the tool of big data, so as to achieve the vision of "Bring Great Innovations to Life". In addition, based on user needs and consumption trends with respect to living rooms, balconies, kitchens, bathrooms, among others, Midea offers its own products and ecosystem products. Household service is comprehensively deepened by using IoT technology, so as to provide intelligent comprehensive solutions for the whole house, making home life more efficient, convenient, healthy and comfortable, and improving experience and happiness for consumers. By doing so, it aims to lead the way in the innovation of smart household appliances. Midea independently builds a big data platform integrating market, user and public opinion data, constructs a big data-based innovative planning platform, and implements a product innovation model driven by both big and small data. Centering on the planning process, it achieves the integration of SKU planning and smart scene planning process. Midea continues to launch innovative products that lead the way in satisfying differentiated consumer needs, thus driving consumption upgrading in the industry. It is the first to create the planning connect system in the industry, covering the whole planning process. By achieving cross-department data circulation and integrating internal and external data of the entire value chain, Midea enhances the efficiency of data circulation and shortens the cycle of new product development. Meanwhile, through intelligent analysis, intelligent early warning, intelligent prediction, intelligent decision-making and intelligent control, a unique smart decision-making support model for planning is created to empower planning decision-making. Compared to traditional market research, the intelligent market scanning efficiency of the big data-based innovative planning center has increased by over 50%, which can closely follow up thousands of categories and explore market opportunities and trends of users' demand. It has covered multiple countries and regions around the world, further strengthening Midea's global planning capability. With the big data platform's empowerment, digital marketing extends to the C2M model, while through user insight and user research, brands and products are empowered, where

real-time market feedback on new products is utilized to accurately target marketing. Real-time interaction with consumers is achieved and supply and demand information is closely connected by perceiving users and activating users' information through hundreds of millions of global user touch points, and then product development changes from the chain mode to a closed-loop mode. In terms of industrial design, Midea leads the way in user experience and interaction upgrading with ongoing innovations. In H1 2022, Midea won a total of 120 industrial design awards, including 34 Red Dot Design Awards, 58 iF Design Awards, and 28 IDEA Awards.

**For smart living room scenes:**

In the first half of 2022, when the domestic epidemic continued and recurred, Midea launched the first mobile air purification and disinfection machine "Protector" with a focus on "Healthy Air". This product is characterized by the innovative use of the dual elimination factors of plasma and hypochlorous acid. Wind circulation through the plasma friction grid makes it possible to quickly kill 99.9% of the coronavirus in the air in 30 minutes. Moreover, the active release and settlement of hypochlorous acid can disinfect the surface of objects, which realizes the healthiness and safety of the whole space. The Protector is also equipped with an isolation water pump to avoid the corrosion of hypochlorous acid to the pump and realizes the physical separation of the impeller and the motor, thus ensuring that the motor is capable of reliable long-term operation even in extreme and harsh environmental conditions such as high salinity, high humidity, and strong acid. This product has a clean air delivery rate of 600 m<sup>3</sup>/h for particulate matters and 140 m<sup>3</sup>/h for formaldehyde, and can be used repeatedly by cleaning the filter regularly.

Based on users' pain point of slow cooling after using water heating products and relevant demands, Midea launched the Cool Boiled Water Smart Instant Thermos. Its application of the industry's pioneer plate water-cooled heat exchanger uses cold water to quickly cool the boiling water and produces cool boiled water in 10 seconds. Simultaneously, the cold water recovers the heat of boiling water and then enters the heating tube to be heated, which does not produce sewage in the process and can continuously prepare warm boiled water, saving 60% of energy. The product adopts double-pump control system and multi-sensory temperature probe + PID algorithm to achieve six kinds of water temperature regulation. This product technology led the industry, applied for more than 40 patents, and won the gold medal at the 2022 International Exhibition of Inventions of Geneva. As certified by a third-party authority,



the sterilization rates of all water temperature grades are greater than 99.9%, significantly improving the user experience. With the industrialization application of this product technology, the group standard "T/CAB 0150-2022 Instant Heating and Cooling Water Boiler (for Cool Boiled Water)" was successfully released in May 2022.

To create a more comfortable living environment, Midea continued to research and apply various fan technologies. Midea achieved self-adaptive comfortable wind adjustment through research on the comfort wind control technology of wind changing with temperature. Midea realized whole-house 3D surround stereo wind of thermostatic warm air through research on dual-engine PTC control technology of staggered temperature difference. Midea also achieved multi-angle positioning blowing and intelligent obstacle avoidance through research on contactless detection control positioning technology of oscillating stepping motors. Midea Micro-electrolysis Water Washing Air Cooling Tower Fan AAF12PXJ uses innovative micro-electrolysis sterilization to electrolyze tap water into sterilized water with a sterilization efficiency of 99.9%. The tower fan uses a water curtain waterfall to flush and clean the air in depth and is equipped with an air-conditioner-level cross flow turbine to offer healthy, fresh and clean wind. Midea Formaldehyde Digital Display Air Purifier KJ800G-H Pro adopts IFD micro-electrostatic purification technology. It uses the charge device to charge particulate matters in the air and uses the strong electric field to achieve a sterilization rate of 99.9%. IFD cartridge can be highly effective in filtering particles in the full particle size range of PM0.01-PM10, with a purification rate of 99%. The IFD filter cartridge is washable and reusable, and the formaldehyde sensor carried has strong anti-interference ability and can display indoor formaldehyde concentration in real time.

In the first half of 2022, Midea continued the Eureka brand's concept of green healthy technology and launched the multifunctional fabric cleaning machine Ubox, and multiple functional innovations have been made. The application of electrolytic water sterilization technology achieves green pollution-free bacteria removal technology alongside effective cleaning of fabric. The pioneer shoe product cleaning function satisfies the daily care demands of trendy shoes with the unique brush head. The brush head specially designed for pets cleans the hair while combing and can recover dirt in real time, meeting daily pet cleaning needs. The LCD dynamic interactive screen displays cleaning status in real time to enhance users' cleaning experience. Midea's floor scrubber products meet consumers' demand for ground

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

**For smart balcony scenes:**

The COLMO Light Dry Cleaning 2.0 steam care technology upgrades dry cleaning care and ushers in a new era. Equipped with the industry's pioneer special program for ten types of odor elimination, it achieves A-class rapid odor elimination in five minutes and low temperature bacteria removal of no more than 60°C with a bacteria removal rate of 99.9%, winning the China Aerospace Science and Technology|ASES Certification. "Key Technology and Industrialization of Double-Driven, Dewatering and Double-Drum Washing Machine with Large Capacity", "Key Technology and Industrial Application of Long-Acting Plasma for Deodorization and Sterilization" and "Application and Industrialization of New Special Effect Technology of Electrode Catalytic Coating for Use in Washing Machines" included in Light Dry Cleaning Technology 2.0 have also been certified as "Internationally Advanced" by the China National

Light Industry Council. The original TM technology uses the industry's smallest dual engine system of two-appliance coordination and electric auxiliary heating to meet the demand for fast drying and whole-machine lean design and achieve product suite cost optimization. The industry's pioneer drum hole-free washing machine technology introduces a new water inlet to rinse clothes with running water in a dynamic manner and prevent dirt from flowing back. In addition, the formation of water film effect on the drum wall reduces friction between the clothing and the drum wall, achieving a 26% reduction in the rate of clothing wear and tear. Meanwhile, the independent chamber water storage not only reduces the water use between the inner and outer drums to save water by up to 50% but also improves the washing power. The COLMO Interstellar Station dry cleaning care kit combines the intelligent frequency conversion compressor equipped with AI dual frequency conversion upgraded technology and a BLDC intelligent frequency conversion motor and can intelligently adjust the working frequency, speed, and steering, so as to achieve precise odor elimination for various kinds of delicate and luxurious fabrics as well as dry cleaning care for silk, cashmere, and other high-end fabrics. It is equipped with a plasma generator, which ionizes the air with a high voltage to achieve odor elimination and sterilization in a truly zero-dead-angle and residue-free manner. The application of the Light Dry Cleaning 2.0 steam care technology achieves precise dust removal, bacteria removal, wrinkle removal, and odor elimination of high-end fabrics through the release of ultra-high-energy soft steam. The intelligent DC frequency conversion motor with the German VDE certification is capable of whole-procedure intelligent regulation of the inner drum rotation speed, steering, and turn-stop ratio and can precisely control the inner drum rotation speed when drying. The dual frequency conversion source noise reduction, in combination with the multi-layer rear cover passive noise blocking system, achieves remarkable noise reduction effects. With a slim 440 mm case design, the Interstellar Station dry cleaning and care kit can be perfectly incorporated into most household scenes and spaces. In addition, ergonomically designed, it allows users to easily pick up their clothes. Midea Vigor Series Washer-Dryer Kit is equipped with hole-free inner drum technology to prevent sewage laundry and reduce clothing wear and tear and achieves efficient cleaning of clothes while maintaining the original quality of clothing. This product is the industry's first to be awarded the medical-grade laundry certification. The cycle spray technology and fast cleaning 2.0 technology achieve the full utilization of detergent and can shorten laundry time by up to 30%. Moreover, it is equipped with multi-functional modules: The blue rod silver ion module can achieve sterilization in cold water environment without electricity or heating; the red rod scale inhibition module can adjust the concentration of calcium and

magnesium ions and maintain the softness and color of clothing. Vigor Clothes Dryer, equipped with a hybrid drying system, ensures the thermal temperature conditions for whole-space inactivation of pathogens by setting the coordination of heat, time, and temperature. Adopting UV ultraviolet bacteria removal technology, it achieves a 99.9% mite removal rate under the national testing standards. Toshiba T15 Series Front-loading Washing Machine has been upgraded to cover products of various capacities and functions. These products realize WIFI intelligent interconnection and OTA upgrade through IoT intelligence, adopt minimalist glass door appearance design, and achieve the European A-class energy efficiency. The automatic detergent input function uses the third generation of Midea smart detergent input technology with a precision error of only 1 ml to reduce detergent residue. The unique Ultra Fine Bubble mode, with the front cavity pressuring on the special microporous outlet structure at the back end, can produce hundreds of millions of ultra fine bubbles to instantly dissolve sebum and grease for thorough cleanness. The unique Greatwaves program provides the same washing effect as heating by adjusting the washing pace to create strong water flows, saving energy and protecting colors. Additionally, the Steam Care function produces high temperature steam for sterilization and wrinkle removal. The MA500 Series top-loading products for the American market have capacities of 13 Kg and 16 Kg. With localized UI and UX design, these products are equipped with the Turbo fast cleaning function. The products adopt pulsator blade simulation optimization and barrel strength enhancement, which lead to a cleaning capacity increase of 12% and a moisture content reduction of 12%. The products use the Auto Clean technology and can achieve Brazil's A-class energy efficiency.

**For smart kitchen scenes:**

The "rapid purification technology" of Midea Refrigerator has been awarded the certification of first-class purification and healthy preservation, creating a secure storage environment. Specifically, the technology of high concentration AC silent ion field generation can significantly increase the discharge area and active particle concentration while effectively reducing the short circuit risk arising from high voltage discharge in the low temperature and high humidity environment in the refrigerator. The high odor affinity nano-catalysis technology enhances the catalyst's affinity to odor molecules and its own stability. The ionomer induced high current-carrying migration catalysis technology ensures that the catalytic efficiency basically does not decay, meeting the long-cycle use demand of refrigerators. The "light quantum nutrition

enhancement technology" of Midea Refrigerator is a nutrition enhancement technology for fruits and vegetables. Specifically, the 450 nm high-energy blue light can induce the high level of expression of anthocyanin genes, increasing anthocyanin content by more than 220%. The intelligent sensing moisture control technology achieves the upgrade from passive freshness storage to active freshness locking, accurately identifying the type of food ingredients and matching it with the best storage humidity, so as to ensure the first-class seven-day freshness of fruits and vegetables. The three-layer waterproof design and super scale surface area heat dissipation significantly increase the waterproof performance. COLMO's new AVANT Series Refrigerators, equipped with AI active nutrition technology, overturn passive storage and realize active nutrition management. The industry's pioneer photovoltaic-level wireless power supply technology is used to ensure that meat maintains initial freshness and does not freeze while slowing down the production of hypoxanthine in aquatic products. The VC + active nutrition locking technology is applied to intelligently detect the humidity of ingredients and provide the optimal humidity control program, and the vitamin C retention rate of fruits and vegetables can reach 80% or more. Equipped with intelligent human-aware ambient lights, the refrigerator is capable of human-computer interaction and refrigeration lighting at the same time. Toshiba Zhiwei Series Refrigerator, equipped with star cuisine freshness technology, precisely matches the ecological storage environment required for meat and seafood ingredients with the three modes of quick micro-freezing, quick chilling, and original flavor defrosting. It is also equipped with Toshiba's patented UNIT moisture-permeable film, achieving the effect of moisture-permeability and air-impermeability, which prevents cold air from blowing directly on fruits and vegetables, delivers delicate water vapor that directly reaches the cells of fruits and vegetables, creates a constant moisture environment suitable for fruit and vegetable storage, and guarantees the freshness of fruits and vegetables for seven days. The industry's pioneer Toshiba patented "iTouch" technology, is used to solve the pain point of the kitchen scene where both hands are occupied and inconvenient to open the door. It has the 60-minute rapid ice making function. In addition, special clean water filters cold air to avoid taint of odor, ice making parts are treated by antibacterial processing, and the built-in water filter ensures the cleanliness of the ice. The height design of the middle fruit and vegetable chamber fits Asian consumers' body shape, so it is comfortable to use. With a small volume and a large capacity, the inner wall of the refrigerator is made of an imported vacuum insulation material, the thickness of which is only 1/3 of ordinary insulation materials and the insulation effect of which is better, and the dual frequency conversion technology is used to achieve ultra-low energy consumption.

Following the current general trend of diversified and intelligent user demands, COLMO CXSP927W-SS8 Range Hood is ultra thin and low-profile, exhausting cooking oily fume from the source. The low deep suction structure design makes it closer to the smoke, and the ultra-thin design does not block the pan, so that the oily fume is quickly exhausted without choking the user. The intelligent fresh air purification function can be activated with a mere touch, and the APP can customize different ventilation scenes at will. The DC frequency conversion cruise booster, equipped with a high-power frequency conversion copper wire motor, has strong power and a frying air volume of up to 28.5 m<sup>3</sup>/min. It can provide 1,260 pa of maximum static pressure, exhausting the smoke more smoothly and effectively reducing the peak hour backflow of oily fume. Throughout the cooking process, the AI-assisted cooking has no need of manual adjustment, the concentration of oily fume is automatically recognized, and the air volume is automatically adjusted by the AI algorithm. RF linkage technology enables the activation of the kitchen hood to exhaust oily fume at the moment of ignition. Equipped with IR sensing technology, the refrigerator automatically adjusts the gear based on the concentration of oily fume and pipe pressure without manual adjustment. Its AI active noise reduction function automatically adjusts the power level through the intelligent smoke sensor module to select the appropriate wind gear and reduce noise, thus achieving active noise reduction. Midea launched a new series of products, Oxygen Stove Q63 is designed for better cooking efficiency on the "delicious", "aroma-producing" basis. With the concept of "rapidly well-done", it provides consumers with cooking experience with more tender meat. Also, it is equipped with the smoke-stove linkage technology.

Always focusing on users' pain points in installation and use, COLMO Star Atlas Water Purifier X1500 adopts modular design based on the global platform development concept. The thickness is only 105 mm, easily meeting the demands of under-sink space installation in various scenes. The product is the industry's first to be equipped with an intelligent front solenoid valve, effectively solving the problem that in the winter the water stored in the machine easily freezes and damages the filter cartridge. The pioneer dual-membrane fine filtration system has a larger contact area with water, greatly enhancing the flow and water-saving efficiency. Moreover, the product implements the green concept and is the first to adopt a recyclable metal body, greatly reducing environmental pollution. The product has won the "Valuable Product" award of the water purification industry in 2022, the "Industry Contribution Award" for the water purifier category in 2022, and the iF Award 2022. COLMO TURING Water Purifier-Heater T2000 opens

the new purification and heating all-in-one track. The product is the first in the field of water purification to design and position the faucet as a complete intelligent product and the first to introduce the TFT screen, infrared sensor, light-sensitive button technology, springback handle, and other new technologies to the faucet. In addition, the introduction of the optocoupler flowmeter makes accurate quantification possible even in high temperature and strong magnetic conditions, and the error is controlled within 5%, which is better than the industry average. The innovative use of proportional temperature adjustment technology can prevent the decay of water flow alongside stepless temperature adjustment, increasing the water flow of the temperature adjustment system by three times, which easily meets the needs of drinking water in different scenes.

Based on an in-depth insight into user needs, Midea launched a series of innovative rice cooker products, such as Red Flame Premium Aroma, Live Rice Fresh Aroma, Wind-blown Rice Aroma, Watery Pleasant Aroma, and Rapid Aroma. When the rice leaves the rice field for the table, it experiences a long period of storage and multiple shipments and can be easily oxidized and lose the original rice aroma. Specifically, the original second-generation rice grain activation technology of the Wind-blown Rice Aroma cooker can solve the pain point of "stale rice". In order to meet users' requirements for fried and roasted product storage, Midea launched the "Ultra-thin Electric Grill", which is equipped with the industry's latest film heating technology and adopts high-efficiency HP insulation materials. The thickness of the whole machine is only 62 mm, which reduces the thickness by 40% in comparison with traditional products. The heating plate adopting film heating technology makes heating more uniform and more efficient and can achieve a whole-machine heating power of more than 2200 W, increasing the preheating speed by 50%. The upper and lower baking trays of the product are free to disassemble and wash and easy to clean and can also be put into the dishwasher for automatic cleaning. The upper layer of Midea 200XQ2 Sterilizing Cabinet realizes drying, odor elimination, and moisture and mildew resistance with circulating hot air and achieves the maintenance effect of long-term bacterial inhibition and odor elimination through PTC hot air circulation drying. The middle and lower layers are featured by two-star dual-effect sterilization and disinfection, which strictly guards the health line of defense and achieves combined disinfection through ultraviolet + light waves, with a sterilization rate of over 99%. The thermostatic heating technology fully destroys stubborn germs in just 35 minutes. In addition, the intelligent cloud housekeeper can achieve ten customized disinfection modes, and the 72-hour cruise disinfection function makes long-term storage

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

**For smart bathroom scenes:**

Based on users' actual needs in water use scenes, Midea independently developed an on-demand heat preservation and energy-saving program as well as an intelligent and precise heating mode to achieve an innovative energy-saving system for efficient use of electricity, which can ensure that users use sufficient hot water without wasting and outperforms the first-class energy efficiency performance of the national standard. The program's directional design technology of balanced heat insulation is a cross-border innovative application of aerospace-grade insulation materials, which achieves efficient and precise temperature locking in all respects and allows quick access to hot water while saving energy and electricity. It can also achieve on-demand quantitative and accurate heating based on the user's customized water use needs, conduct real-time AI monitoring of bathing time, and display the bathing time of remaining hot water. To solve the main pain points of villa and large family residence users, COLMO Gas Water Heater CE116 provides an effective solution. The product has a beautiful appearance with a glass panel, which is fingerprint resistant, high temperature resistant, and easy to clean, and the body is also compact and easy to install. The built-in high-performance brushless DC water pump provides strong water power, increases single-point water output by 90%, and can drive a lift height of 17 meters, meeting the multi-point water use demands of multi-storey villas or large residence users. The gas proportional valve and the solenoid valve can achieve the intelligent control combustion of the four-segment fire row burner with a water temperature difference less than  $\pm 0.5^{\circ}\text{C}$ . Meanwhile, equipped with intelligent temperature sensing technology, it independently learns about user habits and take into account weather changes for the self-adaptive adjustment of appropriate water temperature. The aerospace-grade noise reduction, combined with micro-hole noise reduction technology, achieves multi-dimensional noise reduction effect with a working noise as quiet as 38.7 dB. Midea Electric Water Heater



F6032-UD (HE) responds to the needs of users and is equipped with user-friendly functions covering the five dimensions of the shape, experience, energy saving, intelligence, and installation, and three bathing scene modes can be set, namely the extremely fast bath with time-saving rapid heating, the bathtub wash with ten times of normal water amount, and the skin cleaning bath. Specifically, the skin cleaning bath achieves deep disinfection through six layers of cleaning filtration, namely deep filtration of impurities, dynamic running water, whole-pipeline bacterial inhibition, 80°C high temperature disinfection, interception sterilization, and scattered scale inhibition. Also, equipped with self-cruise frequency conversion, it can independently match two heating powers, and the low power insulation is more energy efficient. Its small volume slim and flat bucket has a large capacity of 60 L.

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

Midea continued to invest in R&D. Through larger investments in this respect, it aims to achieve leadership in R&D achievements and product trends, as well as a stronger presence in the industry and a better R&D environment. The Company made innovations with respect to mechanism, and developed more leading products through both excellent user experience and differentiated technologies, reform of the whole value chain of R&D using digital technology, and deep integration of big data analysis and R&D. It kept reforming its product development model according to the strategic focus of “Leading Products”. An innovative R&D model featuring a “Three-Tier Technical Committee System” and a “Four-Tier R&D System” from the organizational dimension and “Three Generations” from the technology dimension has been put in place and constantly refined to support the fulfillment of the goal of “Being the Number One or the Only One” in respect of various product categories. Centering on customer needs and based on different organizations and technologies, the Company carries out innovative product development, research on cutting-edge platforms, research on core components, creation of differentiated selling points and improvement of the basic product performance. Through group development of products across the world, building a global product platform, as well as increasing product development efficiency by way of group planning and group development, Midea is building “Technology Leadership”. As of June 2022,

Midea boasts ten corporate technology centers/industrial design centers/post-doctoral research centers at the state level, 19 academicians with long-term cooperation and eight academician workstations/workshops, in addition to more than 60 corporate technology centers/engineering centers/industrial design centers/key labs at the ministerial or provincial levels. By doing so, it builds competitive edges with its strength in technology. Under the guidance of the strategy of "Technology Leadership", the innovation platform serves as the core of its technology innovation system and is responsible for the implementation of technology development strategies and the commercialization and application of technology innovation achievements, thus driving Midea's transformation towards a global technology group in a faster manner.

Midea Group is committed to investing in the research of core technologies and has made significant breakthroughs in the main track of household appliances and in the field of new industrial technology. In the project of "Research on the Application of Precision Washing System based on AI Vision and Electric Spray Arms in Household Dishwashers", Midea invented the precision washing technology based on multi-task image intelligent recognition and realized a truly intelligent and fully automatic mode to meet the demands of Chinese families for the cleanness and hygiene, convenience and efficiency, and precision washing of dishwasher. In the project of "Key Technology and Application of Multi-Grade High-Efficiency Heat Energy Supply of Air Source Heat Pumps", an innovative breakthrough of key technology of air source heat pump water heaters is made to solve the problem that conventional air source heat pumps cannot operate reliably in the cold areas in the north and to ensure the high efficiency and low-carbon supply of industrial steam, which leads the technical progress and industrial development of air source heat pump heating, achieves pollution and carbon reduction, energy saving, and efficiency increase, and produces significant economic and social benefits. In the project of "Research and Application of Key Technology of Low-noise Heavy-rare-earth-free Permanent Magnet Motors for Compressors", the multiplicative noise of compressors is reduced through the electromagnetic force of the motor body, and its "double pioneer" technology makes household appliances quieter and more environment-friendly and significantly improves the noise of air conditioning system. In addition, the dependence of permanent magnet motors on heavy rare earth materials is effectively relieved through the comprehensive optimization of the magnetic circuit structure of the stator and rotor. As of June 2022, Midea has received a total of 190 "Internationally Advanced" certificates for its technologies.

Midea has strengthened the transformation of R&D achievements while carrying out the core technology research. By June 2022, Midea (inclusive of TLSC) held more than 77,000 valid patents. In H1 2022, Midea was granted more than 2,000 invention patents around the globe. Midea continues to improve patent quality. It won multiple awards at the 2022 23rd China Patent Awards. To be specific, the "Dishwasher" and the "Control Method, Controller, and Refrigerator of Meat Subcooling Preservation" won two Silver Invention Awards, the "Window Air Conditioner" won a Silver Design Award, and the "Compressor and the Heat Exchange System with it", "Recommendation Method, System, and Big Data Server of the Air Conditioner and Its Operation Parameters" and other patents won six Excellence Awards.

In order to provide strong support for the fulfillment of the strategic objective of "Technology Leadership", Midea further implements the "3+1" standardization strategy of "Innovation Patentability, Patent Standardization, Standard Internationalization and Midea Standard Goes Out", and a two-tier (Group-business divisions) standardization management system has been put in place. Meanwhile, to ensure the effective execution of the standardization strategy, the Group has set up a standardization management committee. With the double drivers of "standard innovation + production innovation", Midea shifts innovation achievements to advanced technological standards. Additionally, it endeavors to play a bigger part with respect to advanced technology standards of the industries, aiming to create more value for users, partners and industries. During H1 2022, Midea took part in the formulation/revision of 149 technological standards, including six international standards, 33 national standards, 11 industry standards, and 99 local and group standards, including the "Guidelines for Information Disclosure of Enterprise Carbon Emission Management", "Artificial Intelligence-Audio, Video and Image Analysis Algorithm Interface", "A.C. Ventilating Fans and Regulators for Household and Similar Purposes-Methods for Measuring Performance", "Fine Bubble Technology—General Principals for Usage and Measurement of Fine Bubbles—Part 1: Terminology", "Information Technology—Digital Twins—Part 1: General Requirements", "Radio Interference of Antenna and Receiving System—Part 4-1: EMC Test Method for Electronic Equipment Combined with Radio Module", "Minimum Allowable Values of Energy Efficiency and Energy Efficiency Grades for Domestic Waste Food Disposers", and "General Technical Requirements for Smart Aging Household Products". In addition, Midea was also awarded the Third Science and Technology Award - Standard Contribution Award by the China Society for the Promotion of Science and Technology Commercialization.

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

Being customer-oriented, Midea continues to enhance vertical efficiency and horizontal synergy efficiency, as well as accelerate retail growth and retail transformation. Through the reform of direct retailing, Midea has been continuously promoting the "vertical efficiency improvement" of offline channels, with the shift from distributors to operators completed and the retail operation capability greatly improved. Meanwhile, organizational reform has provided effective support for the "horizontal synergy efficiency enhancement". The China division and product divisions give play to their expertise and work with the operation center. Thus, the operation center is made the "main battlefield", with deep coordination among all product categories. Horizontal synergy efficiency has been greatly improved in channel expansion, scenario-based transformation at the retail end, etc. Through the corporate operations of the operation center, Midea has realized "One Midea" for all markets, ensuring the consistency of user service and experience.

In H1 2022, online sales as a percentage of Midea's total sales remained over 45%. Midea's online sales exceeded RMB44 billion, and it remained the best-selling household appliance manufacturer on major e-commerce channels such as JD and T-mall for ten consecutive years. In terms of e-commerce, Midea strengthened the segmentation of channel operation, reconstructed and specially built the sales channels on Pinduoduo, interest e-commerce, and KA/TOP, focused on developing COLMO and Toshiba's ability of online consistency operation, and accelerated the all-channel and all-brand structure optimization. As its sales growth rate far exceeded that of mainstream e-commerce platforms, Midea achieved new growth. Meanwhile, Midea focused on enhancing new capabilities such as self-operation, self-livestreaming, and content marketing to consolidate the operation competitiveness. As online and offline markets integrated at a faster speed, based on different levels and characteristics of different channels, as well as changes to customers' needs and ways of spending, Midea drives the retail transformation based on user demands and experience, and keeps refining the retail operations system, so as to achieve direct connection with retail customers. This mainly involves the following aspects. Firstly, being customer experience-oriented, it provides just the shopping experience wanted by customers by putting in place an exclusive store network covering all channels. To be specific, it possesses more than 1,300 pre-decoration stores in the domestic channels of building materials and home decoration, over 2,600 flagship stores in districts and

counties, as well as over 14,000 multi-category stores in towns and villages. Second, in terms of the retail segment, Midea integrated the advantages of all product categories and united with brands in other industries to create an all-scene, fully interconnected, and whole-household ecological immersion experience for consumers. Midea built intelligent and digital terminals and promoted the installation of intelligent scenes in terminal stores. More than 1,700 stores have been covered and more than 3,100 scenes exhibition areas have been built, and the construction of all-category halls has been piloted in offline channels. Meanwhile, Midea builds immersive 3D model rooms for entire home appliances focused on home decoration users, providing a roaming shopping experience to achieve accurate recommendations and exclusive intelligent shopping guide. At the same time, focused on the improvement of the product suite purchase, it builds the service chain and exclusive rights and interests system for home decoration product suite purchase, driving transformation to integrated services for home decoration + home appliances, and providing home decoration users with time-saving, cost-effective and worry-free comprehensive solutions. Third, Midea actively seeks new business opportunities. On emerging channels such as Pinduoduo, Douyin, Kuaishou, and Xiaohongshu, Midea has refined its product offering and optimized the marketing and rating system. It also continued to build the operation platform for e-commerce. By strengthening content and digital marketing, gaining insight into users, and segmenting their needs, Midea promoted the integration of quality and efficiency, improved DTC capability, and upgraded from traffic operation to user operation. The number of members and acquired customers on JD, Tmall, and other platforms was leading in the industry, and the proportion of self-broadcast on Douyin in June was over 85%. Fourth, special campaigns have been carried out to make product mix breakthroughs. User needs are accurately identified through data analysis, new measures are taken to drive growth in new product categories, efforts are made to improve the smart scenario operation capability, and breakthroughs are constantly made on the high-end market. Fifth, post-sales service and logistics experience are well optimized. Midea promoted the construction of the unified distribution cloud warehouse and customer service middle office and the transformation of reverse process and improved the ToB forward fulfillment timeliness and reverse service capability. Midea leverages the “Digitization & Intelligence Driven” strategy to be “Direct to Users”, and initiates a series of business moves in user experience, user operation and user service from user needs and service scenarios. Based on the underlying data capabilities for user demand insights, Midea can better serve users through user life cycle management, membership and private domain operations to enhance user

loyalty. Firstly, Midea focuses on "user experience" and improves the user experience of the whole value chain under the guidance of the Net Promoter Score (NPS), with the NPS increasing by 10% compared to H1 2021. In addition, Midea strengthens user operation, promotes the establishment of membership system and private domain traffic, and deeply promotes the intelligence and IoT of products. By the end of June 2022, the cumulative number of registered members exceeded 120 million. Furthermore, Midea reinforces the building of data platform and commercial data analysis. Analysis of user consumption behavior data serves as a strong support for business decision-making.

Midea deepens and promotes the business model change and the digital and intelligent transformation of the user service system to provide one-stop whole-home smart home appliance service solutions for users. First, Midea reconstructed the user experience from the user perspective with a focus on 24-hour service speed improvement, reached an achievement rate of 86%, upgraded the 521 service standards, and reconstructed the return and replacement procedure experience. Replacement instead of repair has been fully implemented for small domestic appliances and partly piloted for major domestic appliances. The return and replacement time has been shortened to three days through online identification/no identification or the simultaneous delivery of the new appliance and recovery of the old one. Second, Midea accelerated the construction of active service capabilities, transformed from passive waiting to active service for users, and built the active service platform. Twenty-one active service scenes were launched, with more than 1.85 million active service times, more than 400,000 private domain users, and a retention rate of up to 96%. Third, Midea built a whole-chain closed-loop system for the voice of customers (VOC) and launched the user voice intelligent analysis platform to achieve rapid discovery, exploration, distribution, closed-loop management, and monitoring of all-channel problems, with a closed-loop improvement rate of over 98% for VOC. Fourth, Midea improved COLMO's high-end service experience, promoted the suite-based construction of the COLMO network, selected high-quality service providers, and invested resources in cultivating suite service capabilities. More than 2,200 COLMO suite service outlets have been developed to select high-quality engineers from multiple dimensions and guarantee and improve the reputation of high-end brand services. Fifth, Midea carried out green recycling business, deployed the two modes of self-owned channel recycling and external cooperation for the market recycling end, and built the "Internet +" recycling platform. Phase Three of the green recycling system has been launched, achieving the online circulation of recycling information.

Transformation of the ToB business model has been further deepened. Based on the Group's five business segments, the business model has been upgraded from traditional hardware product packages to scene-based solutions targeting customers in the whole industry, so as to enhance sales and brand presence on the ToB market. Meanwhile, refinements have been carried out for the existing customer, product and business structures, thus increasing the profitability of the business value chain. Midea has enhanced cross-division horizontal synergy, forming a regular special collaboration mechanism for information exchange, business opportunity sharing, market strategy making, resource allocation and other aspects. In addition to the traditional home appliance industry, Midea has unfolded coordinated marketing in the ToB business of the Building Technologies Division, the Robotics & Automation Division, and the Digital Innovation Business through industry-wide solution development and promotion. In the first half of 2022, Midea focused on improving delivery capability to enhance customer satisfaction while focusing on promoting the transformation of Midea's ToB business model toward systematic solutions. In terms of key industries such as intelligent manufacturing, new and old infrastructure, office R&D, business services, and medical and health care, Midea cooperated with head customers in various industries, designed and delivered specialized solutions based on industrial characteristics and customer needs, and strongly supported the transformation of relevant industries and corporate customers toward intelligence, automation, low carbon, and digitalization in the context of the "carbon peak and carbon neutrality" policy.

Annto, a subsidiary of Midea Group, is a technological innovation-based provider of supply chain (logistics) service. It is committed to providing customers with end-to-end digital and intelligent supply chain solutions. In terms of internal support and services, under the background of Midea Group promoting the T+3 business model deep reform, Annto further promoted the logistics reform and improved B2C logistics capacity. Through big data analysis and data modeling and based on user needs, Annto refines and integrates its warehouse network across the country and expands the unified warehousing and distribution model to retail stores. Overall planning of channel inventories and unified operation of warehousing and distribution boost channel efficiency and provide support for comprehensive standardization and digitalization of user services. Annto refines the integrated delivery and installation service network and connects the links from manufacturing to consumption, providing support for the achievement of Midea's "Direct to Users" strategy. Annto has established an integrated and smart logistics

platform for the whole process of production logistics, warehousing, urban distribution, delivery and installation. It also cooperated with Sino-US Global Logistics Institute of Shanghai Jiao Tong University to establish the Joint Research Center for Smart Logistics and Supply Chain, generating achievements in route planning for delivery vehicles, scheduling and controlling of digital manufacturing logistics and other fields. In the first half of 2022, Annto completed the deepening and application of urban delivery capacity scheduling algorithm and corresponding scheduling system in 65 operation centers nationwide and launched research and application projects on core warehouse operation capabilities such as storage network optimization and warehouse storage and sorting efficiency optimization, in order to form practical results such as solutions, key algorithms, and decision support tools. The service network of Annto of warehousing, trunk line transportation, distribution, delivery, and installation has realized the whole-procedure visualized direct distribution to districts, counties, and towns, and the service capacity has been continuously upgraded. In terms of warehouse network layout, Annto has laid out large logistics distribution centers and thousands of distributed mini warehouses in more than 140 cities across China, realized real-time inventory sharing and allocation, and effectively reduced inventory costs and capital occupation through unified warehouse and unified distribution. In terms of warehouse management, Annto accelerated the deepening application of intelligent logistics warehousing center, realized intelligent unmanned warehouse management through intelligent equipment and advanced technology in high-standard automated warehouses for expensive consumer goods, reduced sorting operation, and improved sorting efficiency through procedure optimization and information system function enhancement. Annto optimized the layout of distributed mini warehouses through online big data analysis and scientific algorithms and achieved a 10% saving in the storage service area which meets the same market demand. Also, it optimized the integration services of terminal warehousing and distribution and of delivery and installation through inventory sharing and intelligent replenishment. In terms of intelligence, Annto focused on "smart parks" to realize the whole-procedure intelligent management system for parks, promote the improvement of the operational capacity of self-built parks, and create integrated products of smart parks. In terms of production logistics, Annto realized the functions of factory logistics planning collaboration, wave-based sorting, JIT delivery, inventory sharing and visualization, intelligent replenishment, etc. through the whole-procedure digital construction of Vendor Managed Inventory (VMI), which increased the human efficiency of the VMI intelligent warehouse by 50%, the surface efficiency by 46%, and the inventory reconciliation efficiency by 45%. In terms of trunk line urban distribution, Annto



realized direct inter-city delivery through the LCL trunk line network, and achieved optimal timing configuration through route planning. Meanwhile, it strengthened the cultivation and expansion of terminal outlets, built a "scheduling center" platform based on the whole procedure of order-scheduling-capacity-operation-system, broke the management boundary between the project system and shipping capacity resources, integrated line resources, and built the operation capacity of domestic trunk line network, thus improving user experience comprehensively. In terms of terminal delivery and installation, Annto optimized the integrated delivery and installation and rebuilt the main procedure of the after-sales platform in the first half of 2022 and realized the digitalization of order and engineer management. The per capita order receiving efficiency of engineers increased by 34% year-on-year, and Annto effectively supported business models such as complied delivery and installation and delivery of the new and recovery of the old, with more than 3,000 delivery and installation outlets and a team of more than 32,000 professional engineers, covering more than 2,700 districts and counties in China. In terms of capacity optimization, Annto deepened the construction of online freight platform capacity, realized online capacity and cost transparency through digital construction, accumulated valuable capacity resources and cost data, and realized the integration of logistics, capital flow, information flow, contract flow, and bill flow.

In terms of external business expansion, adhering to the business philosophy of building and sharing with customers, Annto provides strong support for corporate customers in promoting channel efficiency and sales growth. It focuses on industrial customers and industry in depth, while continuing to strengthen the construction of core capabilities such as LTL, urban distribution and integrated delivery and installation to steadily improve customer service experience, thus increasing its market share year by year. In the first half of 2022, Annto relied on the "1+3" service model, i.e., "whole chain" + "a shared inventory system, integration of delivery and installation, production and logistics" to help customers promote channel transformation and supply chain efficiency optimization and to assist corporate customers in whole-chain value enhancement with smart logistics. The service model can provide integrated supply chain services covering the whole chain of "parts-finished products-stores-users" and help customers to solve problems such as rising fulfillment costs caused by diversified channels and fragmented orders "through a shared inventory system" and to establish a whole-value-chain monitoring system for operation indicators, continuously optimize costs, strengthen risk control capabilities, and provide effective data support for enterprises' operation decisions. "Integrated delivery and installation" can help customers to better reach

users and improve service experience. "Production and logistics" means transforming Midea's years of experience in lean manufacturing into the "Lighthouse Factory Supply Chain Solution" and to realize the output of systematic solutions based on customer needs and industrial characteristics. Based on Midea's industry-leading experience of channel transformation and sound smart supply chain systems and networks, Annto has provided services to thousands of enterprises, with clients spanning many industries across home appliances, consumer electronics, food and beverage, maternal and infant, and household necessities and chemicals.

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

Midea further promoted its global business layout to solidify its global competency. It formulated a global supply cooperative mechanism, strengthened the global manufacturing network and localized operations overseas, optimized the global logistics and service system, and promoted product globalization and regionalization. Its overseas business spans more than 200 countries and regions in North America, South America, Europe, Asia, Africa and Oceania. Meanwhile, guided by the market and focusing on users, Midea builds a global user research network with foresight. Midea has established an organization for local consumer and market observation, built a digital marketing ecosystem, implemented product lifecycle management based on the changing trends of user needs and consumption habits around the world, built user touch points throughout the entire chain, and continuously optimized and matched the retail operation system for the user-growth market.

Midea has reconstructed the overseas sales operation system, continuously deepened the user-oriented digital transformation, and established end-to-end procurement as well as execution processes, tools, operation mechanisms and information connection for sales orders to achieve online and visual overseas planning and order execution. Midea exerted great efforts to build the intelligent overseas commercial system, constantly deepened its data-based business decision-making capability, and created a digital platform to facilitate mobile operations overseas. 23 overseas branches were covered. A total of 45 key indicators were included, such as sales, finance, supply chain, products, and e-commerce. Furthermore, real-time online business, data transparency and sharing, and early risk warning have become available for better operating efficiency in the key part of the overseas business.

In 2021, Midea made headway towards the Global Impact strategy that has focused on the United States, Brazil, Germany, Japan and ASEAN, and initiated a special campaign for overseas branding. It not only clarified specific plans for user segmentation, product maps, brand matrices and localization infrastructure construction in strategic markets, but also invested more resources in user insight, branding, product innovation and organizational consolidation to ensure the implementation of the relevant strategies. Midea has kept improving the distribution of overseas channels, being customer-oriented and promoting the transformation of overseas channels into retail terminals. In the first half of 2022, it had approximately 2,600 new active partners and built more than 20,000 new sales outlets for its own overseas brands. Besides, it constantly streamlined the channel hierarchy and expanded e-commerce channels to promote flat channels. Meanwhile, it rolled out the pilot direct retail model in Brazil and the Philippines to improve channel efficiency and data transparency. By enhancing the visualization of data and information in different dimensions on more than 60,000 retail outlets, it effectively supported and optimized the strategies for the operation of stores. Midea has steadily increased its investment in the overseas e-commerce business. It has established overseas e-commerce companies and formed special teams for the overseas e-commerce IT system. Additionally, it has improved the e-commerce organizational structure by introducing professional talent, pushed ahead with the digital transformation and reform of overseas business, enhanced the logistics and storage capacity in the project of global digitization, optimized the networks of post-sale services and spare parts, and promoted the overseas iService3.0 digital post-sale service system. By doing so, it has achieved the digital upgrade of the e-commerce business. Own branding has been strengthened overseas. Midea has expedited the pace of the global breakthrough of its own brand by launching a special project for branding in North America. It has strengthened its own brand penetration in key markets in multiple dimensions, including offline terminal retail experience, guide team development, social media campaign and whole-house product suite marketing. Specifically, Midea sponsors well-known foreign football clubs and sports events and has intensified the effects of sponsorship for the Manchester City Football Club. It has reached more than 800 million fans worldwide in over 20 home competitions and has conveyed the content it created to 300 million people worldwide via social media, football stars and Internet celebrities, which has expanded its localized marketing in local markets and increased its global visibility. Midea has also created a mechanism for co-creating smart scenes overseas. By setting up the positions of IoT Product Manager and Engineer in the markets of key countries, it has localized the connectivity testing of new IoT products.

As of June 2022, the shipment of IoT products in overseas markets has surpassed 1.4 million units, among which more than 260,000 units have been activated. Additionally, Midea has completed the construction of the MSmartLife App—a globally unified international platform for online support services, built a service team for the global application market such as App Store and Googleplay and for "in-app feedback" applications, and completed the localization of FAQ for the markets of five core countries. A digital ecosystem of user growth was constructed with six major touch points: user co-creation, user services, brand official website, social media, overseas e-commerce and the MSmartLife App. With the best modes of overseas user data storage, content iteration and operation explored, an overseas customer data platform was created to promote overseas private domain traffic. Through the pilot projects for the growth of overseas users initiated in the US and Brazil, indicators such as user conversion rate and customer acquisition of the post-sale system have increased significantly, which has boosted sales. Therefore, Midea has promoted its experience accrued in this regard in other markets overseas. By June 2022, it has reached a total of 1.2 billion people through foreign social media and interacted with 17 million users. Besides, the number of registered users of its official website has surpassed 5.4 million. Moreover, Midea has constantly improved the overseas manufacturing layout and expedited the introduction of the "China-Based Supply for the World + Local Supply" model. In the first half of 2022, Midea further carried forward the construction of manufacturing bases in Mexico and Egypt in order to cover the North American, the Mideast and African markets. Meanwhile, efforts were stepped up to promote the construction of the new manufacturing base in Brazil to cover several key categories. In addition, the domestic refined manufacturing system was introduced and promoted in the overseas manufacturing bases, and overseas talent development was enhanced with respect to lean management, driving improvement in global production and delivery capacity. The constantly refined EHS management system provides firm assurance for the safe and stable operation of the overseas manufacturing bases. Global logistics and service system was enhanced. On the one hand, it deepened cooperation with global strategic partners, and created a new mode of international logistics cooperation to effectively ensure the supply of logistics resources during drastic market changes. On the other hand, it improved the global service capability. Midea optimizes service networks of overseas iService system and cloud call center platform, and master data management of global outlets and service projects, and continues to construct fast-response and proactive global service system. In 2022, the introduction of Amazon Connect, a global, omnichannel cloud contact center, into Midea enabled the Company to achieve the iterative upgrading of

its global contact center and directly reach the end customers worldwide. With the constantly improved global integrated service system, Midea has achieved the whole-procedure closed-loop management that ranged from user reaching to service completion, dramatically improving the service efficiency and user experience.

In H1 2022, the COVID-19 pandemic has remained a serious impediment to the Japanese market. The operation was further affected by rising raw material costs and exchange rate fluctuations. TLSC continued to deepen the synergy with the Group's product divisions in the value chain to ensure the supply of products despite the pandemic and tight sea freight resources, while safeguarding the safety of employees. Measures such as price adjustments through the faster launch of new products and enhanced sales activities, improved product mix, increased retail market share and tightly controlled non-operating expenses, so as to address the impact of product costs, currency fluctuations and other factors and ensure the accomplishment of the operating objectives. During H1 2022, the retail sales of the Japanese home appliance market grew 6% compared to H1 2021, while that of TLSC grew 25%. Its market share of six major product categories combined has increased to over 14%, with the respective market share of air conditioners, refrigerators, laundry appliances, microwave ovens and rice cookers continuously growing. Organizational structure and business model are transformed to adapt to market changes, and organizational efficiency and vitality were continuously enhanced. TLSC continued to boost synergies with the Group and the relevant divisions on branding, R&D and innovation, supply chain integration, quality improvement, etc., so as to build a strong product portfolio for the global market together. By June 2022, the business of TLSC has covered more than 120 countries and regions.

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

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

has established its SMART data business system. With process changes throughout the whole chain of data business, data governance to ensure data specification and availability, high-value data assets constructed relying on the public layer, data products and data applications have been created with data technology. In terms of domestic sales, Midea has adhered to the "Direct to Users" and "Digitization & Intelligence Driven" strategies and the "customer-oriented" principle. It has improved the efficiency of the omnichannel value chain with data-driven measures. With "user experience" as a focus, Midea has enhanced the user experience of the whole value chain under the guidance of the Net Promoter Score (NPS) and constantly promoted the establishment of the membership system and private domain traffic. It has effectively promoted the instantiation reform of the direct-to-customer (DTC) business model and operation center by relying on the Midea Cloud Sales platform, which supports pronged measures in multiple dimensions, including cloud warehouse, omnichain inventory sharing, self-assessment review of orders, simplified policies, omnichain visualization of orders, and customer-to-manufacturer (C2M) whole-house solutions. At the same time, it has optimized the store site selection using a data algorithm. Midea has kept empowering channel reform with digital means. In terms of overseas sales, Midea has provided vigorous support for the "Global Impact" strategy, deepened the development of digital capabilities of the system driven by the original equipment manufacturer (OEM) and own branding & manufacturing (OBM), and focused on the five core regional markets worldwide. Furthermore, it has promoted the digital transformation of overseas business in line with local circumstances and pushed ahead with the product plan based on user insights, to upgrade its overseas products in an all-around way. Based on new technology architecture, it has built the iBOS platform for the integration of overseas sales. With the collaborative planning, forecasting and replenishment (CPFR) model, whole-procedure visualization of overseas orders, and other features, the iBOS platform has improved the execution and delivery efficiency of overseas orders and dramatically reduced the cost. Additionally, the self-created MCC channel management system of Midea supports the channel management reform for overseas markets. Midea has comprehensively upgraded the overseas localized digital marketing platform in Brazil on a pilot basis, to shore up the ToC capability development of overseas markets. It also has pushed ahead with the establishment of the overseas user operation and membership system and rolled out the overseas contact center system in the Asia-Pacific region in an all-around way, thereby providing better services for users of the OBM business. The construction of digital systems in manufacturing bases in Thailand, Italy and Egypt has been completed, contributing to the improvement of the efficiency of

overseas manufacturing. In the process of R&D, following the "Technology Leadership" strategy, Midea has improved its digitization and intelligence capabilities in multiple application areas, including technology innovation, user research, digital simulation and verification, software-defined hardware, development of the global platform cluster, and C2M customization. It has built a digital planning platform to rapidly translate technological capabilities into popular products of high user perception, increasing the hit rate of the product plan by 8%. Midea has started the digital simulation era, established a unified digital simulation platform and simulation talent system, and drove the transformation toward an efficient and collaborative R&D mode. In the processes of manufacturing and supply chain, Midea has promoted the transformation toward an end-to-end integrated supply chain and developed industry-leading capabilities in regard to order execution, global supply chain management, and agile delivery. It has optimized the sales and operations planning (S&OP) procedures that balance production and sales and improved the synergy efficiency of production, supply and sales of the whole value chain. Meanwhile, the "Global Planning Center" and "Global Order Center" have been established to provide digital support for the decisions on the business plan for production and sales. Midea has empowered and improved its manufacturing capability and developed highly-flexible, highly-efficient, and highly-elastic agile delivery capabilities, thereby meeting the market demand for diversity and customization. In the first half of 2022, another two factories of Midea were included in the "Global Lighthouse Network" initiated by the World Economic Forum, enabling the digital, flexible manufacturing of Midea. Guided by the "Lighthouse Network" factories that feature sustainable development, Midea has carried forward the smart manufacturing of 5G + industrial Internet factories. Driven by the Voice of the Process (VOP) and Voice of the Customer (VOC), the overall quality has been improved. Additionally, Midea has supported the network-based supply chain resources and agile end-to-end response. It has applied a smart price determination model to secure its advantage in cost and supported and helped thousands of enterprises with rapid cloud and platform migration. In terms of overseas sales, with the optimized "T + 3" model ( production strategy based on customer orders), the loading rate has risen by 20%, and the delivery cycle has been shortened by 16%. Midea has been committed to building green and energy-saving factories, so as to gradually conserve energy and reduce carbon emissions. At the same time, it has promoted and implemented the visualization and green and smart monitoring of carbon emission and conducted full-coverage smart monitoring and early warning for the main emission points. Moreover, the use of the smart air compression station has enabled Midea to save energy by 30%. In the process of

warehousing and distribution, with digital technology, Midea has achieved the sharing and visualization of the inventories of raw materials as well as the integration of delivery and packaging, thereby effectively reducing carbon emissions. Besides, it has taken advantage of the big data technology to design the optimal warehouse network structure and the best planning and smart scheduling of main and branch lines for distribution, so as to promote inventory and channel management and improve the flow efficiency of goods. Furthermore, Midea has built an engineer team to provide delivery and installation services, which covers approximately 40,000 villages and towns across the country. It has provided high-quality last-kilometer delivery and installation services through smart customer services and order assignment optimization. In the process of operations management, Midea has fully promoted the objective and key result (OKR) system as well as management by objectives and collaboration, improved the digital collaboration platform, strengthened the fundamental capabilities of office platforms, and enhanced the efficiency and transparency of cross-team collaboration. The five scenes of smart logistics have been extended to more than 30 industrial parks across the country, expanding the coverage of administrative services and improved customers' experiences when they provide services. By creating a unified bidding invitation and procurement platform for Midea Group, all scenes designed for non-production materials have been unified, network-based, and process-based. With the optimization of the process efficiency as the core lever, Midea has further clarified the decentralization system and has achieved reciprocity between power and responsibility. It also has constantly boosted organizational vitality. As a result, the process efficiency of the core value chain covering research, production, sales, and supply has increased by 10%; the process efficiency of finance and other functions has risen by 30%; the process efficiency of the office automation (OA) system has climbed by 50%. Midea has carried out capability training, assessment and certification for digital talent to enhance their digital capabilities.

Midea has constantly built the CloudNative digital base and pushed ahead with the construction of its cloud project in Guian New Area, located between Guiyang and Anshun, Southwest China's Guizhou province. Currently, the CloudNative application management platform has been rolled out, which supports the microservice architecture of the business system. Besides, the total volume of resources managed by the container has increased by 20%, promoting the integration and collaboration of development, operation and maintenance (DevOps) in the R&D of effectiveness, connecting continuous integration and continuous delivery (CI/CD) to achieve a closed loop and full life cycle management of



the R&D process, and shoring up the agile reform of Midea Group. In March 2022, the contract for the cloud project in Guian New Area was officially signed. The project will meet the computing need of Digital Midea in the next ten years and provide a guarantee for Midea Group to develop into a leader in the IoT era. In June 2022, the Privacy Computing Joint Laboratory jointly established by Midea Group and College of Computer Science and Technology, Zhejiang University, was officially launched. The laboratory is intended to carry out industry-education-research cooperation in privacy computing and artificial intelligence and explore the application scenes of privacy computing in the manufacturing industry, thereby speeding up Midea's digital construction. Being one of the important strategic technologies in the future, privacy computing will further boost Midea's digital development.

Midea has constantly developed artificial intelligence (AI) technology and furthered the in-depth application of smart technologies. In the first half of 2022, Midea AI Innovation Center achieved application breakthroughs in four fields, namely household robots, smart home empowered by AI, smart manufacturing empowered by AI, and smart medical services empowered by AI. Midea's household robot brand WISHUG and its first-generation robot Xiaowei have been successfully rolled out. Xiaowei has four core features, namely AI housekeeper, home assistant, security guard, and technology playmate. Besides, Midea has applied voice full-stack technology to its home appliances of all categories and created a knowledge graph of the vertical field of the home appliance industry, providing fundamental data support for scenes such as human-robot interaction, smart customer services, and active services. Also, the AI motion recognition solution has been applied to the plant of Midea Kitchen in Wuhu, Anhui Province. The first-generation household robot created by Midea AI Innovation Center won the Red Dot Award 2022: Product Design and the Red Dot Award 2022: Smart Product Design. In the SAPIEN ManiSkill Challenge, a world-class event held by the University of California San Diego during the 2022 International Conference on Learning Representations (ICLR 2022), a premier gathering of professionals dedicated to AI advancement, Midea's technical team won the championship of the No Interaction group. Additionally, Midea's household robot and edge intelligence were included in the "Artificial Intelligence Innovation Candidate for Projects Launched under An Open Competition Mechanism" list released by the Ministry of Industry and Information Technology. The two projects led by Midea, namely the smart grading of service-oriented robots and the tool chain for the distribution of edge devices, were successfully initiated.

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

M.IoT has continuously improved fundamental technologies and developed customer-oriented Midea Smart Life solutions. To provide home users with smart product experiences that cover the whole scene and more high-quality ecosystem value-added services, it has created a pan-MSmartLife App ecosystem that focuses on "Customize a Smarter Midea Life for You", thereby providing high-quality product experiences and richer derivative value-added services for users. Midea has met users' demand for a smart life through one-stop services. In the first half of 2022, facing consumers' demand for cooking at home, Midea rolled out Midea Smart Kitchen solutions that combined smart home appliances and pre-made food. With smart recipes and convenient pre-made food services, a beginner can become a chef in a twinkling. At the same time, the market shares of small domestic appliances for kitchen scenes such as air fryers also grew. Focusing on themes such as kitchen, balcony, bathroom, living room, bedroom, whole-house air, whole-house water, smart lighting, and smart security, M.IoT has accelerated the launch of smart whole-house solutions with full-scene experiences in the pre-installation market. Also, it has continued to carry out iterative optimization based on the demand of the pre-installation market, thereby providing consumers with scene-based smart whole-house solutions. Midea has promoted the development of an offline business model that ranges from the retail of home appliance products to smart whole-house solutions. Additionally, it has created an omnichain scene-based marketing model and one-stop services to explore new markets. Through the integration of "hardware, software, content and services", Midea has created a super-smart link for the home and delivered users smart whole-house experiences. At the same time, adhering to opening-up and cooperation, Midea has actively carried out strategic cooperation with leading home decoration companies in the industry. Moreover, Midea and Huawei have opened up to each other and been integrated in the field of whole-house intelligence, providing consumers with one-stop smart whole-house services. In the first half of 2022, M.IoT had nearly 13 million units of newly connected devices, and it provided services for more than 70 million families, up by 87% year on year. Midea's smart scenes were executed more than 210 million times, representing a year-on-year increase of over 300%. Through scene-based user connection, the number of users of multiple scene-based devices grew steadily. The monthly active users of Midea Smart Cloud

Housekeeper grew more than 90% year on year. The APP has provided more than 10 million Midea users with more energy-saving, more comfortable, more convenient, safer and healthier digital family lives. Meanwhile, 40 patent applications for algorithm innovation technologies have been submitted.

With the protection of user privacy and data security at the core, Midea has continuously built and improved the Midea smart home security system that is in line with the standards of the domestic and overseas industry, which has been CNAS and ISO 17025 certified. In the first half of 2022, the China National App Administration Center (CNAAC) carried out an all-around inspection of information security and privacy protection of the MSmartLife App and awarded the app "CNAAC App Security Mark". According to the result of the appraisal of excellent cases for practicing the national standards on cybersecurity on the 20th anniversary released by the National Information Security Standardization Technical Committee, Midea was the only home appliance business that was included in the list and won a case award for "the application of personal information security standards to smart home", fully displaying the achievements of Midea's long-term construction of the personal information protection system as well as Midea's technical strengthen in protecting the personal privacy of consumers. Besides, the mobile security technology of Midea's MSmartLife App was included in the "2022 Security Guard Program Excellent Cases" by the China Academy of Information and Communications Technology (CAICT) and the China Communications Standards Association (CCSA). As such, M-Smart is considered industry-leading in terms of data security.

Based on the demand of user scenes, M.IoT has held firm to ecological opening-up and win-win obtained through cooperation. It has paid continuous attention to the application of innovative smart home appliance technologies to energy saving and emissions reduction, and worked with the China Electric Power Research Institute ("CEPRI") to jointly develop the first batch of home appliances equipped with energy-saving solutions, achieving the online regulation of load resources and two-way interaction with the power grid. Additionally, by proactively responding to the demand of the power grid, M.IoT has contributed to the efficiency improvement and safe and stable operation of the power grid, thereby promoting the national "carbon peak and carbon neutrality" strategy. It has expanded the scope and scale of cooperation with Huawei and worked with peers to roll out the first smart kitchen solution equipped with the HarmonyOS system, further enriching the cross-industry ecological scenes. Approximately 5

million home appliance products equipped with the HarmonyOS system expect to be rolled out in 2022. Through the product scene-based interconnection with ecosystem manufacturers, M.IoT will enable users to experience more-open smart whole-house scenes. Moreover, M.IoT has played an active part in the drafting and formulation of relevant industry standards, thereby promoting the wider popularization and application of new industry technologies and displaying the fruits of Midea's intelligent development. For the first half of 2022 alone, four group standards in the smart home appliance industry have been unveiled, including Technical Requirements for Smart Home Appliance Sets, Application Guide for Knowledge Graph of Smart Home Appliances, Assessment Model of Intelligence Capabilities of Smart Home, and Technical Specifications for WLAN Modules of Smart Home Appliances and Connection Performance of the Whole Machine. M.IoT has expedited the promotion of smart technological innovation and products toward the global smart home appliance market. For example, it has continuously expanded its cooperation with Google, Amazon and Apple in the smart home field, especially focused on air, wash and care, and cooking. Through in-depth cooperation, M.IoT has delivered overseas users more abundant scene experiences and products. Meanwhile, it has continued to optimize the smart features of products such as the voice interaction experience to achieve a multi-equipment, cross-brand, cross-platform, and cross-industry whole-scene ecosystem experience. Based on the localized scene demands of users in different regions, M.IoT has actively explored the cooperation in the service ecosystem of energy saving and emissions reduction, smart cooking and post-sale maintenance. Additionally, Midea has become a member unit of the Council of the Connectivity Standards Association (CSA). It will contribute to the application of Matter standards to the field of home appliances.

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

COLMO serves high-end users with high-end smart products. Its overall sales reached over RMB4 billion in H1 2022, up 150% year on year, with more than 130,000 product suites sold. In terms of products, after three years of development, COLMO's high-end smart product packages have covered commercial air conditioners, water-related appliance packages, refrigerators, wine cabinets, clothes dryers, washing machines, personal care cabinets, kitchen appliances and other categories, preliminarily establishing a

leading high-end smart life solution in the global home appliance market. In July 2022, COLMO launched new flat-panel integrated kitchenware, using high-end customized appearance design and suite-based minimalist visual experience to enhance the experience of the five senses and thereby provide a natural kitchen life. With a vision of "providing global high-end users with an all-inclusive high-end smart life solution", COLMO started the evolution and upgrade from high-end smart products to high-end whole-house smart systems, launching the industry positioning of "Villa Intelligence Expert" to enter the market for higher-end whole-house smart products. In the first half of 2022, together with the Future Things Administration and the WAD Luxury Home Institute, COLMO released the Villa Intelligence Expert capabilities and five core Villa Intelligence systems to consolidate the product's industry positioning. In terms of the brand, as the promoter and leader of the COLMO Lifestyle, COLMO cooperated with IPs in luxury housing, technology, fashion and architecture to launch the third Elite Life, presenting a picture of the COLMO Lifestyle in a multidimensional manner. In terms of users, COLMO has worked hand-in-hand with more than 500,000 high-net-worth customers since its release. In terms of the market, according to the data from AVC, the proportion of COLMO products in the high-end market has increased significantly in the first half of 2022, with wall-mounted air conditioners and water purification products occupying more than 20% of the market and dishwashers close to 13%. In terms of sales channels, to provide high-end users with better whole-house smart experiences, COLMO collaborated with the international fashion media group Marie Clarie in the first half of 2022 to build a high-end, stylist architectural and cultural landmark, the COLMO "Villa Intelligence Beautiful Home" Experience Space, in Sino-Ocean Taikoo Li Chengdu. Additionally, it further expanded the high-end whole-scene channel by setting up nearly 170 smart experience pavilions.

As a world-renowned home appliances brand with a century-old history, Toshiba is committed to providing users with inspiring, perfect products and services. With strict requirements for the entire production flow and quality inspection criteria higher than international standards, Toshiba has become the bellwether of international quality in the home appliance industry. In recent years, Toshiba's increasing sales in China have made it a new choice for high-end home appliances in the country. To create a leader in a high-end, exquisite and star-level lifestyle, Toshiba continued its efforts in the first half of 2022. In terms of products, it built a consistent brand mindset with a suite-based design, launching the first Toshiba product suite—the "Xingzhuo" suite, which provides users with an exquisite, star-level lifestyle through star-level

technology, design and experiences. In terms of marketing, campaigns were carried out for different user circles, including food lovers and mothers, to achieve precise marketing and sustain inbound marketing through targeted membership coverage combined with KOL recommendations. In terms of sales channels, joint efforts were made for core terminals. In the first half of 2022, Toshiba built 42 star-level life pavilions. Supported by Midea's domestic market resources, it built benchmarks from core stores every month, helping single-store sales exceed one million. Meanwhile, it released standardized terminal guidelines to ensure a unified terminal image. In terms of the market, the sales of Toshiba products in all channels of the domestic market surpassed RMB1.1 billion as of June, a year-on-year increase of more than 110%. During the "618" promotion, Toshiba recorded more than RMB200 million in sales, up 74% year on year, including more than 160% year-on-year growth in its refrigerator sales. Additionally, Toshiba has improved its product layout in the domestic market. The 479 Large White Peach and the 429 Small White Peach, two new refrigerators launched in February 2022, exceeded RMB78 million in sales for the first half year of release. According to the data from AVC, Toshiba's 479 Large White Peach continued to rank first in the sales of six-door refrigerators, and its new 10LTC 3-Liter Rice Cooker made RMB4 million in sales within the four months of launch.

WAHIN continued breaking the boundaries of traditional home appliance models. The brand insists on innovation, embracing the Generation Z with "Trendy Designs, Practical Functions and Fun Interactions". It continued focusing on exploring the potential of young users. WAHIN deepened the brand marketing towards the younger generation with innovative products as the core, the virtual character "WAHIN Girl" being the spokesperson and a slogan of "It's your turn, young man!" Positioning itself as "young, technological and trendy appliances", WAHIN continues to provide users with good-looking, interesting and surprising products with easy-to-use technology. In the first half of 2022, WAHIN integrated marketing and upgraded the anime IP WAHIN Girl to an ultra-high-simulation digital human, who won the 2021 Forbes Business Value Award for Virtual Humans in Chinese Home Appliance Industry and reached 150 million users while serving as the brand's digital manager. In the meantime, WAHIN cooperated with Peking University School of Journalism & Communication, using a young brand positioning to gain penetration into and resonance with young consumers, delivering notable results in the "618" e-commerce promotion. On the May 4th Youth Day, WAHIN announced a full range of new products at its "Dare to Be a Youth to Step Forward" Launch, being the first to provide good-looking suite products in all

categories based on the trend of popular colors. Meanwhile, with the help of professional esports players, its new products kept breaking the circle, attracting 250 million unique visitors overall. Additionally, the brand released the idea of "Lite Smart" that would gradually cover all categories. Building on Ling lite, a "lighter, younger" Lite Smart 2.0 is about to be launched with the product philosophy of being instantly discovered, instantly connected and instantly controlled. During the "618" promotion in 2022, the sales of WAHIN products reached close to RMB1.6 billion, up 80% year on year. Particularly, WAHIN refrigerators ranked among the top three in JD.com, Tmall and Douyin, grew 1,000% from the previous year at the self-operated store on Pinduoduo, and sold 95,000 units via livestreaming. Furthermore, more than 10,000 articles were published online in WAHIN's air conditioner-focused content marketing. Notably, the search index of "WAHIN air conditioner" increased by 300% on Xiaohongshu and by 260% on Zhihu.

**H. Seized market opportunities amid domestic and international circulations, responded to China's goals regarding "carbon emission peak" and "carbon neutrality", made technological breakthroughs and innovations, and kept improving the ToB business landscape**

In 2021, the Electromechanical Business Group has been transformed into the Industrial Technology Business Group. With the vision of "Technology Drives the Whole World" and the power of technological innovation to support the global industrial development in the new era, the Industrial Technology Business Group is dedicated to becoming the world's leading solution provider in intelligent transportation, industrial automation, green energy and consumer appliances. The Industrial Technology Research Institute and a strategic development organization have been established in 2021. It focuses on both independent development and acquisitions, and improves the technology, product and market structures in four major areas. A complete industrial chain has taken shape, covering information, control, drive, and execution. Meanwhile, it continues to increase investments in the development of key and cutting-edge technologies. During 2021, it invested over RMB1 billion in R&D and introduced 400 more R&D personnel, in addition to greater effort made in the introduction of senior experts in the industry. The Industrial Technology Business Group made constant efforts for consumer appliances and consolidated its leading position in the industry. According to data provider ChinaIOL, in H1 2022, the global market share of residential air conditioner compressors increased to 44%, representing the largest market share across the world. The global market share of refrigerator compressors reached 14%, thus ranking at the forefront of the industry.

The unit sales of motors for residential air conditioners and laundry appliances accounted for 42% and 18% of the global figures respectively, still leading the way in the industry. Meanwhile, the whole-new M Series DC Compressor for car refrigerators has been launched to the market in May 2022, with the order volume surpassing 56,000 units in the first three months of its launch. Midea continues with digital and intelligent transformation to deal with workforce challenges in the future and keeps expanding and improving its capacities. The Foshan Xingtan Base was newly established to make a forward-looking layout in intelligent manufacturing of mechanical and electrical products. Midea has comprehensively automated, digitalized and intellectualized the production layout, process design and production management, seeking to build an Industry 4.0 intelligent manufacturing demonstration base in China and a world-class “Lighthouse Network” factory. The integration work on the Thai compressor company proceeded well, which has helped significantly increase the overseas production capacity of refrigerator compressors. In addition, construction of the Indian A/C compressor plant has started, laying a foundation for mass production in the second half of the year and further enhancing the global supply capability of core components.

The Industrial Technology Business Group puts more resources to core components of new energy vehicles, focusing on the cutting-edge CO<sub>2</sub> rotary automotive electric compressors that solves the industry's pain point of low-temperature heating, domestic self-developed EPS motors for auxiliary/autonomous driving, and main drive motors with cutting-edge performances. The existing three product lines and five products have basically been tested on board and will be mass-produced in succession. In terms of market expansion, it provides product technical solutions for numerous renowned car companies. In the first half of 2022, it obtained designated cooperation projects from various customers. These projects are expected to generate orders with a total output of more than RMB5 billion, including the cumulative shipment of more than 36,000 units so far. In terms of production capacity, a manufacturing base for new energy vehicle parts was built in Anqing in February 2022. With a total investment plan of approximately RMB11 billion, the base focuses on breaking through bottlenecks such as core basic components, primarily produces power steering motors, electric compressors for new energy vehicles and drive motors for new energy vehicles, and creates system R&D centers for thermal management, electric drive and chassis. In the meantime, the Hefei Manufacturing Base also continues to improve its production capacity, with a year-on-year increase of 100% in compressors, a year-on-year



rise of 200% in electric drives and a year-on-year growth of over 200% in EPS motors. Midea Industrial Technology Business Group acquired WuHan TTium Motor in April 2022, officially entering the field of two-wheeled travel and expanding the core components of two-wheeled electric vehicles. By introducing Midea's supply-chain system and advanced experience of large-scale production, it set up modern factories in China and Vietnam to continuously provide customers with high-quality products. Additionally, at the Eurobike 2022, it launched three large crankset center motor products with technical advantages such as high power density, high efficiency, quick response and low loss rate, attracting extensive attention. With efforts in the whole industrial chain of industrial automation covering software tools, equipment control, servo drivers, servo motors and encoder, Servotronix continues to provide customized motion control solutions for customers in various fields. Meanwhile, it took active steps in marketing model reform, delivering over 40% year-on-year growth in linear drive products in the first half of 2022. Additionally, a range of new products and applications were launched, including the softMC703 High-performance Multi-axis Controller and CDHD and CDHD2 High-performance Servo Drives exhibited at Hannover Messe 2022. These core products and solutions have gained wide attention and recognition for their "high-speed, high-precision and high-performance" customization. Moreover, it continues to step up the promotion and application of existing products in new areas, including lithium batteries and 3C electronics. It also addresses industry pain points with tailor-made solutions, empowering application scenarios such as laser precision cutting, lean manufacturing of die-bonding machines, precise control of six-axis robots and precise positioning of visual inspection equipment. In the field of new energy, based on its industry-leading high-voltage variable frequency drive products, the Industrial Technology Business Group made breakthroughs in intelligent micro-grid, energy storage and SVG dynamic reactive power compensation device in the first half of 2022, with orders totaling over RMB100 million. Meanwhile, high-voltage variable frequency drive products increased their market shares steadily in the petrochemical and power industries, and low-voltage variable frequency drive products gained recognition from core customers. In terms of new product development, in the first half of 2022, the High-voltage Variable Frequency Drive HCA Series products completed verification, and the Household Energy Storage Integrated Machine and Solution HEC-S and container-type integrated energy storage products were launched. Additionally, in the field of consumer appliances, the Business Group puts more resources in product lines of MCU, IoT, power supply and power chip. In the first half of 2022, it made breakthroughs in chip products in MCU master control, MCU touch control, MCU frequency conversion and power

management, which were supplied to more than 30 customers.

As a leader of core components in the pan-industry field, Midea Industrial Technology Business Group has won many industry awards. For example, the relevant patented product technologies won six Excellence Awards at the 22nd China Patent Awards as well as one Gold Award and two Silver Awards at the 9th Guangdong Patent Awards. In June 2022, the China National Light Industry Council certified four of its technologies as "Internationally Advanced", including "Research and Application of Key Technology of Low-noise, Heavy Rare Earth-free Permanent Magnet Motor for Compressors", "Research and Application of Key Technology of Lightweight, Silent and High-efficiency Compressor for Refrigerators with High Volume Rate", "Research and Application of Key Technology of High-overload Permanent Magnet Synchronous Motor Drive System for Home Appliances", and "Key Technology and Application of Variable Capacitance Driven High-efficiency and Miniaturized Memory Motor System for Home Appliances". Additionally, three products, including "New-type High-efficiency, High-speed Variable Frequency Scroll Compressor", "New-generation Ultra-efficient Air Conditioner BLDC Motor", and "New-generation High-volume-rate Refrigerator Variable Frequency Compressor", were selected as the 2021-2022 energy-saving and ecological environment products by the China Association of Refrigeration.

In 2021, Midea HVAC & Building Technologies Division was officially upgraded to Midea Building Technologies Division. After the upgrade, Midea will make every effort to promote the construction of the Building Technologies Division's digital platform, and support plentiful, changeable scene groups as well as flexible, personalized digital experience by "building equipment facilities & digital technology & industrial ecosystem", In the first half of 2022, under the guidance of the "Digitization & Intelligence Driven" strategy, Midea Building Technologies Division, as an important business segment of Midea Group that focuses on "intelligent building", helped China's building technology industry set sail toward the Internet of Everything (IoE) era based on digital empowerment of buildings, and interconnected the logistics flow, information flow, feeling flow and energy flow of buildings from multiple aspects such as equipment implementation, building control, edge application, cloud digital platform and application scenarios, with a view to providing customers with "end-to-end" SMART IN ONE overall solution. At the "Make iBuilding come TRUE" building technology conference held in early 2022, Midea Building Technologies Division released the "iBUILDING, Midea Building Digital Platform" to empower hardware

products and promote business transformation. Additionally, according to the data monitored by Industry Online, Midea Commercial Air Conditioner has continued to rank first with respect to domestic market share in the first half of 2022.

As building energy consumption is increasing its proportion of the energy consumption of the whole society in the progress of urbanization, accelerated efforts have been made in the construction of "zero-carbon buildings" with "green energy system" as the core. In building energy management, the iBUILDING Midea Building Digital Platform conducts intelligent energy adaptation and management with a customized design based on the building's characteristics. In the western part of Midea Industrial Park, iBUILDING connects the systems of power grid, carbon trading, energy and HVAC to deliver "low-carbon and energy-saving" in every link. In terms of power generation, the platform developed a distributed photovoltaic + energy storage integrated project on the roof of Midea office buildings to offset fossil energy consumption. In terms of power consumption, energy is saved by the MDV8 Unbounded Multi-split Machine with digital sensors through space characteristic recognition, system refrigerant temperature judgment, and self-adaptive indoor machine air and flow volume. Moreover, by connecting the park's carbon management system, iBUILDING provides the trading of carbon emission rights and green certificates. As a model project of zero-carbon building, the park has taken the lead in achieving carbon neutrality. In terms of market expansion, iBUILDING developed its smart construction business from industrial parks to hospitals, health care and public facilities in the first half of 2022. In Shanghai Tongji Hospital, centering on people and equipment, iBUILDING makes deep involvement of building automation system and new technologies such as cloud computing, big data, IoT and artificial intelligence in smart building management. For example, the whole process of staff entry and exit is visualized through 3D virtual hospital modeling, and the hyper-converged application of building automation system, medical special system and medical information system is realized by using the IOC platform to connect information islands. In the He Art Museum (HEM) in Shunde, Foshan, iBUILDING used a digital twin model to create a "Virtual HEM", which senses the museum's temperature and humidity as well as monitors the status of precious collections in the storage cabinet in real time. In the event of abnormal storage environment, the system will respond with an early warning to prevent any damage. Additionally, iBUILDING integrates security, operation and maintenance, elevators, and energy management into unified management to achieve interconnection between devices, customer-oriented experience and full

life cycle management of buildings, effectively supporting the better operation of HEM. In Shenzhen's Meilin Vanke Center, the Space Tech Energy Management System was built based on iBUILDING. It not only solves the energy data statistics and predictive analysis of existing buildings but also provides energy optimization suggestions based on self-developed algorithms, delivering consumption reduction targets for building through a smart operation. During the 24th Winter Olympics, Midea Building Technologies provided a wide range of products for multiple scenes, from the opening ceremony to the closing ceremony, from sports venues to logistical support, and at the window of broadcasting the event globally and the transportation hub connecting the world. It provided low-carbon, efficient and smart HVAC solutions for Winter Olympic venues and supporting buildings, including the National Stadium "Bird's Nest", the mountain broadcasting center in Zhangjiakou, Shougang Park, the National Speed Skating Stadium, Beijing-Zhangjiakou High-speed Railway, Winter Olympic Village, and Taizicheng Snow Town, helping the event to fulfill its green commitment and safeguarding the holding of the games. In June 2022, the Hetian-Ruoqiang Railway, the last piece of the world's first railway around the desert, officially opened. Midea Building Technologies solved the cooling of the computer room for its communication base station through technology innovation and equipment upgrade. A high-efficiency cooling solution is applied in the communication base stations of the stations along the railway, and several air conditioners for confidential computer rooms are deployed in stations' consoles and computer rooms. In overseas markets, Midea Building Technologies actively responded to the EU's "2050 Carbon Neutrality" program and stepped up its efforts in the upgrade of heat pump products. Midea's heat pump products started in 2003 and have developed into heat pump water heaters, swimming pool machine heat pumps, commercial heat pumps, and the M thermal and Tri thermal series that integrates space heating and cooling and domestic hot water, providing customers with reliable, low-carbon and energy-saving comprehensive solutions. Among them, the high-efficiency, reliable and environmentally-friendly M thermal series have the highest energy efficiency grade (A+++ at 35°C) and can provide hot water up to 65°C at an extremely low temperature of -25°C. The ESG series swimming pool machine, the first net zero energy heat pump product developed by Midea, obtained the SGS zero-carbon production line certification. Manufactured by a zero-carbon production line, it uses recyclable materials to make the body and packaging, and adopts R32, a refrigerant that is more environmentally friendly. During operation, the clean energy generated from the photovoltaic panels on the roof is used to connect the energy storage system to save energy and reduce emission. According to the data from Industry Online, in the first half of 2022, the export value of Midea's

heat pump products grew by more than 200% year on year, with its export volume ranking first in China's heat pump industry.

In terms of product innovation, in the first half of 2022, Midea Building Technologies launched various new products to strengthen its business in commercial air conditioners, building automation and elevators. For example, the MDV8 Unbounded Multi-split Machine loaded with digital sensors and MDV-Link chips reconstructs the integrated value of space, air and humans. Midea Fully Variable Frequency Air-Cooled Chiller (Heat Pump) uses smart technologies to provide heating and cooling in an environmentally-friendly, energy-saving, healthy and safe manner. The energy-saving, comfortable and smart MDV FIT Unit is designed for small and medium-sized commercial spaces. The modular evaporative cooling scroll chiller, which combines smart control, high-efficiency and energy-saving, and modules, features independent dual systems and a whole-machine anti-corrosion design. The NYR100 Modular Hot Water Shelter Hospital developed in cooperation with Shanghai Aerospace Smart Energy Technology Co., Ltd. is characterized by modular prefabrication, convenient installation, environmentally-friendly and energy-saving, safety, and intelligent IoT, ensuring hot water supply for all scenarios in the COVID-19 responses in an all-around way. MeiKong's cleaning business, KONG DDC M0 new products and shelter hospital solutions brings efficient, convenient integrated solutions for medical buildings. LINVOL, a digital and intelligent elevator brand under Midea Building Technologies, released two new villa elevators, "Tianlin" and "Tianyi", the first digital and intelligent passenger elevator series, "Yunhang" (without computer room) and "Yunling" (with computer room), and the iBUILDING smart elevator management platform, empowering smart buildings with brand new digital and intelligent solutions. In terms of technology development, in the first half of 2022, Midea MDV8 Series Multi-split Air Conditioner (Heat Pump) Unit was granted the certificates of "professional, characteristic, energy-saving and refined products", low-carbon certification and carbon footprint evaluation in the inspection and assessment by Hefei General Machinery & Electrical Products Inspection Institute (National Quality Supervision and Inspection Center of Compressors and Refrigeration Equipment). MDV8 VRF was honored with multiple Tick-Mark performance certifications issued by Intertek, three of which are free topology high reliability, ultra-high temperature stable operation and ultra-high energy efficiency. In April 2022, two of Midea's star products, "Medium- and High-temperature Water Outlet Variable Frequency Direct Drive Centrifugal Unit" and "High-efficiency Modular Integrated Cooling Station", were listed in the "2021 Excellent Cold Source

Products for Data Center Cooling" selected by the China Association of Refrigeration. Specifically, with core technologies such as advanced aerospace pneumatics, horizontally opposed compression, single-shaft direct drive, two-stage air-entraining and enthalpy-increasing compression, full falling-film evaporation, high-speed frequency conversion, double anti-surge, extreme-speed start-up and low-temperature operation, Midea's Medium- and High-temperature Water Outlet Variable Frequency Direct Drive Centrifugal Unit reaches the national first-class energy efficiency in the whole series, addressing the problem of poor energy efficiency, high noise and narrow operating range of traditional medium- and high-temperature water outlet centrifugal units. Midea's High-efficiency Modular Integrated Cooling Station integrates the refrigeration host, cold water pump and cooling water pump, among others, in the container, and optimizes the layout of the water system pipeline. It combines system power distribution and system control, matching appropriate system components for different cooling sections. With a smart group control system for artificial intelligence, real-time optimization and edge design, the product is characterized by high integration, efficient host, smart group control and convenience. With the winners of the 2022 International Exhibition of Inventions of Geneva announced, Midea Building Technologies' "MDV8 Smart Building Energy Solution" project won the Gold Medal, and its "KONG Cell: Empowering Traditional DDC with IoT Technology" and "M-thermal Arctic Heating Heat Pump" projects won the Silver Awards. Meanwhile, its "Maglev Compressor High-precision Control Technology" and "VRF Smart Control Technology" won the 9th Guangdong Patent Gold Award and Silver Award. In early 2022, Midea Building Technologies reached strategic cooperation with Nanjing Yangtze River Urban Architectural Design Co., Ltd., Space Tech and Shanghai Tongji Hospital in cloud computing, big data, information security and other fields. In April 2022, Midea Building Technologies signed a cooperation agreement on "Co-building a High-efficiency and Energy-Saving Technology Institute" with Xi'an Jiaotong University. Focusing on high-efficiency and energy-saving technology, both parties continue to strengthen in-depth industry-university-research cooperation in heat exchangers and refrigeration systems based on development needs. Additionally, Midea Building Technologies and Guangzhou Electromechanical Installation Co., Ltd. signed a strategic cooperation agreement and will work together on projects nationwide.

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

KUKA, a subsidiary of Midea, is a world-renown robotics manufacturer. Relying on its industry-leading movement algorithm, KUKA can ensure superior movement performance of robotics products throughout their life cycle, and its mature design concept can continuously give birth to new products able to lead the market. In the first half of 2022, KUKA continued to promote the innovation of various products and technologies. In the software field, KUKA won the German Innovation Award with its new iiQKA robotic operating system and ecosystem. Relying on its excellent applicability, modern and modular software architecture, and high performance and flexibility, iiQKA.OS can help improve development efficiency and speed, and enable users to easily and quickly achieve automation. In the field of general industry, KUKA has launched new products of LBR IISY Series sensitive and light cooperative robotics. With wider operating range and effective loads of 11 kg and 15 kg respectively, the new robotics products just mentioned can operate through the new iiQKA.OS operating system. Additionally, the new generation of KR CYBERTECH nano robotics will operate on the KR C5 micro robotics controller, which can ensure excellent operating accuracy in continuous path motion, and can thus be applied in multiple scenarios such as PCB assembly, painting, bonding, machining, polishing, packaging and arc welding. In the field of warehousing, the second-generation KR QUANTEC PA palletizing robotics of KUKA have a payload of up to 240 kg, and adopt food-grade NSF H1 lubricant to meet the requirements of the food industry. Specially developed for demanding palletizing tasks, the aforesaid product incorporates optimized weight and gravity center design and improved drive unit, thanks to which it can effectively reduce floor space, increase speed by 10% and significantly shorten working hours. In the medical field, KUKA LBR Med is a certified collaborative robotics applied in medical products. At the International Conference on Robotics and Automation (ICRA) held in May 2022, KUKA and its partners demonstrated how the LBR Med robotics could be applied in highly complex and sensitive medical scenarios such as brain tumor biopsies. Considering that the food, medicine and cosmetics industries have special hygiene requirements for robotic automation, the new "Hygienic Oil" product portfolios and "Hygienic Machine" products of KUKA are designed to avoid potential contamination and meet the highest hygiene requirements, while maintaining excellent performance in handling, packaging, palletizing and other application scenarios that prioritize hygiene requirements. Applied with lubricants compatible with food and boasting smooth surfaces easy to clean, the "Hygienic Oil" industrial robotics of KUKA also comply with the hygiene requirements of such standards as the EU Machinery Directive 2006/42/EC and the international DIN ISO 14159.

In the first half of 2022, in terms of market expansion, KUKA and Ford Otosan signed a new framework agreement, based on which KUKA will provide more than 700 robotics for the new generation of electrically interconnected commercial vehicle project at Ford's Kocaeli Plant in Turkey for such fields as the production of white vehicle body. KUKA's proprietary technologies also serve the Swedish Automotive Group. Specifically, KUKA provides such services as design and assembly of production lines for the chassis systems of the two new electric vehicles of Swedish Automotive Group at its Southern California Plant, and In addition to the assembly of the new fully automated body production line, KUKA is also responsible for the transformation of the original logistics transportation system of the production line, which will include spot welding, self-piercing riveting, flow drilling screw assembly and connection, gluing and other relevant technologies. KUKA robotics provide an automated solution involving flour packaging, delivery and loading for Moulins Bourgeois, a household flour mill in France. KUKA Assembly & Test GmbH and Wiksfors Technology AB have established a strategic partnership to work together in the modular house construction industry and position themselves as providers of "next-generation plant" solutions. KUKA will provide Ellume (an Australian diagnostics company) with 144 KUKA KR AGILUS Series robotics to expand the automated production capacity of the latter's rapid detector of novel coronavirus, and this project is worth more than EUR1 million. KUKA and FlexFactor announced their cooperation on "production payment models" at AUTOMATICA, a trade show for robotics and automation technology in Munich, in hope of providing adaptive capacity services for customers, so that they can fully focus on product development and customer requirements. The "pay to produce model" has been developed and successfully practiced in the automotive industry, and the manufacturing operation of KUKA Toledo Base has been using this model to manufacture car body in white since 2006, and has accumulated years of experience in this field. Moreover, in April 2022, KUKA was named GM's "Supplier of the Year" for 2021, the sixth time in history.

KUKA continuously promotes the integration and expansion of the robotics business in the Chinese market and deepens the promotion of organizational reform with a focus on industrial applications and key customers. KUKA China reaches a record high in order reception, production and delivery. Its product varieties are further enriched, supply chain bottlenecks such as core components are gradually addressed, and operating trend keeps improving overall. Taking opportunity of the explosive investment in energy expansion of new energy and lithium battery, KUKA China had had more than 20,000 robotics



been ordered by June 2022, manufactured and delivered more than 10,000 robotics in spite of difficulties brought by the COVID-19 pandemic and supply chain, and established cooperative relations with BYD, Tesla, NIO, Ningde Times and other top customers in the new energy vehicle industry. Additionally, through value chain collaboration, KUKA China had improved the production capacity of upstream core parts suppliers, completed the redesign and release of RDC (a core component of control cabinet), and promoted the localized auxiliary configuration of key materials such as balance cylinder in joint efforts with the aforesaid upstream core parts suppliers, thus effectively supporting the market demand of heavy load robotics, while providing guarantee for the achievement of KUKA China's strategic goals for the next five years. KUKA China meets the requirements of rapid market development through continuous business optimization. Adhering to the customer-oriented operation philosophy and the positioning of a startup, KUKA China provides customers with systematic solutions and, in response to the explosive market demand, integrates the logistics and mobile robotics businesses of Swisslog, and establishes a team specially in charge of the logistics automation business to provide complete industrial automation system solutions. KUKA China keeps increasing R&D investment, builds its core competitiveness under the driving of technology and, in spite of the impact of COVID-19, restarts the global exchange program for R&D personnel to accelerate the progress of Sino-German team cooperation projects. In order to further enrich its product family matrix, KUKA China launched 11 new products such as SCARA and AGV robotics in the first half of 2022. Additionally, KUKA Robotics Guangdong Co., Ltd. obtained the qualification of Guangdong Enterprise Technology Center. The center has built its own laboratory with a total floor area of more than 10,000 square meters. Equipped with more than 200 sets of precision equipment, the laboratory has established the highest standard in hardware R&D among all laboratories of KUKA worldwide. Enabling all such experiments as drive system verification experiment, motor verification experiment, reducer verification experiment and controller development experiment, the laboratory can fully address various verification demands at such levels as core components, robotics nomenclature and system application. Furthermore, the patent technology of "control method, device, computer equipment and storage media for robotics motion" independently developed by KUKA China won the Silver Award of the 9th Guangdong Patent Award. In addition, KUKA has been playing an active part in raising Midea Group's intelligent manufacturing level. By June 2022, the robot density of Midea is over 440 units per 10,000 persons. And this number is expected to reach 700 by in the next two years with greater investments in this respect.

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

In H1 2022, Midea continued to encourage the core management to take responsibility for the Company's long-term development and growth by further enhancing its long-term incentive schemes. Midea has launched nine stock option incentive schemes, six restricted share incentive schemes, eight global partner stock ownership schemes and five business partner stock ownership schemes, which have helped, in a more effective manner, to align the long-term interests of senior management and core business backbones with that of all shareholders.

Midea Group protects its shareholders' interests by ensuring a consistent dividend policy. It shares its growth with shareholders by putting forward cash dividend plans with a total amount of more than RMB69 billion since Group listing in 2013. In addition to the consistent dividend payouts, the Company has carried out a string of share repurchase plans. To further stabilize the market capitalization and protect the shareholders' interests, the Company has launched share repurchase plans for four consecutive years since 2019. And the repurchased shares would be used for equity incentive schemes and employee stock ownership schemes. During the period from the beginning of the Reporting Period to the disclosure date of this Report, Midea has used more than RMB1.8 billion for share repurchases.

## **2. Core Competitiveness Analysis**

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

As a white goods and HVAC enterprise with a whole industrial chain and full product line, Midea Group has developed a complete industrial chain combining R&D, manufacturing and sales of core components and finished products, supported by an industry-leading R&D center and manufacturing technologies of core components (such as compressors, electrical controls, magnetrons and controllers), and ultimately based on its powerful capabilities in logistics and services. Midea owns top brands of household appliance and HVAC in China. Its dominance in the major appliance and HVAC markets means that it can provide a wide range of competitive product sets. It also means internal synergies in brand awareness, price negotiation as a whole, customer needs research and R&D investments. Compatibility, coordination and

interaction among household appliances have become increasingly important since smart home is gaining popularity. With a full product line, Midea has had a head start in providing a combined and compatible smart home platform with integrated home solutions for customers.

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

The Group is focused on building a globally competitive R&D capability and system. It has established a three-tier technical committee system responsible for the formulation and implementation of technology strategies. And the four-tier R&D system has been improved with an aim to build world-leading R&D capabilities. The interconnected technology strategies and mid- and long-term product planning serve as two drivers of growth. Midea currently focuses on 11 technologies in a bid to make breakthroughs with key technologies and achieve technology leadership. It has invested over RMB45 billion in R&D over the past five years, with the investment of nearly RMB6 billion in H1 2022. In order to deepen its global technology ecosystem in a faster way, the Group has set up a total of 35 research centers in 12 countries. It has over 18,000 R&D personnel and over 500 foreign senior experts. With the “2+4+N” global R&D network, it has gained the advantage of scale in R&D across the world. Domestically, Midea Global Innovation Center in Shunde District, Foshan City and Midea Global Innovation Center in Shanghai are the cores of Midea’s R&D arm. Overseas, with Midea America Research Center, Midea Germany Research Center, Midea Japan Research Center and Midea Italy Research Center as the cores, Midea makes use of the regional technological advantages, integrates global R&D resources, and builds complementary global R&D capabilities. Following the strategy of “Technology Leadership”, it attracts more professional talent and builds an organic global R&D network.

Midea’s long-term focus on building technology, marketing, design, product and open innovation systems, building a cutting-edge research system and building reserves in technology for mid/long term, has provided a solid foundation for the Group to maintain long-term product and technological superiority. While strengthening its global R&D network, Midea also works on constructing an open platform of innovative ecosystems. Through deepening the implementation of technology projects to integrate quality technological resources across the world, a global innovation system has been put in place. By way of

integrating various resources of large companies, technology companies, universities, research institutes and innovation consulting agencies, a technology ecosystem has been put in place and continuously expanded, which has access to enormous resources for technological innovation. Additionally, a scientist system has been established with eight academician workstations/workshops and 19 academicians on more than 100 cooperation projects. These projects cover green, energy-saving, health, intelligent, robotics and automaton technologies, among others. In terms of basic research, the Group cooperates with domestic and foreign scientific research institutions, such as Massachusetts Institute of Technology, University of California, Berkeley, University of Illinois at Urbana-Champaign, Stanford, Purdue University, University of Maryland, The University of Sheffield, Tsinghua University, Shanghai Jiao Tong University, Zhejiang University, the Chinese Academy of Sciences, Harbin Institute of Technology, Xi'an Jiaotong University, Huazhong University of Science and Technology and South China University of Technology, in order to establish joint labs for deepening technological cooperation. The Group also upgrades and make innovations on cooperation models by carrying out strategic cooperation with tech companies such as BASF, Honeywell, 3M, and SCHOTT to build a global innovation ecosystem through multiple channels.

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

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

a bid to promote significant growth in its Own Branding & Manufacturing (OBM) business. In addition, with a deep knowledge and understanding on product characteristics and product demands in overseas market, Midea is promoting worldwide branding and expansion through global collaboration and cooperation. In this way, the global competitiveness of Midea is increasing steadily.

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

With its continuous efforts, Midea has formed a multi-channel network which has a complete business layout and covers a wide range of areas, thus meeting the purchase needs of online and offline consumers for household appliances. Offline retail outlets have reached more than 140,000. Midea has created a network layout of comprehensive household appliance stores, specialty stores of self-owned products, traditional retailers and e-commerce franchise stores. It provides easy access to Midea's products and services, covering the entire market from first-tier cities to townships. Particularly, Midea boasts a unique exclusive shop system in the industry with more than 20,000 outlets, where various needs of users from new decoration to updates can be met in pre-decoration stores, flagship stores, professional stores and other stores. In 2022, Midea combined the exclusive store business and the pre-decoration store business to create "Midea Cloud Sales+". With a unified platform, unified management and unified operation, the "Midea Cloud Sales+" ecosystem has been enhanced, with its business covering markets of all tiers. Upholding the customer-oriented principle, Midea continuously promotes digital transformation on the direct retail end, providing customers with digital platform services that are industry-leading. By providing offline stores with professional digital platform support such as capacity enhancement, purchasing guarantee, and user operation, it can help improve the actuarial rate, order review timeliness and logistics efficiency to ensure store supply experience. The Company continues to refine the Midea Cloud Sales App, improve the supply chain capability, and increase logistics efficiency. It also builds an online shopping mall for offline stores through the Midea Home Delivery mini-app, empowering offline retail by using tools such as marketing tool packages, user operation platforms, and the home delivery platform. Focusing on "smart home" and "whole-house decoration solutions", Midea promotes deep cooperation with decoration, furnishing, building materials, design and other channels. It has built more than 1,300 smart home experience centers. Supported by the "1+N" store network, smart

product suites and the M+Design Designer Club, Midea drives pre-decoration transformation towards unified supply, operation and services. Thus, it is able to achieve standard operation of stores and provide one-stop service for users, created diversified smart lifestyles for them. In H1 2022, the retail sales on the pre-decoration market rose by over 100% year on year. Besides, in Pinduoduo, Douyin, Kuaishou and other emerging channels, Midea grows at a faster pace, driving sales and user growth through membership operation, as well as the offering of product suites and smart products.

Annto, a technological innovation-based provider of new supply chain (logistics) services under Midea Group, makes full use of digital and big data technologies to refine and manage its comprehensive logistics network, building a smart and digital integrated logistics service platform. Annto concentrates its resources on urban distribution and is able to provide fully visualized direct distribution services covering every town and village of the country. Relying on more than 140 urban distribution centers nationwide, it covers more than 99% of towns and villages across the country. It can finish the delivery to 30,739 (or over 77% of) towns and villages within 24 hours and to 37,260 (or over 94% of) towns and villages within 48 hours in the country. Additionally, Annto strengthens the shared inventory system for online and offline channels and the competitive edge of integrated delivery for the ToB/ToC business, refines its network of integrated delivery and installation services, drives connectivity through the whole process from manufacturing to sale, provides quality service solutions for various orders from customers, as well as comprehensively better the end user experience.

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

Midea has put in place and will prioritize the development of the Midea Cloud Sales commercial platform supported by unified data and technology platforms, the IoT ecosystem platform, and the Industrial Internet platform of “M.IoT”, with an aim to become a world-leading technology group driven by digitization & intelligence. On one hand, it promotes deep integration of the digital technology and business in the whole value chain, with the view to becoming an icon in digitalization. On the other hand, with foresight, it plans for whole new products, services and business models centering on smart technologies, products and scenes, so as to outcompete Internet companies. With continual investment and research in artificial

intelligence (AI), silicon chip, sensor, big data, cloud computing and other new technologies, Midea has built the biggest AI team in the household appliance industry, which is committed to enabling products, machines, production processes and systems to sense, perceive, understand and judge, driven by the combination of big data and AI, in order to reduce obstacles for man-machine interaction to the minimum and create smart appliances without any assistance in interaction. Focusing on “people and their family”, Midea builds a whole value chain of IoT. Breakthroughs have been made in user data protection, content operation for smart scenes, smart connection technology, the smart home ecosystem, cloud platforms, the smart voice function, the big data-based cloud housekeeper services, etc. By doing so, Midea is able to offer complete smart home solutions for users, as well as to empower its business partners.

Upon years of digital transformation characterized by “One Midea, One System, One Standard”, Midea has successfully materialized operations driven by software and data through its value chain, connecting end to end and covering planning and R&D, Product Ordering, intelligent scheduling, flexible manufacturing, coordinative supply, product quality tracking, logistics, installation & post-sale services, etc. The Group’s digital platform has made come true C2M flexible manufacturing, platform-based and modularized R&D, digitalized production techniques and simulation, intelligent logistics, digital marketing, digital customer service, etc. By way of integrating the IoT capabilities of its AI Innovation Center, Software Engineering Institute, IT Department, IoT Division, Smart Home Business Group, Robotics & Automation Division, Building Technologies Division, Digital Innovation Business and other organs, Midea has established a unified IoT technology platform. Its Industrial Internet platform has been upgraded to “M.IoT 2.0”, and four of its factories have been included in the “Global Lighthouse Network” initiated by the World Economic Forum, representing Midea’s powerful technology attribute and strong intelligent manufacturing capability. These practices are swiftly applied to other Midea manufacturing bases across the world. Based on these “Lighthouse” factories and the “Lighthouse Network”, Midea brings the relevant experience and services outside the Group to empower ecosystem partners and facilitate the transformation of China’s manufacturing sector. It has provided the relevant products and services for around 300 customers in more than 40 market segments. Therefore, it is safe to say that Midea has built a solid foundation regarding Industrial Internet systems. While driving online systems and digitalization, Midea also adopts a systematic data-based approach to governance. A whole new data platform has been put in place to accumulate data assets and achieve integration of online and offline business data,

as well as product and service data. Further, the “User One\_ID” system has been refined to provide adequate data support for all business lines.

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

Paying close attention to the construction of a governance framework, regarding its corporate control, centralization and decentralization systems, the Group formed a mature management system for professional managers. The divisional system has been in operation for many years, and its performance-oriented evaluation and incentive mechanism featuring full decentralization has become a training and growth platform for the Group's professional managers. The Group's primary senior management team consists of professional managers who have been trained and forged in the operational practices of Midea Group. They have rich management experience and practices in the relevant industries, deep understanding and insights of the relevant industries with respect to ToC and ToB, and accurate understanding of the industry environment and corporate operations and management. The Company's advantages in such systems and mechanisms have laid a solid foundation for the efficient and effective business operations, as well as the promising, stable and sustainable future development of the Company. At present, the Company has launched nine Stock Option Incentive Schemes, six Restricted Share Incentive Schemes, eight Global Partner Stock Ownership Schemes and five Business Partner Stock Ownership Schemes for key managerial and technical personnel at different levels, in addition to the exploration and practices with respect to diversified stock ownership schemes of key innovative subordinates. As such, a governance structure has been put in place that aligns the interests of senior management and core business backbones with that of all shareholders, as well as comprises long and short-term incentives and restrains.

### **3. Analysis of Main Business**

#### **Overview**

See contents under the heading “1. Business Scope in the Reporting Period” above.

YoY changes in key financial data:

Unit: RMB'000



	H1 2022	H1 2021	YoY Change (%)	Main reasons for change
Operating revenue	182,661,009	173,809,565	5.09%	
Cost of sales	140,424,168	135,727,446	3.46%	
Selling and distribution expenses	14,698,373	13,950,077	5.36%	
General and administrative expenses	4,951,069	4,251,893	16.44%	
Finance costs	-1,735,418	-2,321,726	25.25%	
Research and development expenses	5,865,033	5,314,637	10.36%	
Investment income	607,847	1,080,896	-43.76%	Decreased investment income derived in the period of holding financial assets held for trading
Losses on disposal of assets	18,962	-17,833	206.33%	Increased gains on disposal of non-current assets
Non-operating expenses	53,628	105,716	-49.27%	Decreased donation expenditures
Income tax expenses	2,710,551	2,407,939	12.57%	
Net profit attributable to minority interests	126,901	207,399	-38.81%	Decreased profits of non-wholly-owned subsidiaries
Net cash flows from operating activities	21,394,710	20,176,410	6.04%	
Net cash flows from investing activities	-6,562,852	9,137,053	-171.83%	Decreased cash received from disposal of investments
Net cash flows from financing activities	5,783,043	-16,559,579	134.92%	Decreased cash payments relating to other financing activities
Net increase in cash and cash equivalents	20,760,688	12,520,109	65.82%	Increased net cash flows from financing activities

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

No such cases in the Reporting Period.

### Breakdown of operating revenue:

Unit: RMB'000

	H1 2022		H1 2021		YoY Change (%)
	Amount	As a percentage of total operating revenue (%)	Amount	As a percentage of total operating revenue (%)	
Total	182,661,009	100%	173,809,565	100%	
By business segment					
Manufacturing	163,263,193	89.38%	154,065,437	88.64%	5.97%
By product category					
HVAC	83,236,383	45.57%	76,408,470	43.96%	8.94%
Consumer appliances	66,334,685	36.31%	64,964,319	37.38%	2.11%
Robotics, automation systems and other manufactured products	13,692,125	7.50%	12,692,648	7.30%	7.87%
By geographical segment					
PRC	104,822,467	57.39%	99,850,129	57.45%	4.98%
Outside PRC	77,838,542	42.61%	73,959,436	42.55%	5.24%

The Company's five business segments, namely the Smart Home Business Group, the Industrial

Technology Business Group, the Building Technologies Division, the Robotics & Automation Division, and the Digital Innovation Business recorded revenue of RMB125.9 billion (up 3.48% year-on-year), RMB12.1 billion (up 13.26% year-on-year), RMB12.2 billion (up 33.09% year-on-year), RMB12.2 billion (up 2.15% year-on-year), and RMB5.2 billion (up 42.37% year-on-year) respectively during the Reporting Period.

Business segments, products or geographical segments contributing over 10% of the operating revenue or profit

Applicable N/A

Unit: RMB'000

	Operating Revenue	Cost of sales	Gross profit margin	YoY change of operating revenue (%)	YoY change of cost of sales (%)	YoY change of gross profit margin (%)
By business segment						
Manufacturing	163,263,193	123,371,723	24.43%	5.97%	4.30%	1.21%
By product category						
HVAC	83,236,383	65,712,490	21.05%	8.94%	7.14%	1.33%
Consumer appliances	66,334,685	46,958,140	29.21%	2.11%	-0.44%	1.81%
Robotics, automation systems and other manufactured products	13,692,125	10,701,093	21.84%	7.87%	9.41%	-1.10%
By geographical segment						
PRC	104,822,467	80,102,964	23.58%	4.98%	3.05%	1.43%
Outside PRC	77,838,542	60,321,204	22.50%	5.24%	4.01%	0.92%

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

Applicable N/A

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

Applicable N/A

#### 4. Analysis of Non-Core Business

Applicable N/A

#### 5. Assets and Liabilities

##### 5.1 Material changes of asset items

Unit: RMB'000

	30 June 2022		31 December 2021		Change in percentage	Explanation about any material change
	Amount	As a	Amount	As a		

		percentage of total assets (%)		percentage of total assets (%)	(%)	
Cash at bank and on hand	76,701,938	18.57%	71,875,556	18.53%	0.04%	
Accounts receivable	29,586,420	7.16%	24,636,440	6.35%	0.81%	
Contract assets	4,264,364	1.03%	3,823,476	0.99%	0.05%	
Inventories	36,750,838	8.90%	45,924,439	11.84%	-2.94%	
Investment properties	826,593	0.20%	859,195	0.22%	-0.02%	
Long-term equity investments	3,769,304	0.91%	3,796,705	0.98%	-0.07%	
Fixed assets	23,473,308	5.68%	22,852,848	5.89%	-0.21%	
Construction in progress	3,590,625	0.87%	2,690,930	0.69%	0.18%	
Right-of-use assets	2,257,416	0.55%	2,297,354	0.59%	-0.05%	
Short-term borrowings	10,658,682	2.58%	5,381,623	1.39%	1.19%	
Contract liabilities	24,331,594	5.89%	23,916,595	6.16%	-0.27%	
Long-term borrowings	26,646,374	6.45%	19,734,020	5.09%	1.36%	
Lease liabilities	1,547,117	0.37%	1,533,552	0.40%	-0.02%	

## 5.2 Main assets overseas

Applicable N/A

## 5.3 Assets and liabilities measured at fair value

Applicable N/A

Unit: RMB'000

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Amount provided for impairment in the period	Purchased in the period	Sold in the period	Other changes	Closing balance
<b>Financial assets</b>								
1. Financial assets held for trading (excluding derivative financial assets)	5,879,202	-335,682	-	-	1,112,599	3,425,460	34,982	3,265,641
2. Derivative financial assets	1,298,815	-351,418	-364,172	-	37,026	6,072	8,283	622,462
3. Receivables financing	10,273,552	-	-	-	3,798,896	-	-	14,072,448
4. Other debt investments and others	27,484,322	-	-	-	2,830,000	7,992,716	564,464	22,886,070
5. Investments in other equity instruments	45,747	-	-	-	-	2,062	-308	43,377
6. Other non-current financial assets	5,912,873	-394,470	-	-	1,581,046	85,777	62,692	7,076,364
<b>Sub-total of financial assets</b>	<b>50,894,511</b>	<b>-1,081,570</b>	<b>-364,172</b>	<b>-</b>	<b>9,359,567</b>	<b>11,512,087</b>	<b>670,113</b>	<b>47,966,362</b>

Investment properties									
Productive living assets									
Others									
Sub-total of the above	50,894,511	-1,081,570	-364,172	-	9,359,567	11,512,087	670,113	47,966,362	
Financial liabilities	166,649	115,087	416,521	-	1,789,514	17,056	-4,258	2,466,457	

#### Contents of other changes

Other changes were primarily differences on translation of foreign currency financial statements and interest income.

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

Yes  No

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

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

### 6. Investment Made

#### 6.1 Total investment amount

Applicable  N/A

Total investment amount of the Reporting Period (RMB'000)	Total investment amount of the same period of last year (RMB'000)	YoY Change (%)
60,554,514	70,538,082	-14.15%

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

Applicable  N/A

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

Applicable  N/A

#### 6.4 Financial investments

##### 6.4.1 Securities investments

Applicable  N/A

Unit: RMB'000

Type of securities	Code of securities	Abbreviation of securities	Initial investment cost	Measurement method	Opening carrying amount	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Purchased in the period	Sold in the period	Profit or loss in the period	Closing carrying amount	Accounting title	Funding source
Overseas listed stock	1810	XIAOMI-W	769,972	Fair value method	927,158	-262,253	34,982			-262,253	699,887	Financial assets held for trading	Own funds
Overseas listed stock	SOUN	SoundHound AI	157,203	Fair value method	-	-164,362	6,696	225,806		-164,362	68,140	Other non-current financial assets	Own funds
Domestically listed stock	688165	EFORT	178,534	Fair value method	392,312	-36,312	-			-36,312	356,000	Financial assets held for trading	Own funds
Domestically listed stock	688159	Neoway	31,600	Fair value method	-	-16,908	-	60,308		-16,908	43,400	Financial assets held for trading	Raised funds
Domestically listed stock	688162	JEE	88,180	Fair value method	-	-133,187	-	317,779		-133,187	184,592	Other non-current financial assets	Raised funds
Domestically listed stock	301135	Real-Design	40,000	Fair value method	-	33,884	-	40,000		33,884	73,884	Other non-current financial assets	Raised funds
Domestically listed stock	688097	BOZHON	55,000	Fair value method	-	-40,785	-	144,743		-40,785	103,958	Other non-current financial assets	Raised funds
Total			1,320,489	--	1,319,470	-619,923	41,678	788,636	-	-619,923	1,529,861	--	--

#### 6.4.2 Derivatives investments

Applicable N/A

Unit: RMB'000

Operating party	Relationship with the Company	Related transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Opening investment amount	Purchased in Reporting Period	Sold in Reporting Period	Amount provided for impairment	Closing investment amount	Closing investment amount as a percentage of the Company's closing net assets	Actual gain/loss in Reporting Period
Futures company	No	No	Futures contracts	71,790	01/01/2022	31/12/2022	71,790				-365,081	-0.2816%	-238,108
Bank	No	No	FX derivatives	902,875	01/01/2022	31/12/2022	902,875	14,465	6,072		-118,284	-0.0912%	-894,709
<b>Total</b>				<b>974,675</b>	<b>--</b>	<b>--</b>	<b>974,675</b>	<b>14,465</b>	<b>6,072</b>		<b>-483,365</b>	<b>-0.3728%</b>	<b>-1,132,817</b>
Source of derivatives investment funds				All from the Company's own funds									
Litigation involved (if applicable)				N/A									
Disclosure date of the announcement about the board's consent for the derivative investment (if any)				30/04/2022									
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)				-									
Risk analysis of positions held in derivatives during the Reporting Period and explanation of control measures (Including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)				<p>For the sake of eliminating the cost risk of the Company's bulk purchases of raw materials as a result of significant fluctuations in raw material prices, the Company not only carried out futures business for some of the materials, but also made use of bank financial instruments and promoted forex funds business, with the purpose of avoiding the risks of exchange and interest rate fluctuation, realizing the preservation and appreciation of forex assets, reducing forex liabilities, as well as achieving locked-in costs. The Company has performed sufficient evaluation and control against derivatives investment and position risks, details of which are described as follows:</p> <p>1. Legal risk: The Company's futures business and forex funds businesses shall be conducted in compliance with laws and regulations, with clearly covenanted responsibility and obligation relationship between the Company and the agencies.</p> <p>Control measures: The Company has designated relevant responsible departments to enhance learning of laws and regulations and market rules, conducted strict examination and verification of contracts, defined responsibility and obligation well, and strengthened compliance check, so as to ensure that the Company's derivatives investment and position operations meet the requirements of the laws and regulations and internal management system of the Company.</p> <p>2. Operational risk: Imperfect internal process, staff, systems and external issues may cause the Company to suffer from loss during the course of its futures business and forex funds business.</p> <p>Control measures: The Company has not only developed relevant management systems that clearly defined the assignment of responsibility and approval process for the futures business and forex funds business, but also established a comparatively well-developed monitoring mechanism, aiming to effectively reduce operational risk by strengthening risk control over the business, decision-making and trading processes.</p> <p>3. Market risk: Uncertainties caused by changes in the prices of bulk commodity and exchange rate fluctuations in foreign exchange market could lead to greater market risk in the futures business and forex funds business. Meanwhile, inability to timely raise sufficient funds to</p>									

	<p>establish and maintain hedging positions in futures operations, or the forex funds required for performance in forex funds operations being unable to be credited into account could also result in loss and default risks.</p> <p>Control measures: The futures business and forex funds business of the Company shall always be conducted by adhering to prudent operation principles. For futures business, the futures transaction volume and application have been determined strictly according to the requirements of production &amp; operations, and the stop-loss mechanism has been implemented. Besides, to determine the prepared margin amount which may be required to be supplemented, the futures risk measuring system has been established to measure and calculate the margin amount occupied, floating gains and losses, margin amount available and margin amount required for intended positions. As for forex funds business, a hierarchical management mechanism has been implemented, whereby the operating unit which has submitted application for funds business should conduct risk analysis on the conditions and environment affecting operating profit and loss, evaluate the possible greatest revenue and loss, and report the greatest acceptable margin ratio or total margin amount, so that the Company can update operating status of the funds business on a timely basis to ensure proper funds arrangement before the expiry dates.</p>
Changes in market prices or fair value of derivative products during the Reporting Period, specific methods used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives	<ol style="list-style-type: none"> <li>1. Loss from futures contracts during the Reporting Period was RMB-238.108 million.</li> <li>2. Loss from FX derivatives during the Reporting Period was RMB-894.709 million.</li> <li>3. Public quotations in futures market or forward forex quotations announced by the Bank of China are used in the analysis of derivatives fair value.</li> </ol>
Explanation of significant changes in accounting policies and specific financial accounting principles in respect of the Company's derivatives for the Reporting Period as compared to the previous Reporting Period	No change
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	The Company's independent directors are of the view that the futures hedging business is an effective instrument for the Company to eliminate price volatility and implement risk prevention measures through enhanced internal control, thereby improving the operation and management of the Company; the Company's foreign exchange risk management capability can be further improved through the forex funds business, so as to maintain and increase the value of foreign exchange assets and the abovementioned investment in derivatives can help the Company to fully bring out its competitive advantages. Therefore, it is practicable for the Company to carry out derivatives investment business, and the risks are controllable.

## 6.5 Use of funds raised

Applicable  N/A

No such cases in the Reporting Period.

## 7. Sale of Major Assets and Equity Interests

### 7.1 Sale of major assets

Applicable  N/A

No such cases in the Reporting Period.

## 7.2 Sale of major equity interests

Applicable N/A

## 8. Analysis of Major Subsidiaries

Applicable N/A

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

(in RMB million)

Company name	Company type	Business scope	Registered capital	Total assets (in RMB million)	Net assets (in RMB million)	Operating revenue (in RMB million)	Operating profit (in RMB million)	Net profit (in RMB million)
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD72 million	20,630	8,977	8,870	1,006	888
Wuxi Little Swan Electric Co., Ltd.	Subsidiary	Manufacturing of laundry appliances	RMB100 million	20,036	6,787	10,605	905	868
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD42 million	17,745	9,234	3,232	464	441
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	Subsidiary	Manufacturing of water heaters	RMB60 million	16,537	2,589	6,758	950	823

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable N/A

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



scope in the current period is set out in Note 5(2)(b).

Particulars about major subsidiaries

N/A

## 9. Structured Entities Controlled by the Company

Applicable N/A

As of the end of the Reporting Period, two structured entities were included in the Group's consolidated financial statements, which are both private-equity funds controlled by the Group. As a manager and investor of the structured entities, the Group has relevant management power in and variable returns from these entities, and has the ability to exercise its management power to impact the returns.

## 10. Outlook for the Future Development of the Company

### Development strategies of the Company

Midea adheres to the strategic focus of "Technology Leadership, Direct to Users, Digitization & Intelligence Driven, and Global Impact", focuses on "Comprehensive Digitalization and Comprehensive Intellectualization", and drives sustained growth in the five business segments under the guidance of the strategic focus. Midea are built to grow on the back of advanced governance mechanism, future-proof values, and managerial mindset growth. Midea will continuously improve the governance mechanism by empowering responsibilities, rights and obligations, clarify decentralization and authorization, constantly refine the agent mechanism, optimize the incentive and constraint system, encourage entrepreneurship and boost organizational vitality, and establish a flat organization and optimization process. It will also adhere to the values of long-termism and altruism, truly put employees, users, customers and partners at the center of all things, and improve the EHS governance and ESG rating. Additionally, the Management will keep reflecting on and challenging themselves, endeavoring to achieve all-round growth both spiritually and intellectually. Meanwhile, Midea will continue to improve the talent structure, build diverse teams that are inclusive and collaborative, further strengthen diversity, openness and inclusiveness, and create a simple, straightforward, flat and equal environment. In the meantime, it will constantly improve consistency management across the Group, so as to achieve consistent operations, corporate culture and values and philosophies, which will ensure the sustained and steady development

of the Company. Midea integrates global resources, follows the customer-oriented principle, and builds key technology barriers by way of technological innovation and quality improvement, so as to achieve global leadership with respect to principal product categories and new business breakthroughs, as well as to maintain technology leadership. It aims to establish direct connection with customers in terms of mindsets, products, buying, services, etc. through digitalization and intellectualization in its operations. Supported by data- and platform-based operations in the whole value chain, Midea strives to boost its business competitiveness and become more competitive in the digital era by implementing the strategy of “Digitization & Intelligence Driven”. It will also promote global operations and try to lay a solid foundation in this regard and enhance global impact through promoting its own branded products. It will promote efficiency driven growth by improving management, manufacturing and asset efficiency to create more cost efficiency. Additionally, it will strengthen its ToB business to build new business platform and growth points. It aims to create a better life for over 400 million users, major customers and strategic partners in different areas worldwide every year with satisfying products and services.

**Key operation points in H2 2022:**

In H2 2022, based on the core strategic focus with “Technology Leadership” as the core, Midea will promote development both in the ToB and ToC business, as well as adhere to the annual operational principle of “rational revenue, and recovery of profitability”. As Midea Group’s revenue exceeded RMB300 billion in 2021, it needs to respect market rules and trends more than ever. It needs to find certainties amid uncertainties and place importance on the quality of growth. The ability to innovate continuously is key to building a vigorous and ever-lasting business. Therefore, Midea will continue to make breakthroughs and innovations in products, technologies, business models, etc. Meanwhile, Midea needs to return to the nature of business, focus on product mix, efficiency and cash flow improvement, and provide products with high added value that comprise high technology content and can satisfy differentiated needs, in pursuit of more value for users. Core competitiveness is central to sustained growth. Through building product, technological and innovation competitiveness in the home appliance sector, Midea will create stronger core competitiveness. The accumulation of competitiveness in the core business will in turn support Midea’s transformation from the ToC business to the ToB business. Specific priority tasks are set out below:

a. Based on the core strategy of “Technology Leadership”, Midea will establish a comprehensive research organization, increase investment in digitalization and R&D, improve talent structure, and carry out the task of scientific innovation, product innovation, technological innovation, business model innovation, and process innovation. Midea will resolutely increase R&D investment, build up R&D scale advantage, and continuously lay out key technologies, cutting-edge technologies, basic technologies, digitalization and intellectualization. By virtue of the two drivers of technology strategy and product strategy, as well as innovation mechanism assurance of the three-tier technical committee and the four-tier R&D system, Midea will pool together its R&D strength and continuously drive core technology breakthroughs in energy saving, energy storage, health, green development, etc. by adopting a joint innovation model, in pursuit of a stronger presence in the technology world. It will actively respond to China’s dual-carbon strategy and carry on with its "Green Strategy", apply eco-friendly and low-carbon technology to products by technology innovation, help to save energy and reduce emissions in the life cycle of products, and lead the formulation of green standards in a deep manner to obtain the national green product certification of all categories of products. To promote the rapid application of scientific innovation through standardization, it will implement the "3+1" strategy for standardization, drive technological standardization for innovations in green development, energy saving, intelligent technologies, as well as healthy, comfortable and convenient technologies, etc., and strengthen the formulation and revision of international standards. For the purpose of making breakthroughs and building key technology barriers in all the product categories, and promoting innovation of global products, product structure improvement and high-end strategy, it will continue to implement the "Three Generations" project, accelerate the application of research results, and retain the "Number One Engine" of ToC business. In ToB business, it will cooperate with strategic partners by digital technology to increase the research on differentiated innovation technologies in new industries and foster the industrialization of innovation technologies. Also, it will continuously build the scientist system, vigorously introduce high-end talent, and constantly refine the R&D network. Based on regional technology advantages, it will continue to improve the "2+4+N" R&D network, increase the comprehensive strength of overseas R&D centers, and build an innovation mechanism for the “Technology Leadership” strategy, so as to maintain technology leadership in a comprehensive manner.

b. Midea will keep a high-quality development direction and stick to internal, sustained and effective organic growth. In the process of implementing new strategies to boost new growth areas, the key for

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

c. In the domestic market, based on the "Direct to Users" strategy, Midea will continue to deepen the reform of its organizational structure, improve retail capacity, and develop user insights and back-end capacity. Midea will also commit itself to intelligent experience terminals and user experience as part of efforts to connect with users' preferences. In terms of channel reform, the Company will deepen marketing changes and simplify delivery rules with a focus on terminal retail, and set up a professional team in the regional headquarters and operation center in China with a focus on retail capability and user operation. While organizing organizational reform, the Company will continuously strengthen the principle of "One Midea, One System and One Standard", give full play to collaborative advantages, and do well in result-oriented process control to achieve constant improvement of operating efficiency. The Company will, based on digital systems and tools, invest special resources to ensure the implementation of the three core projects of "full life cycle management of stores", "transformation of existing stores" and "optimization

of all-inclusive retail", while increasing intelligent investment to strengthen the capacity building of data middle office and business intelligence (BI). As to the reform of online channel, the Company will mainly focus on such aspects as product structure upgrade, omni-channel and hierarchical product management, scale expansion of high-end brands, and enhancement of content broadcast capability. Supply chain capability will also be improved to satisfy the needs of customers and users while improving turnover efficiency. In terms of product marketing, the Company will strengthen branding and product suites-based operation to provide users with a full set of household appliances solutions. Furthermore, the Company will continue to, centering around product structure upgrade, promote the implementation of intelligent scenes and the construction of whole-house intelligent decoration center, create a terminal for immersive experience of Midea smart home, and cultivate the core capability of providing whole-house intelligent solutions. In terms of user operation and service, the Company will continue to, centering around the principle of "creating value for users" and the orientation of user experience, improve the iteration of product design and experience of purchase services, optimize the rights and interests of members, and accelerate the construction of private domain traffic platform. Moreover, the Company will keep strengthening the retail empowerment of "people, goods and stores", deepen terminal transformation in a user-centered manner, and further transform to active service, strengthen diversified skill certification and optimize user access experience. The Company will also improve its distribution capability to achieve the integration of delivery and installation that can ensure direct access to users, improve the operation system of service engineers, and continue to promote the cultivation of suite-based service outlets to enable such outlets to gradually achieve such capabilities as full-category service capability, pre-installation service capability, and whole-house intelligent scene-oriented service capability. Additionally, further progress will be made in the reform of such services as green recycling, active service and intelligent customer service construction, so that users can truly enjoy one-stop service experience.

d. On the overseas market, Midea will continuously optimize the product structure, build experience centers for overseas users with intelligent-based scene, and comprehensively promote the whole-house intelligent scene system and the upgrade of intelligent terminals to build a product competition system with high added value. It will improve channel efficiency and flattening, enhance product turnover efficiency, explore direct retail and the shared inventory system, and attempt to implement the DTC business model. In response to building the capabilities of terminal retail operation and direct access to

users, it will continue to improve the breadth and depth of the network layout of offline channels, expand the coverage of overseas sales outlets, and drive retail transformation and the "Direct to Users" capability. Also, to enhance the competitiveness of online channels, it will accelerate the key capacity building of overseas e-commerce, and improve cross-border logistics, user research and digital marketing. It will propel the digital transformation and reform of overseas business, improve logistics and storage capacity in the project of global digitization, optimize the network of after sales service and spare parts, and promote the overseas iService3.0 digital after-sales service system. It will strengthen local manufacturing coordination to greatly shorten the delivery cycle and increase product competitiveness. Furthermore, it will propel the end-to-end process sorting and reconstruction in business scenes of export, and improve accuracy, consistency and visualization of data flow to make progress in operation efficiency of value chain.

In the second half of 2022, the impact of COVID-19, currency fluctuations and other factors is expected to persist. TLSC will continue to strengthen the close cooperation with key customers to jointly and proactively address various risks, and ensure the improvement of its profitability capability through optimizing price strategy, improving product structure and channel system, and strictly controlling expenditure. Meanwhile, it will, through deepening the collaboration with the Group and relevant product divisions, further promote the improvement of product quality, and ensure the launch schedule of new products and the supply of products, while doing well in medium and long-term product planning.

e. In the second half of 2022, COLMO will focus on the whole process service capability of "Villa Intelligence Expert", gain deep insight into the mansion decoration needs of high-end users, establish and improve the three major capabilities of intelligent design, fine installation and personality debugging, provide whole-house intelligent services and experience that meet the needs of high-end users, and pay continuous efforts to build "Villa Intelligence Expert" into a leader in whole-house intelligence that leads the high-end market. The Toshiba brand will still take suite-based measures to, following the goal of creating popular single products, build the brand mindset and reinforce the star life label of Toshiba. Specifically, Toshiba will center around the construction of terminal halls and the building of benchmark stores on one hand, and on the other hand, it will leverage the strength of brand to continuously empower relevant businesses, help achieve sales growth, and finally build "Toshiba" into the second engine of the

Company oriented at the high-end market. The WAHIN brand will continue to focus on young user groups by virtue of the job-hunting season on campus and school-enterprise cooperation, and will work to expand its user base through cross-border cooperation with brands targeting different user groups. Meanwhile, the brand will further attract the attention of young user groups through holding interesting activities such as "store manager employment" and constantly exploring new methods and means for young user groups to enjoy home appliances, thus improving the marketing mode of e-commerce brands and driving sales growth by branding.

f. Midea will keep promoting the reform of core businesses and digital empowerment, with a focus on such projects as digital empowerment of the operating center, experience optimization of the Midea Cloud Sales App, improvement of procurement experience, cloud warehouse, whole-chain inventory sharing, and whole-house C2M, so as to improve the experience of end users and empower channel dealers. Moreover, Midea will build a global order and planning center with the integrated supply chain project (ISC) as the core, improve the flexible delivery capability and delivery efficiency of the whole value chain centering around the collaboration between production and marketing, and build a future-oriented global operation model through G400 project. Midea will also strengthen the digital construction of ToB business segment to facilitate the building of model and digital template for ToB business, promote the comprehensive micro-service transformation of digital system architecture to achieve architecture upgrade and agile delivery, and intensify efforts on the construction of underlying digital capabilities to promote the in-depth integration of digital forecasting, decision-making capabilities and artificial intelligence into the whole value chain involving such links as operation management and product development.

g. Midea will dedicate itself to driving new growth in the core ToB business, constantly expand the business boundaries and accelerate business growth, and rapidly layout, enter into and occupy the market of new business. In H2 2022, focusing on the field of new energy automobile parts, Midea will realize the comprehensive improvement in customers, products and manufacturing capabilities, that is, it will shift to mass production from project acquisition to cover more mainstream customers, improve competitiveness in three major product lines (i.e. thermal management, electric drive, chassis) and other technical fields to gradually implement the development plan of "Parts - Components - Systems", and

carry out mass production at the new base in Anqing, Anhui. In the field of industrial automation, the Company will, making full use of its technology accumulation in the servo field and in combination with different characteristics and needs of segmented markets, strictly control supply chain risks, provide new products and systematic comprehensive solutions, make breakthroughs in localization of reducer products, achieve rapid transformation in marketing model, expand new channel resources, stabilize top customers, and seize market opportunities. In the field of core components, the Company will make breakthroughs in overseas strategic layout, and promote the successful mass production of its plants in India and the completion and operation of the TTium plant in Vietnam. Furthermore, the Company will increase the investment in R&D resources, constantly improve the strength of technological innovation, make continuous breakthroughs in new products, new technologies and new scenes, and launch new products such as new integrated compressors and lightweight commercial refrigeration compressors with large discharge capacity to create value for customers. The Company will also set up an overseas professional service platform to provide one-stop services for small and medium-scale customers and special services for large-scale customers, so as to achieve breakthroughs in large-scale customers overseas and increase its share in global market. Additionally, breakthroughs will be made in the mass production and sales of chips, and six new products will be developed as planned.

h. Midea will beef up KUKA's localized operations in China, increase investment in the development and application of robotics, as well as foster R&D innovation of core components and software systems. In terms of marketing, Midea will maintain leadership in the auto sector and take active steps to explore new areas including new energy, general industrial manufacturing, electronics, medical care and logistics, services, etc. Concerning operation, it will concentrate on R&D, supply chain management, high-performance operations and digitalization, among others, so as to build the core competitiveness of the robotics and industrial automation business in a faster manner.

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

a. Risk associated with the COVID-19 pandemic

The fluctuations and repeated outbreaks of the COVID-19 pandemic may impact the demand, production and sales of the Company's products and services. Pandemic control measures, such as lockdown, social



distancing, and travel restrictions, reduce customer mobility. Other consequences include limited production and operations in some regions, the shutdown of retail outlets, suspended customer operations, and increased logistics costs. All these factors bring about uncertainties and challenges to the normal functioning of the Company and the market environment.

b. Risk of macro economy fluctuation

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

c. Risks in the fluctuation of production factors

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

d. Risk in global asset allocation and overseas market expansion

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

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

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

f. Market risks brought by trade frictions and tariff barriers

Due to the rise of anti-globalization and trade protectionism, China will see more uncertainties in export in 2022. The trade barriers and frictions of some major markets will affect the export business in the short run, as well as marketing planning and investment in the medium and long run. Political and compliance risks are rising in international trade. These can mainly be seen on compulsory safety certificates, international standards and requirements, and product quality and management systems certification, energy-saving requirements, the call for increasingly strict environmental protection requirements, as well as with rigorous requirements for recycling household appliances waste. Trade frictions caused by anti-dumping measures implemented by some countries and regions aggravate the burden in costs and expenses for household appliance enterprises, and have brought about new challenges to market planning and business expansion for enterprises.

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

## Section IV Corporate Governance

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

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

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Resolution of the meeting
First Extraordinary General Meeting of Shareholders of 2022	Extraordinary	59.06%	14 January 2022	15 January 2022	Announcement No. 2022-002 on Resolutions of First Extraordinary General Meeting of Shareholders of 2022, disclosed on www.cninfo.com.cn
Second Extraordinary General Meeting of Shareholders of 2022	Extraordinary	58.19%	11 March 2022	12 March 2022	Announcement No. 2022-012 on Resolutions of Second Extraordinary General Meeting of Shareholders of 2022, disclosed on www.cninfo.com.cn
2021 Annual General Meeting of Shareholders	Annual	58.31%	20 May 2022	21 May 2022	Announcement No. 2022-035 on Resolutions of 2021 Annual General Meeting of Shareholders, disclosed on www.cninfo.com.cn
Third Extraordinary General Meeting of Shareholders of 2022	Extraordinary	57.61%	24 June 2022	25 June 2022	Announcement No. 2022-068 on Resolutions of Third Extraordinary General Meeting of Shareholders of 2022, disclosed on www.cninfo.com.cn

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

Applicable  N/A

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

Applicable  N/A

Name	Office title	Type of change	Date	Reason
Cai Weiding	Chief Financial Officer	Former	29 January 2022	Personal reason
Zhao Wenxin	Chief Human Resource Officer	Appointed	23 February 2022	
Zhong Zheng	Chief Financial Officer	Appointed	23 February 2022	
Bai Lin	Vice President	Appointed	31 May 2022	

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

Applicable  N/A

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

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

Applicable  N/A

#### 4.1 Equity incentive schemes

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

a. The Company convened the Seventh Meeting of the Fourth Board of Directors on 28 April 2022, at which the Proposal for the Retirement of Unexercised Reserved Stock Options under the Fifth Stock Option Incentive Scheme upon Expiry was approved. As such, 58,000 stock options of five awardees that had been unexercised upon expiry were retired.

b. The Company convened the Ninth Meeting of the Fourth Board of Directors on 8 June 2022, at which the Proposal for the Retirement of Unexercised Stock Options in the First Grant under the Fifth Stock Option Incentive Scheme upon Expiry was approved. As such, 30,270 stock options of five awardees that had been unexercised upon expiry were retired.

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

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

e. At the above-mentioned meeting, the Proposal for the Adjustments to the Awardees and Their Exercisable Stock Options for the First Grant under the Fifth Stock Option Incentive Scheme was approved. It was agreed to adjust the awardees and their exercisable stock options under the Fifth Stock Option Incentive Scheme due to the resignation, reassignment, substandard individual or business unit performance or other factors of some awardees. Upon the adjustments, the number of locked-up stock options granted to them in the first grant under the Fifth Stock Option Incentive Scheme was reduced from 20,380,000 to 17,447,750.

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

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

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

During the Reporting Period, 4,570,499 shares were exercised with respect to the first grant under the Fifth Stock Option Incentive Scheme.

During the Reporting Period, 366,900 shares were exercised with respect to the reserved stock options under the Fifth Stock Option Incentive Scheme.

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

a. The Company convened the Ninth Meeting of the Fourth Board of Directors on 8 June 2022, at which the Proposal for the Retirement of Unexercised Stock Options under the Sixth Stock Option Incentive Scheme upon Expiry was approved. As such, 25,100 stock options of four awardees that had been unexercised upon expiry were retired.

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

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

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

During the Reporting Period, 3,834,609 shares were exercised under the Sixth Stock Option Incentive

Scheme.

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

a. The Company convened the Ninth Meeting of the Fourth Board of Directors on 8 June 2022, at which the Proposal for the Retirement of Unexercised Stock Options under the Seventh Stock Option Incentive Scheme upon Expiry was approved. As such, 103,990 stock options of 12 awardees that had been unexercised upon expiry were retired.

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

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

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

During the Reporting Period, 4,630,832 shares were exercised under the Seventh Stock Option Incentive Scheme.

**D. Overview of the Eighth Stock Option Incentive Scheme**

a. The Company convened the Ninth Meeting of the Fourth Board of Directors on 8 June 2022, at which the Proposal for the Adjustments to the Exercise Prices for the Stock Option Incentive Schemes was approved. As the 2021 Annual Profit Distribution Plan had been carried out, the exercise price for the Eighth Stock Option Incentive Scheme was revised from RMB81.41 to RMB79.74 per share.

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

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

b. The Company convened the Ninth Meeting of the Fourth Board of Directors on 8 June 2022, at which the Proposal for the Adjustments to the Exercise Price, Awardee List and Granted Number for the Ninth Stock Option Incentive Scheme was approved. As the 2021 Annual Profit Distribution Plan had been carried out, the exercise price for the Ninth Stock Option Incentive Scheme was revised from RMB56.28 to RMB54.61 per share.

c. At the above-mentioned meeting, the Proposal for the Adjustments to the Exercise Price, Awardee List and Granted Number for the Ninth Stock Option Incentive Scheme was approved. It was agreed to adjust the awardees and their stock options under the Ninth Stock Option Incentive Scheme due to the resignation of some awardees. Upon the adjustments, the number of awardees and the total stock options under the Ninth Stock Option Incentive Scheme were reduced from 2,849 to 2,815, and from 109,074,000 to 107,791,000, respectively.

d. On 4 July 2022, the Company granted 107,693,000 stock options to 2,813 awardees with the exercise price being RMB54.61 per share.



## F. Overview of the 2018 Restricted Share Incentive Scheme

a. The Company convened the Third Meeting of the Fourth Board of Directors on 24 December 2021 and the First Extraordinary General Meeting of Shareholders of 2022 on 14 January 2022, at which the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme was approved. As such, it was agreed to repurchase and retire 386,250 restricted shares that had been granted to 13 awardees but were still in lockup, for the reasons of their resignation or being reassigned. The retirement of the said restricted shares was completed on 20 April 2022.

b. The Company convened the Ninth Meeting of the Fourth Board of Directors on 8 June 2022, at which the Proposal for the Adjustments to the Exercise Prices, Repurchase Prices and Grant Prices for the Equity Incentive Schemes was approved. As the 2021 Annual Profit Distribution Plan had been carried out, the repurchase prices for the first grant under the 2018 Restricted Share Incentive Scheme was revised from RMB23.11 to RMB21.44 per share, and the repurchase price for the reserved restricted shares under the 2018 Restricted Share Incentive Scheme from RMB19.13 to RMB17.46 per share.

c. At the above-mentioned meeting, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme was approved. As such, it was agreed to repurchase and retire 767,551 restricted shares that had been granted to 54 awardees but were still in lockup, for the reasons of their resignation, being reassigned, substandard 2021 individual or business unit performance or other factors.

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

e. At the above-mentioned meeting, the Proposal on the Satisfaction of the Conditions for the Second Unlocking Period for the Reserved Restricted Shares under the 2018 Restricted Share Incentive Scheme

was approved. A total of 21 awardees were eligible for this unlocking, with 377,083 restricted shares (0.0054% of the Company's total existing share capital) unlocked for public trading on 22 June 2022, of which 25,000 shares were unlocked for senior management Zhao Wenxin.

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

a. The Company convened the Third Meeting of the Fourth Board of Directors on 24 December 2021 and the First Extraordinary General Meeting of Shareholders of 2022 on 14 January 2022, at which the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme was approved. As such, it was agreed to repurchase and retire 771,042 restricted shares that had been granted to 18 awardees but were still in lockup, for the reasons of their resignation or being reassigned. The retirement of the said restricted shares was completed on 20 April 2022.

b. The Company convened the Ninth Meeting of the Fourth Board of Directors on 8 June 2022, at which the Proposal for the Adjustments to the Exercise Prices, Repurchase Prices and Grant Prices for the Equity Incentive Schemes was approved. As the 2021 Annual Profit Distribution Plan had been carried out, the repurchase price for the 2019 Restricted Share Incentive Scheme was revised from RMB22.63 to RMB20.96 per share.

c. At the above-mentioned meeting, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme was approved. As such, it was agreed to repurchase and retire 1,348,916 restricted shares that had been granted to 81 awardees but were still in lockup, for the reasons of their resignation, being reassigned, substandard 2021 individual or business unit performance or other factors.

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

## H. Overview of the 2020 Restricted Share Incentive Scheme

a. The Company convened the Third Meeting of the Fourth Board of Directors on 24 December 2021, at which the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2020 Restricted Share Incentive Scheme was approved. As such, it was agreed to repurchase and retire 1,314,501 restricted shares that had been granted to 30 awardees but were still in lockup, for the reasons of their resignation, being reassigned, violation of the Company's "Red Lines" or other factors. The retirement of the said restricted shares was completed on 20 April 2022.

b. The Company convened the Ninth Meeting of the Fourth Board of Directors on 8 June 2022, at which the Proposal for the Adjustments to the Exercise Prices, Repurchase Prices and Grant Prices for the Equity Incentive Schemes was approved. As the 2021 Annual Profit Distribution Plan had been carried out, the repurchase price for the 2020 Restricted Share Incentive Scheme was revised from RMB22.85 to RMB21.18 per share.

c. At the above-mentioned meeting, the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2020 Restricted Share Incentive Scheme was approved. As such, it was agreed to repurchase and retire 1,914,495 restricted shares that had been granted to 154 awardees but were still in lockup, for the reasons of their resignation, being reassigned, substandard 2021 individual or business unit performance or other factors.

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

## I. Overview of the 2021 Restricted Share Incentive Scheme

a. The Company convened the Third Meeting of the Fourth Board of Directors on 24 December 2021, at which the Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2021

Restricted Share Incentive Scheme was approved. As such, it was agreed to repurchase and retire 290,000 restricted shares that had been granted to 7 awardees but were still in lockup, for the reasons of their resignation, being reassigned, violation of the Company's "Red Lines" or other factors. The retirement of the said restricted shares was completed on 20 April 2022.

b. The Company convened the Ninth Meeting of the Fourth Board of Directors on 8 June 2022, at which the Proposal for the Adjustments to the Repurchase Prices for the Restricted Share Incentive Schemes was approved. As the 2021 Annual Profit Distribution Plan had been carried out, the repurchase price for the 2021 Restricted Share Incentive Scheme was revised from RMB39.92 to RMB38.25 per share.

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

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

a. The Company convened the Seventh Meeting of the Fourth Board of Directors on 28 April 2022, at which the 2022 Restricted Share Incentive Scheme (Draft) and its Abstract of Midea Group Co., Ltd. was approved. And the awardee list for the 2022 Restricted Share Incentive Scheme (Draft) was reviewed at the Fourth Meeting of the Fourth Supervisory Committee.

b. The Company convened the 2021 Annual General Meeting of Shareholders on 20 May 2022, at which the following proposals in relation to the 2022 Restricted Share Incentive Scheme were approved: the Proposal on the 2022 Restricted Share Incentive Scheme (Draft) and its Abstract, the Proposal on the Formulation of the Implementation and Appraisal Measures for the 2022 Restricted Share Incentive Scheme, and the Proposal on the Request to the General Meeting of Shareholders for Authorizing the Board of Directors to Handle Matters in Relation to the 2022 Restricted Share Incentive Scheme, etc.

c. The Company convened the Ninth Meeting of the Fourth Board of Directors on 8 June 2022, at which the Proposal for the Adjustments to the Grant Price, Awardee List and Granted Number for the 2022 Restricted Share Incentive Scheme was approved. As the 2021 Annual Profit Distribution Plan had been

carried out, the number of awardees and total restricted shares under the 2022 Restricted Share Incentive Scheme was revised from 199 to 197 awardees, and from 12,630,000 to 12,450,000 shares, respectively.

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

#### 4.2 Employee stock ownership schemes

Applicable N/A

Outstanding employee stock ownership schemes during the Reporting Period

Scope of employees	Number of employees	Total shares held	Change	As a percentage of the Company's total share capital	Funding source
Employees under the Fourth Global Partner Stock Ownership Scheme	20	3,318,540	N/A	0.0474%	Special fund for the scheme
Employees under the First Business Partner Stock Ownership Scheme	50	1,779,300	N/A	0.0254%	Special fund for the scheme and part of the performance bonuses for senior management
Employees under the Fifth Global Partner Stock Ownership Scheme	16	3,732,075	N/A	0.0533%	Special fund for the scheme
Employees under the Second Business Partner Stock Ownership Scheme	45	1,867,845	N/A	0.0267%	Special fund for the scheme and part of the performance bonuses for senior management
Employees under the Sixth Global Partner Stock Ownership Scheme	17	3,537,663	N/A	0.0506%	Special fund for the scheme
Employees under the Third Business Partner Stock Ownership Scheme	46	1,873,559	N/A	0.0268%	Special fund for the scheme and part of the performance bonuses for senior management
Employees under the Seventh Global Partner Stock Ownership Scheme	15	2,436,518	N/A	0.0348%	Special fund for the scheme
Employees under the Fourth Business Partner Stock Ownership Scheme	44	1,985,611	N/A	0.0284%	Special fund for the scheme and part of the performance bonuses for senior management

Shares held by directors, supervisors and senior management under employee stock ownership schemes

during the Reporting Period

Name	Office title	Shares held at the beginning of the Reporting Period	Shares held at the end of the Reporting Period	As a percentage of the Company's total share capital
Fang Hongbo, Yin Bitong, Gu Yanmin, Wang Jianguo, Zhang Xiaoyi, Hu Ziqiang, Wang Jinliang, Li Guolin, Fu Yongjun, Guan Jinwei, Bai Lin, Zhong Zheng, Zhao Wenxin, and Jiang Peng	Certain directors and senior management of the Company	9,172,335	9,172,335	0.1310%

Change of asset management organizations during the Reporting Period

Applicable N/A

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

Applicable N/A

#### 4.3 Other incentive measures for employees

Applicable N/A

## Section V Environmental and Social Responsibility

### 1. Major Environmental Issues

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

Yes  No

Name of the Company or subsidiary	Major pollutants	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Concentration of the discharge	Pollutant discharge standards	Total discharge (ton)	Approved total discharge (ton)	Excess discharge
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd. (the Washing and Sterilizing Appliances Park)	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The southern side of 2# plant in the Washing and Sterilizing Appliances Park	34 mg/L	Discharge Limits of Water Pollutants (DB44/26-2001) of Guangdong Province	0.00012	0.228	No
	SS				122.5 mg/L		0.0003674	/	No
	BOD5				115.2 mg/L		0.0003456	/	No
	Petroleum				0.06 mg/L		0.0000018	/	No
	Ammonia-nitrogen				0.8205mg/L		0.000002461	0.0576	No
	Benzene	High altitude discharge after being treated by waste gas treatment station	1	The southern side of 2# plant in the Washing and Sterilizing Appliances Park	0.025 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010)	0.00105	/	No
Toluene and xylene	0.54 mg/m <sup>3</sup>				0.024		/	No	
VOCS	4.48 mg/m <sup>3</sup>				0.3852		/	No	
Wuhu Midea Kitchen & Bath Appliances Mfg.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	Western gate of the Wuhu plant	112 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	20.16	70.898	No
	Ammonia-nitrogen				1.11 mg/ L		0.2	2.496	No
	BOD <sub>5</sub>				34.1mg/ L		6.14	/	No
	Petroleum				1.43mg/ L		0.26	/	No

Co., Ltd.	Total phosphorus				2.16 mg/m <sup>3</sup>		0.39	/	No
	Fluoride				5.25 mg/m <sup>3</sup>		0.95	/	No
	Soot	15m high altitude discharge	45	Plants at each workshop	19.91 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Boiler (GB13271-2014)	4.59	/	No
	Sulfur dioxide				<3mg/m <sup>3</sup>		1	/	No
	Nitrogen oxide				18.2mg/m <sup>3</sup>		4.2	/	No
	Particles	High altitude discharge after being treated by waste gas treatment station	45	Plants at each workshop	71.15mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	138	/	No
	Xylene				<0.01mg/m <sup>3</sup>		0.001	/	No
	VOCs				5.22mg/m <sup>3</sup>		Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13-2322-2016)	6.8	/
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The eastern side of 1# plant	55.78 mg/ L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and Integrated Wastewater Discharge Standard (GB8978-1996) Level 3	1.652	/	No
	Ammonia-nitrogen				11.09 mg/ L		0.3276		
	BOD5				67.10 mg/ L		1.9818		
	Total nitrogen				35.40 mg/ L		1.0456		
	Total phosphorus				1.76 mg/ L		0.0520		
	Anionic surfactant				1.72 mg/ L		0.0508		
	Suspended matters				100.33 mg/ L		2.9634		
	Petroleum				0.25 mg/ L		0.0073		
	pH value				7.63		/		
	NMHC	RTO equipment	2	1 set at the northeastern side of 3# plant and 1 at the southwestern side of 4# plant	2.765mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants GB16297-1996 Level 2	0.188	/	No
Water spray + activated carbon equipment		3	2 sets at 1# plant and 1 set at 2# plant	3.122 mg/m <sup>3</sup>	0.162				



		Two-stage activated carbon equipment	7	2 at 1# plant, 1 at 2# plant, 1 at 3# plant, 2 at 4# plant and 1 cyclopentane	12.27 mg/m <sup>3</sup>		0.699		
	Particles	Filter cartridge dust collector	6	1 at 1# plant, 2 at 2# plant, 2 at 3# plant and 1 at 4# plant	0.527 mg/m <sup>3</sup>		0.729	/	No
Hefei Midea Laundry Appliance Co., Ltd. (monitored by the municipal government)	COD	Discharge after being treated by wastewater treatment station	1	The eastern side of wastewater treatment station	39mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and Integrated Wastewater Discharge Standard (GB8978-1996) Level 3	4.335	58.150	No
	Ammonia-nitrogen			The eastern side of wastewater treatment station	1.23 mg/L		0.42	/	No
	Particles	15m high altitude discharge after being treated by cyclone + filter cartridge dust collector	2	1 at 2# plant, 1 at 6# plant	< 20 mg/m <sup>3</sup>	Table 5 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Special Emission Limit Requirements	0.13	/	No
	Particles	15m high altitude discharge after being treated by water spraying + dedusting+ UV photolysis + activated carbon	1	1 at 3# plant	< 20 mg/m <sup>3</sup>		0.88	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	3	1 at 2# plant	1.89mg/m <sup>3</sup>		0.12	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	6	6 at 6# plant	0.98 mg/m <sup>3</sup>		0.13	/	No
	NMHC	15m high altitude discharge after being treated by low-temperature plasma	2	1 at 1# plant, 1 at 5# plant	1.13mg/m <sup>3</sup>		0.16	/	No
	NMHC	15m high altitude discharge after being treated by photocatalyst and activated carbon	2	2 at 3# plant	3.42 mg/m <sup>3</sup>		0.12	/	No
GD Midea Air-Conditioning Equipment Co., Ltd.	COD	Discharge after being treated by wastewater treatment station	1	The southeastern side of 4# plant	36 mg/L		The Discharge Standard of Water Pollutants for Electroplating (DB441597-2015) Chart 2 PRD standard	1.7	9.59
	Ammonia-nitrogen				1.90 mg/L	0.09		1.51	No
	SS				20 mg/L	0.94		/	No
	Petroleum				0.98 mg/L	0.05		/	No
	COD	Discharge after being treated by wastewater treatment station	1	The eastern side of 2# plant	85 mg/L	The Discharge Limits of Water Pollutants (DB44/26-	4.02	9.59	No
	SS				58.5 mg/L		2.77	/	No

	Ammonia-nitrogen				2.52 mg/L	2001)	0.12	/	No
	Petroleum				5.02 mg/L		0.24	/	No
	VOCs (dusting)	15m high altitude discharge after being treated by spray tower + activated carbon	3	4# plant	21.23mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	0.47	/	No
	VOCs (Screen Printing)	15m high altitude discharge after being treated by environmental protection equipment	4	1#, 5#, 9#, 11# plants	1.92 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)	0.40	/	No
	VOCs (electronic)	15m high altitude discharge after being treated by environmental protection equipment	2	10# plants	25.21mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)	5.04	/	No
	NMHC (evaporator & condenser)	15m high altitude discharge after being treated by environmental protection equipment	6	2#, 5# plants	25 mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27- 2001) the second time period	2.13	/	No
Wuhu Maty Air-Conditioning Equipment Co., Ltd	COD	Discharge after being treated by wastewater treatment station	1	The northern side of the park	52 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996) chart 4 Level 3	3.62	7.5	No
	SS				55 mg/L		2.33	/	No
	BOD				9 mg/L		3.22	/	No
	Ammonia-nitrogen				7mg/L		0.318	0.675	No
	Petroleum				0.5 mg/L		0.054	/	No
	Particles		5	2# plant	0.18mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	0.0691	0.148	No
	VOCs	15m high altitude discharge after being treated by environmental protection equipment	8	2#, 3# plants	32 mg/m <sup>3</sup>	Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13-2322-2016)	3.82	/	No
	NOX		3	3# plant	0.48 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	0.242	0.515	No
	SO2		3	3# plant	< 3 mg/m <sup>3</sup>		0.942	2.209	No

Guangdong Meizhi Precision - Manufacturing Co., Ltd	COD	Discharge after being treated by wastewater treatment station	1	Near the wastewater treatment station in the north side of the plant	44 mg/L	Discharge Standard of Water Pollutants for Electroplating DB 44/1597-2015	8.615	16.28	No
	Suspended matters				9 mg/L		1.762	/	No
	Petroleum				2.53 mg/L		0.495	/	No
	Total phosphorus				0.96 mg/L		0.188	/	No
	Total zinc				0.16 mg/L		0.031	/	No
	pH value				7.9 mg/L		1.547	/	No
	Total nitrogen				4.11 mg/L		0.805	/	No
	Ammonia-nitrogen				0.257 mg/L		0.050	2.034	No
	Fluoride				0.1 mg/L		0.020	/	No
	Particles	15m high altitude discharge after being treated by environmental protection equipment	7	Roof of the plant	23.58 mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27-2001) / Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB 9078-1996)	17.17	/	No
	Sulfur dioxide	15m high altitude discharge after being treated by environmental protection equipment	4	Roof of the plant	Less than the limit	Emission Standard of Air Pollutants for Boiler (DB44/765-2019)	0	0.436	No
	Oxynitride	15m high altitude discharge after being treated by environmental protection equipment	4	Roof of the plant	3.14 mg/m <sup>3</sup>		0.855	2.039	No
	VOCs	15m high altitude discharge after being treated by environmental protection equipment	10	Roof of the plant	3.98 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Surface Coating of Automobile Manufacturing Industry (DB44/816-2010)	2.647	4.553	No
	Benzene	15m high altitude discharge after being treated by environmental protection equipment	2	Roof of the plant	0.035 mg/m <sup>3</sup>		0.008	/	No
	Total toluene and xylene	15m high altitude discharge after being treated by environmental protection equipment		Roof of the plant	0.469 mg/m <sup>3</sup>		0.111	/	No

Guangdong Meizhi Compressor Limited	COD	Discharge after being treated by wastewater treatment station	1	Near the wastewater treatment station in the north side of the plant	45 mg/L	The Discharge Standard of Water Pollutants for Electroplating of Guangdong Province DB-441597-2015, before 1 September 2012	3.078	6.046	No
	Suspended matters				7 mg/L		0.479	/	No
	Petroleum				0.45 mg/L		0.031	/	No
	Total phosphorus				0.54 mg/L		0.037	/	No
	Total zinc				0.21 mg/L		0.014	/	No
	pH value				7.4 mg/L		/	/	No
	Total nitrogen				2.26 mg/L		0.155	/	No
	Ammonia-nitrogen				0.133 mg/L		0.009	0.756	No
	Fluoride				0.1 mg/L		0.007	/	No
	Total nickel				0.06 mg/L		0.004	0.024	No
Particles	Over-15m high altitude discharge after being treated by environmental protection equipment	17	Roof of main plant and metal plate workshop	28.485 mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27-2001) / Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB 9078-1996)	3.905	8.705	No	
Sulfur dioxide	Over-15m high altitude discharge after being treated by environmental protection equipment	11	Roof of main plant and metal plate workshop	Less than the limit	Emission Standard of Air Pollutants for Boiler (DB44/765-2019)	0	0.799	No	
Oxynitride	Over-15m high altitude discharge after being treated by environmental protection equipment	11	Roof of main plant and metal plate workshop	3 mg/m <sup>3</sup>		1.196	7.814	No	
Benzene	Over-15m high altitude discharge after being treated by environmental protection equipment	2	Roof of main plant and metal plate workshop	4.03 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Surface Coating of Automobile Manufacturing Industry (DB44/816-2010)	0.004	/	No	
Total toluene and xylene	Over-15m high altitude discharge after being treated by environmental protection equipment	2	Roof of main plant and metal plate workshop	0.368 mg/m <sup>3</sup>		0.037	/	No	
VOCs	Over-15m high altitude discharge after being treated by environmental protection equipment	7	Roof of main plant and metal plate workshop	4.11 mg/m <sup>3</sup>		1.872	5.718	No	

Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	CODcr	Discharge after being treated by wastewater treatment system and reaching the standard	2	Waste water treatment stations 1 and 2 of 3# plant	52.5 mg/L	Discharge Standard of Water Pollutants for Electroplating (DB44/1597-2015)	2.15	15.304	No
	Petroleum				0.17 mg/L		0.006	/	No
	Ammonia-nitrogen				0.53 mg/L		0.023	1.913	No
	Total toluene and xylene	High altitude discharge after being treated by waste gas treatment station	8	Waste gas sprayers 1 and 2 at 3# plant, outlets 1, 2 and 3 for waste gas from wave-soldering, painting and drying at 6# plant, outlets 1 and 2 for waste gas from reflow soldering at 6# plant	0.1208 mg/m <sup>3</sup>	Table 1 of the Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010): Discharge Limits for VOCs through Exhaust Funnel/for Time Period II	0.315	/	No
	VOCs	High altitude discharge after being treated by waste gas treatment station			0.8711 mg/m <sup>3</sup>		2.178	22.72	No
	NMHC	High altitude discharge after being treated by waste gas treatment station	2	Outlet of injection molding waste gas in the south side of 1# plant, outlet of injection molding waste gas in the south side of 9# plant	0.14 mg/m <sup>3</sup>	Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Emission Limits of Air Pollutants	0.067	/	No
	Particles	Pulse bag dust collecting	4	Outlets 1 and 2 of sanding waste gas at 3# plant, outlets 1 and 2 of polishing waste gas at 3# plant	0.1856 mg/m <sup>3</sup>	Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2	0.072	/	No
	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	2	Oxidation wire roof of 3# plant	3.25 mg/m <sup>3</sup>		0.072	3.8231	No
	Oxynitride			Drying furnace of 3# plan	1.625 mg/m <sup>3</sup>	0.427	13.132	No	
Cooking fume	Discharge after being treated by waste gas treatment station	2	South and north section canteens	0.15 mg/m <sup>3</sup>	Emission Standard of Cooking Fume (Trial) (GB 18483-2001)	0.046	/	No	
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	CODcr	Discharge after being treated by wastewater treatment system and reaching the standard	1	Sewage treatment station	28 mg/L	Discharge Standard of Water Pollutants for Electroplating (DB44/1597-2015)	0.875	4.8	No
	Petroleum				0.06 mg/L		0.00188	/	No
	SS				18.5 mg/L		0.5792	/	No
	Ammonia-nitrogen				0.7885 mg/L		0.2463	0.96	No
	Benzene	High altitude discharge after being treated by waste gas treatment station	1	Spraying waste gas outlet at 1# plant	0.01 mg/m <sup>3</sup>	Table 1 of the Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010): Discharge Limits for VOCs through Exhaust Funnel/for	0.000163	/	No
	Toluene	High altitude discharge after being treated by waste gas treatment station			0.09 mg/m <sup>3</sup>		0.0015	/	No
	Xylene	High altitude discharge after being treated by waste gas treatment station			1.08 mg/m <sup>3</sup>		0.0135	/	No

	Total toluene and xylene	High altitude discharge after being treated by waste gas treatment station			1.17 mg/m <sup>3</sup>	Time Period II	0.01497	/	No
	VOCs	High altitude discharge after being treated by waste gas treatment station			4.45 mg/m <sup>3</sup>		0.0571	0.61	No
	NMHC	High altitude discharge after being treated by waste gas treatment station	2	Injection molding waste gas outlet in the southern side of 2# plant, injection molding waste gas outlet in the northern side of 2# plant	0.5575 mg/m <sup>3</sup>	Table 4 of the Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015): Emission Limits of Air Pollutants	0.04107	0.104	No
	Particles	Pulse bag dust collecting	7	Sanding waste gas outlet of 1# plant Polishing waste gas outlet of 1# plant	0.45 mg/m <sup>3</sup>	Table 2 of the Emission Limits of Air Pollutants (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2	0.03314	/	No
	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	1	Drying furnace of 1# plant	<3 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Boiler (DB44/765-2019)	0.01567	0.028	No
	Oxynitride	High altitude discharge after being treated by waste gas treatment station			<3 mg/m <sup>3</sup>		0.0329	0.131	No
	Cooking fume	Discharge after being treated by waste gas treatment station	1	Canteen of 1# plant	0.575 mg/m <sup>3</sup>	Emission Standard of Cooking Fume (GB 18483-2001)	0.00942	/	No
Anhui Meizhi Compressor Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The western side of the comprehensive wastewater treatment station	16 mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and Integrated Wastewater Discharge Standard (GB8978-1996) Level 3	3.36	/	No
	Ammonia-nitrogen				0.149 mg/L		0.059	/	No
	Particles	Collected by gas trap hood+15m high exhaust cylinder	13	No. 1 workshop welding soot discharge outlet for waste gas	6.7mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	5.46	65.45	No
				No. 3 workshop discharge outlet for the welding waste gas	6.4 mg/m <sup>3</sup>				
				Waste gas outlet of 1# heat-treating furnace at No. 2 workshop	7.6 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB9078-1996)			
Waste gas outlet of 2# heat-treating furnace at No. 2 workshop	7.0 mg/m <sup>3</sup>								

				Waste gas outlet for die casting at No. 2 workshop	5.9 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996) Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB9078-1996)			
				Waste gas outlet for die casting at No. 4 workshop	6.6 mg/m <sup>3</sup>				
				Waste gas outlet of 1# heat-treating furnace at No. 4 workshop	5.9 mg/m <sup>3</sup>				
				Waste gas outlet of 2# heat-treating furnace at No. 4 workshop	5.6 mg/m <sup>3</sup>				
				Waste gas outlet for electrophoresis and drying at No. 1 workshop	6.5 mg/m <sup>3</sup>				
				Waste gas outlet for electrophoresis and drying at No. 3 workshop	3.5 mg/m <sup>3</sup>				
				Waste gas outlet of 1#-3# furnaces	4.7 mg/m <sup>3</sup>				
	Sulfur dioxide	Collected by gas trap hood+15m high exhaust cylinder	9	Waste gas outlet of 1#-3# furnaces	<3 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Boiler (GB13271-2014)  Air Pollutant Emission Standards (GB16297-1996) Standard Level 2	19.26	112.2	No
				Outlet of 1# heat-treating furnace at No. 2 workshop	58 mg/m <sup>3</sup>				
				Outlet of 2# heat-treating furnace at No. 2 workshop	21 mg/m <sup>3</sup>				
				Waste gas outlet for die casting at No. 2 workshop	<3 mg/m <sup>3</sup>				
				Outlet of 1# heat-treating furnace at No. 4 workshop	116 mg/m <sup>3</sup>				
				Outlet of 2# heat-treating furnace at No. 4 workshop	29 mg/m <sup>3</sup>				
Waste gas outlet for die casting at No. 4 workshop	14 mg/m <sup>3</sup>								
Oxynitride	Collected by gas trap hood+15m high exhaust cylinder	9	Waste gas outlet of 1#-3# furnaces	25 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Boiler (GB13271-2014)	6.63	33.24	No	

				Outlet of 1# heat-treating furnace at No. 2 workshop	25 mg/m <sup>3</sup>	Air Pollutant Emission Standards (GB16297-1996) Standard Level 2			
				Outlet of 2# heat-treating furnace at No. 2 workshop	33 mg/m <sup>3</sup>				
				Waste gas outlet for die casting at No. 2 workshop	11 mg/m <sup>3</sup>				
				Outlet of 1# heat-treating furnace at No. 4 workshop	8 mg/m <sup>3</sup>				
				Outlet of 2# heat-treating furnace at No. 4 workshop	<3 mg/m <sup>3</sup>				
				Waste gas outlet for die casting at No. 4 workshop	9mg/m <sup>3</sup>				
	VOCs	Collected by gas trap hood+15m high exhaust cylinder Direct-fired waste gas incinerator+15m high exhaust cylinder	4	Waste gas outlet of the drying furnace at No. 1 workshop	4.62 mg/m <sup>3</sup>	Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB12/ 524-2020)	1.13	21.6	No
				Waste gas outlet of 1# drying furnace at No. 3 workshop	10.5 mg/m <sup>3</sup>				
				Die casting at No. 2 workshop	0.74 mg/m <sup>3</sup>				
				Die casting at No. 4 workshop	1.14 mg/m <sup>3</sup>				
Guangdong Welling Motor Manufacturing Co., Ltd.	Benzene	Zeolite drum + RTO	1	Waste gas outlet around plant C	Less than the limit	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	0.00	/	No
	Total toluene and xylene	Zeolite drum + RTO	1	Waste gas outlet around plant C	0.255 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	0.62	/	No
	Total VOCs	Zeolite drum + RTO	1	Waste gas outlet around plant C	3.17mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period	0.81	17.09	No



Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	COD	Discharge to the municipal sewage system after being treated by wastewater treatment system	1	The eastern side of wastewater treatment station in Malong base	60 mg/L	The Discharge Limits of Water Pollutants in Guangdong DB-44/26- 20 Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010)/Emission Standard of Volatile Organic Compounds for Surface Coating of Automobile Manufacturing Industry (DB44/816-2010)/Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB 31572-2015)/Guangdong Province Emission Limits of Air Pollutants (DB44/27-2001)/Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)/Emission Standard of Cooking Fume (on Trial) (GB18483-2001)	6.03	22.77	No
	Ammonia-nitrogen				0.457 mg/L		0.029	4.554	No
	Particles	20m high altitude discharge after being treated by waste gas treatment equipment and reaching the standard	112	26 outlets at A1 plant, 47 outlets at A2 plant, 21 outlets at B2 plant, 9 outlets at C2 plant, 2 outlets at C3 plant, 1 outlet at wastewater treatment station and 6 outlets at canteen	0.34 mg/m <sup>3</sup>		1.18	/	No
	Sulfur dioxide				7 mg/m <sup>3</sup>		0.262	1.055	No
	Oxynitride				9 mg/m <sup>3</sup>		2.33	10.314	No
	Benzene				Less than the limit		0.027	/	No
	Total toluene and xylene				0.11 mg/m <sup>3</sup>		1.13	/	No
	VOCs				8.35 mg/m <sup>3</sup>		5.97	35.051	No
	NMHC				2.15 mg/m <sup>3</sup>		0.15	/	No
	Styrene				12.91 mg/m <sup>3</sup>		0.473	/	No
	Fume				15m high altitude discharge after being treated by oil fume purification facility and reaching the standard				0.17 mg/m <sup>3</sup>
Welling (Wuhu) Motor Manufacturing Co., Ltd.	Particles	Collected by gas trap hood + dust collector + activated carbon +15m high exhaust cylinder	2	Exhaust funnels 1 and 2 for mold injection	13.8 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	1.562	/	No
	VOCs	Collected by gas trap hood+15m high exhaust cylinder	7	Waste gas outlets 1-7 of the die casting workshop	19.4 mg/m <sup>3</sup>	Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB9078-1996)	3.1752	/	No
	VOCs	Activated carbon + UV photolysis	2	Exhaust funnels 1 and 2 for dip coating	19.4 mg/m <sup>3</sup>	Hebei Province Standard DB13/2322-2016 The Concentration Limits at Emission Reference Point for Coating Operations	1.224	/	No
	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	General wastewater outlet	80 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996) chart 4	1.2096	/	No
Ammonia-nitrogen	20 mg/L				0.2592		/	No	

	BOD				30 mg/L	Level 3	1.0368	/	No
	SS				23 mg/L		0.3368	/	No
	Petroleum				0.87 mg/L		0.0791	/	No
Anhui Meizhi Precision Manufacturing Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	The south side of Building 6 for night shift at the north side of the plant area	115.3mg/L	Integrated Wastewater Discharge Standard (GB8978-1996) chart 4 Level 3	41.728	/	No
	Ammonia-nitrogen				20.8mg/L		7.528	/	No
	BOD				31.4 mg/L		11.364	/	No
	SS				20.7 mg/L		7.492	/	No
	Petroleum				0.32 mg/L		0.116	/	No
	Particles	Collected by gas trap hood +21m high exhaust cylinder	10	Welding waste gas outlet 1#	13.65 mg/m <sup>3</sup>	Requirements in Table 1 of Integrated Emission Standards of Air Pollutants of Shanghai (DB31/933-2015)	6.7402608	/	No
				Welding waste gas outlet 2#	12.1 mg/m <sup>3</sup>				
		Collected by gas trap hood +21m high exhaust cylinder		Heat-treating furnace 1#	11.35 mg/m <sup>3</sup>	Integrated emission standards for atmospheric pollutants GB16297-1996, chart 2, Level 2			
				Heat-treating furnace 2#	15.35 mg/m <sup>3</sup>				
				Heat-treating furnace 3#	12.55 mg/m <sup>3</sup>				
				Heat-treating furnace	10.8 mg/m <sup>3</sup>				
				Drying waste gas outlet 1#	6.5 mg/m <sup>3</sup>				
				Drying waste gas outlet 2#	8.75 mg/m <sup>3</sup>				
				Drying waste gas outlet 3#	6.7 mg/m <sup>3</sup>				
				Drying waste gas outlet 4#	8.45 mg/m <sup>3</sup>				
Sulfur dioxide	Collected by gas trap hood +21m high exhaust cylinder	8	Heat-treating furnace 1#	5.25 mg/m <sup>3</sup>	Emission limit standards for other industrial furnaces and kilns in the Comprehensive Control Plan for Air Pollution of Industrial Furnaces (H.D.Q.[2019] NO.56)	1.48750758	/	No	
			Heat-treating furnace 2#	5.75 mg/m <sup>3</sup>					
			Heat-treating furnace 3#	5.25 mg/m <sup>3</sup>					
			Heat-treating furnace	1.5 mg/m <sup>3</sup>					
			Drying waste gas outlet 1#	3.25 mg/m <sup>3</sup>					
			Drying waste gas outlet 2#	3.75 mg/m <sup>3</sup>					
			Drying waste gas outlet 3#	1.5 mg/m <sup>3</sup>					

	Oxynitride	Collected by gas trap hood +21m high exhaust cylinder	8	Drying waste gas outlet 4#	4.75 mg/m <sup>3</sup>		1.50728058	/	No
				Heat-treating furnace 1#	10.75 mg/m <sup>3</sup>				
				Heat-treating furnace 2#	7.75 mg/m <sup>3</sup>				
				Heat-treating furnace 3#	1.5 mg/m <sup>3</sup>				
				Heat-treating furnace	1.5 mg/m <sup>3</sup>				
				Drying waste gas outlet 1#	5.75 mg/m <sup>3</sup>				
				Drying waste gas outlet 2#	1.5 mg/m <sup>3</sup>				
				Drying waste gas outlet 4#	7.75 mg/m <sup>3</sup>				
	VOCs	Direct-fired waste gas incinerator+21m high exhaust cylinder	2	Drying waste gas outlet 1#	7.385 mg/m <sup>3</sup>	NMHC emissions meet the relevant standard limit requirements in Table 1 of Shanghai Integrated Emission Standards for Atmospheric Pollutants (DB31/933-2015)	2.8546128	/	No
				Drying waste gas outlet 2#	10.4 mg/m <sup>3</sup>				
	Adsorption and desorption catalytic combustion +21m high exhaust cylinder	2	Drying waste gas outlet 3#	10.255 mg/m <sup>3</sup>					
			Drying waste gas outlet 4#	6.81 mg/m <sup>3</sup>					
GD Midea Environment Appliances Mfg. Co.,Ltd.	VOCs	Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	2	During the screen printing process	0.19 mg/m <sup>3</sup>	Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)	0.0122	/	No
		Dry filtering + direct combustion of natural gas +15m high altitude discharge	2	Outlet for waste gas from dip coating, drying and hardening	28.01 mg/m <sup>3</sup>	Emission Standards for Odor Pollutants GB14554-93	1.746	3.42	No
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	1	During the manual welding process	4.31 mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2	0.0626	/	No
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	3	During the wave soldering process (paste printing and wave reflow)	16.4 mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2	1.177	/	No
	NMHC	Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	6	Exhaust funnel for waste gas from the baking and injection molding processes	1.985 mg/m <sup>3</sup>	Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (BG 31572-2015)	0.4347	/	No

		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	3	Metal plate dusting waste gas exhaust cylinder	2.11 mg/m <sup>3</sup>	Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (BG 31572-2015)	0.110	/	No
Particles		Gas trap hood + water spraying + dry filtering + UV + activated carbon + 15m high altitude discharge	1	Dusting waste gas	0.39 mg/m <sup>3</sup>	Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2	0.140	/	No
Cooking fume		Fume hood + electrostatic range hood + 15m high altitude discharge	7	Cooking fume outlet at canteen	0.1 mg/m <sup>3</sup>	Emission Standard of Cooking Fume GB18483-2001	0.000118	/	No
Suspended matters		Oil separation and slugging - hydrolysis and acidification - contact oxidation - MRB	1	Domestic wastewater treatment station	6 mg/L	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant GB18918-2002	0.0839		
COD	18.6 mg/L				0.250		/	No	
Animal and vegetable oil	0.06 mg/L				0.00896		/	No	
Ammonia-nitrogen (NH <sub>3</sub> -N)	0.052 mg/L				0.5566		/	No	
pH value	7.06				/		/	No	
Five-day BOD	5.9 mg/L				0.083		/	No	
Total zinc					Coagulation and sedimentation + hydrolysis and acidification + aeration + biological tank + MBR + water reuse		1	Domestic wastewater treatment station	0.002 mg/L
COD	8.93 mg/L	0.27	/	No					
Suspended matters	8 mg/L	0.155	/	No					
pH value	7.7	/	/	No					
Total phosphorus (in P)	0.012 mg/L	0.324	/	No					
Ammonia-nitrogen (NH <sub>3</sub> -N)	0.140 mg/L	0.004328	1.724	No					
Petroleum	0.03 mg/L	0.00087	/	No					
Total aluminum	0.0194 mg/L	0.00011	/	No					
Total iron	0.00144 mg/L	0.00008	/	No					

Hubei Midea Refrigerator Co., Ltd.	COD	Discharge to the municipal domestic sewage system	1	Domestic sewage outlets at the plant	43 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	5.37	15	No
	Ammonia-nitrogen				5.58 mg/L		0.7	2.5	No
	BOD				14.9 mg/L		1.86	/	No
	SS				32 mg/L		4	/	No
	Animal and vegetable oil				2.33 mg/L		0.29	/	No
	COD	Discharge to the municipal industrial sewage system after deep treatment in the industrial sewage treatment station	1	Waste water outlets at the freezer branch plant	92 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	1.44	15	No
	Ammonia-nitrogen				13.7 mg/L		0.21	2.5	No
	BOD				17.5 mg/L		0.27	/	No
	SS				7 mg/L		0.11	/	No
	Petroleum				0.5 mg/L		0.01	/	No
	Animal and vegetable oil	1.2 mg/L	0.2	/	No				
	NMHC	15m discharge after light and oxygen purification + activated carbon adsorption	1	First installation branch waste gas outlets	22.1 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	2.45	/	No
	NMHC			Second installation branch waste gas outlets	14.5 mg/m <sup>3</sup>		1.87	/	No
NMHC	Injection molding workshop waste gas outlets			16.8 mg/m <sup>3</sup>	0.52		/	No	
NMHC	15m high altitude discharge after dry filtration +light and oxygen purification + activated carbon	1	Extrusion workshop waste gas outlets	11 mg/m <sup>3</sup>	0.41		/	No	
NMHC	Water scrubber+ Swirl plate tower + Demister + activated carbon, 15m high altitude discharge	1	Cold cabinet branch waste gas outlets	38.1 mg/m <sup>3</sup>	1.15		/	No	
Particles				4.6 mg/m <sup>3</sup>	0.14		/	No	
Wuxi Little Swan Electric Co., Ltd.	COD	Discharge to municipal sewage network	1	Exit at the middle gate of the plant	250 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	56.572	123.8994	No
	SS				87.3 mg/L		24.192	87.2473	No
	Animal and vegetable oil				6.81 mg/L		2.036	10.7034	No
	Total phosphorus				2.856mg/L		0.473	1.0701	No

	Total nitrogen	11	1. Activated carbon + 20m high altitude discharge 2. Water spraying + UV + activated carbon + Filter cartridge dust collector +15m high altitude discharge 3. Grade 2 activated carbon+15m high altitude discharge 4. Dry Filtering + electrostatic degreasing + 15m high altitude discharge 5. Pulse dust collecting +15m high altitude discharge	11	1. Injection molding workshop of Building C 2. Buildings A and D 3. Painting workshop 4. Injection molding workshop of Building C 5. Crushing workshop of Building C	33.43mg/L	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996) / Tianjin Emission Control Standard for Industrial Enterprises Volatile Organic Compounds DB12/524-2014/ Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB31572-2015) /Emission Standard of Air Pollutants for Boiler (GB13271-2014)	5.261	11.2612	No
	Ammonia-nitrogen					26.2mg/L		3.28	6.6906	No
	Particles					1.325 mg/m <sup>3</sup>		0.3367	2.0696	No
	VOCS					2.37 mg/m <sup>3</sup>		0.4852	1.2218	No
	Sulfur dioxide					22.25 mg/m <sup>3</sup>		0.3074	0.624	No
Oxynitride					22.25mg/m <sup>3</sup>		0.3262	3.38	No	
Huaian Welling Motor Manufacturing Co., Ltd.	Particles	2	5#: Grade 3 filtering + honeycomb zeolite + CO 8#: Grade 3 filtering + Grade 2 activated carbon	2	5# waste gas outlet: outside the inductor dip coating room 8# waste gas outlet: outside the reactor dip coating room	3.2 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	0.0895	2.697	No
	NMHC					5.85 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	0.45	1.3853	No
	Styrene					0.028 mg/m <sup>3</sup>	Emission Standards for Odor Pollutants (GB14554-93)	0.002	0.032	No
Midea Group Wuhan Refrigeration Equipment Co.,Ltd.	pH value	1	Discharge after being treated by wastewater treatment station and reaching the standard	1	West Gate 2 of 4# plant on the west side of plant areas	7.1	Integrated Wastewater Discharge Standard GB8978-1996 Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	/	/	No
	COD					259 mg/L		5.85	19.60	No
	Ammonia-nitrogen					0.272 mg/L		0.0067	1.764	No
	Suspended matters					32 mg/L		0.994	/	No
	Petroleum					3.64 mg/L		0.087	/	No

	Total phosphorus	Discharge after being treated by environmental protection equipment			0.12 mg/L		0.004	/	No
	Fluoride				4.22 mg/L		0.083	/	No
	Total zinc				0.83 mg/L		0.039	/	No
	BOD5				67.7 mg/L		1.35	/	No
	Particles		21	1# plant, 3# plant, 4# plant, 5# plant	4.8 mg/m <sup>3</sup>		2.76	6.09	No
	Sulfur dioxide		16		4 mg/m <sup>3</sup>		0.39	1.56	No
	Oxynitride		16		28 mg/m <sup>3</sup>		2.19	5.9	No
	Tin and its compounds		3	3# plant	5.92*10 <sup>-4</sup> mg/m <sup>3</sup>		1.68*10 <sup>-9</sup>	/	No
	Acrylonitrile		3		Less than the limit		ND	/	No
	Styrene		3		0.098 mg/m <sup>3</sup>		2.78*10 <sup>-7</sup>	/	No
VOCs	10	1# plant	3.44 mg/m <sup>3</sup>	1.58	/	No			
Handan Midea Air-Conditioning Equipment Co.,Ltd.	NMHC	15m high altitude discharge after being treated by environmental protection equipment	9	1#、2# plants	4.74 mg/m <sup>3</sup>	1) NMHC: Implementation of the emission concentration limits on organic chemicals in Table 1 of Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13/2322-2016) 2) Sulfur dioxide/nitrogen oxides/particles: Implementation of the new furnace standards in Table 1 and Table 2 of Emission Standard of Air Pollutants for Industrial Kiln and Furnace (DB13/1640-2012) 3) Tin and its compounds: Implementation of the requirements of Level 2 in the Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)	2.51	/	No
	Particles		7	1#、2#、3# plants	1.8 mg/m <sup>3</sup>		0.53	/	No
	Oxynitride		7	1#、2#、3# plants	7 mg/m <sup>3</sup>		1.47	3.241	No
	Sulfur dioxide		7	1#、2#、3# plants	< 3 mg/m <sup>3</sup>		0.42	3.241	No
	Tin and its compounds		4	2# plant	<3*10-6mg/m		0.00037	/	No
	COD		1	North side of the power	68 mg/L		0.51	8.97	No

	Ammonia-nitrogen	wastewater treatment system and reaching the standard	1	house	2.9 mg/L	water quality of wastewater treatment plant in Handan Economic and Technological Development Zone	0.029	0.7	No
	pH		1		7.1		/	/	No
	Suspended matters		1		13mg/L		0.11	/	No
	Petroleum		1		0.56mg/L	Integrated Wastewater Discharge Standard (GB8978-1996) chart 4 Level 3	0.0048	/	No
	Fluoride		1		0.18 mg/L		0.0018	/	No
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	pH value	Treatment by waste water treatment station and reaching the standard	1	West gate	7.7	Integrated Wastewater Discharge Standard (GB8978-1996) chart 4 Level 3	/	/	No
	COD				293 mg/L		1.868	76.63	No
	SS				9 mg/L		0.057	/	No
	NH3-N				20.5 mg/L		0.1307	5.32	No
	Petroleum				0.24 mg/L		0.002	/	No
	Fluoride				11.5 mg/L		0.0733	/	No
	BOD5				121 mg/L		0.7714	/	No
	LAS				0.105 mg/L		0.0007	/	No
	Total zinc				0.03 mg/L		0.0002	/	No
	Animal and vegetable oil				0.43 mg/L		0.003	/	No
	Particles	After treatment by environmental protection and treatment facilities and reaching the standard, 25m high altitude discharge	11	East, west, south and north corners of the plant	9.9 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants DB 50、418-2016 Table 1 Central Downtown	7.80	/	No
	SO2				5 mg/m <sup>3</sup>		1.175	/	No
	NOX				14 mg/m <sup>3</sup>		2.769	/	No
	Tin and its compounds				0.27 mg/m <sup>3</sup>		0.0029	/	No
	NMHC				2.5 mg/m <sup>3</sup>		0.6321	/	No
Chongqing Midea General Refrigeration Equipment	PH	Discharge to municipal wastewater treatment plant after being treated by the wastewater treatment system	1	General sewage discharge exit of plant areas	7.65	Integrated Wastewater Discharge Standard (GB8978-1996) Chart 4 Level 3	/	/	No
	Suspended matters				14mg/L		1.069	/	No
	COD				122.5mg/L		9.354	/	No
	Ammonia-				7.015mg/L		0.536	/	No



nt Co., Ltd.	nitrogen (NH <sub>3</sub> -N)								
	Animal and vegetable oil				1.37mg/L		0.105	/	No
	Petroleum				0.255mg/L		0.019	/	No
	Five-day BOD				45.35mg/L		3.463	/	No
	Anionic surfactant				0.147mg/L		0.011	/	No
	Phosphate				0.075mg/L		0.006	/	No
	Fluoride				4.49mg/L		0.343	/	No
	Particles	High altitude discharge after being treated by waste gas treatment station	4	2 sets for paint waste gas of 1# and 4# plants each	10.742mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants DB 50/418-2016 Table 1 Central Downtown	1.470	/	No
	Toluene				0.376mg/m <sup>3</sup>		0.042	/	No
	Xylene				0.027mg/m <sup>3</sup>		0.004	/	No
	NMHC				3.090mg/m <sup>3</sup>		0.402	/	No
	Particles	Filter cartridge dust collector	9	5 sets for 1# plant and 4 sets for 4# plant	11.536mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants DB 50/418-2016 Table 1 Central Downtown	1.989	/	No
		Direct discharge	2	Brazing waste gas outlets for 2# and 4# plants					
	Sulfuric acid mist	Lye spray tower	2	Acid pickling waste gas outlets for 1# and 4# plants	0.833 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants DB 50/418-2016 Table 1 Central Downtown	0.007	/	No
	Hydrogen Chloride				6.100 mg/m <sup>3</sup>		0.050	/	No
	Particles	1 set of direct discharge (no longer running) 1 set of RTO	2	Volatile oil drying waste gas outlet	9.95mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants DB 50/418-2016 Table 1 Central Downtown Emission Standard of Air Pollutants for Industrial Kiln and Furnace DB 50/659-2016 Table 1/2	0.072	/	No
	Sulfur dioxide				4mg/m <sup>3</sup>		0.036	/	No
Oxynitride	17.5mg/m <sup>3</sup>				0.126		/	No	
NMHC	4.08mg/m <sup>3</sup>				0.03		/	No	
Hefei branch of Hefei Hualing Co., Ltd.	COD	After deep treatment by industrial waste water treatment station, discharge to municipal sewage network with domestic sewage	1	Freezer waste water outlet	40 mg/L	Takeover standards of the Western Group wastewater treatment plant	5.69	9.53	No
	Ammonia-nitrogen				13.4 mg/L		1.9	/	No
	BOD				21 mg/L		11.01	/	No
	SS				66 mg/L		5.99	/	No

Petroleum				10.7 mg/L		1.78	/	No
Phosphate				1.29 mg/L		0.72	/	No
Total zinc				0.35 mg/L		0.48	/	No
Fluoride				0.56 mg/L		1.15	/	No
pH				7.36		/	/	No
NMHC	After photo-catalytic oxidation + activated carbon, 15m high altitude discharge	1	Screen printing waster gas outlet	6.1 mg/m <sup>3</sup>	Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB31572-2015)	0.19	/	No
NMHC		1	5# plastic uptake/foaming waster gas outlet	2.4 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (DB31/933-2015)	0.08	/	No
Particles	After filter cartridge dust collector + activated carbon, 15m high altitude discharge	2	Welding waste gas outlets of 7# and 8# plants	12 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (DB31/933-2015)	0.24	/	No
Particles	After filter cartridge dust collector, 15m high altitude discharge	1	Crushing waste gas outlet	9.8 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (DB31/933-2015)	0.2	/	No
NMHC	After Grade 2 activated carbon, 15m high altitude discharge	2	Foaming waste gas outlets of 7# and 8# plants	34 mg/m <sup>3</sup>	Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB31572-2015)	1.06	/	No
Styrene				/	Emission Standards of Industrial Pollutants in the Synthetic Resin Industry (GB31572-2015)	/	/	No
Odor concentration				549 mg/m <sup>3</sup>	Emission Standards for Odor Pollutants (GB14554-93) Table 1	/	/	No
NMHC	After Grade 2 activated carbon, 15m high altitude discharge	1	7# plastic uptake waster gas outlet	7.3 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (DB31/933-2015)	0.23	/	No
NMHC	After dry filtering + photo-catalytic oxidation + activated carbon, 15m high altitude discharge	1	8# plastic uptake waster gas outlet	11 mg/m <sup>3</sup>	Integrated Emission Standards for Atmospheric Pollutants (DB31/933-2015)	0.34	/	No
NMHC	After spray tower + demister + photo-catalytic oxidation + activated carbon, 15m high altitude discharge	1	Spraying waste gas outlet	7.1 mg/m <sup>3</sup>	Emission Standards of Industrial Pollutants in the	0.22	/	No

						Synthetic Resin Industry (GB31572-2015)			
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	Waste mineral oil, waste oil-containing liquid, waste packaging, waste activated carbon, waste lead battery, waste filter cotton, waste circuit board, etc	treatment entrusted to third-party qualified enterprise	N/A	N/A	N/A	N/A	78.48	151.523	No

### The construction of pollution prevention facilities and their operation

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

### The environmental effect evaluation of construction projects and other administrative permits in relation to environmental protection

All subsidiaries strictly observe the laws and regulations governing environmental protection, and all construction projects are in compliance with the

environmental effect requirements and other rules, with no misdeeds during the Reporting Period. Once a construction project is finished, a third-party testing institution is hired to examine indexes including waste water, waste gas and noise, and the compilation and approval of the environmental effect evaluation report is finished in time.

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

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

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

### **Environment self-monitoring plans**

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

monitoring authority online and the government authority conducts real-time monitoring; 3) Noise monitoring: Noise monitoring points are set at noise sensitive points and on the border of factories. Noise is monitored once in spring and summer respectively and at daytime and at nighttime respectively each time; 4) Solid waste pollution source monitoring: Hazardous waste produced from the subsidiaries is handed over to the units with qualifications for treatment, monitoring systems are established, and related management forms and accounts are set up.

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

None of the Company's subsidiaries received any administrative penalty during the Reporting Period due to environmental issues.

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

None

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

Applicable  N/A

a. Midea Group promoted the implementation of 29 distributed photovoltaic projects in the first half of 2022, with a total designed installed capacity of 154.34MW. So far, construction has started for 13 such projects, with a combined installed capacity of 53.34MW. These 13 projects are expected to be able to generate power of approximately 54.34 million KWH per year upon the completion of construction, representing a carbon emission reduction of around 43,472 tons of CO<sub>2</sub>.

b. All manufacturing plants kept improving their energy management systems and carried out work related to ISO 50001 (GB23331) certification. As of

August, 22 plants have been certified, and the other ones are expected to be all certified by the end of the year. The certification of the energy management systems has greatly improved the energy management level of these plants. By carrying out energy saving diagnosis, these plants are able to enhance leakage identification and the closed-loop management.

c. Greater efforts have been made in the research and development of green technologies, as well as the implementation of the related projects. Energy saving and emission reduction projects are promoted from the dimensions such as compressed air, waste heat recovery, combustion efficiency, power quality and central air conditioning. As confirmed by the relevant plants' financial departments, the energy saving and emission reduction projects produced an income of over RMB50 million.

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

None

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

### **2.1 Overview of the public welfare activities in the first half of 2022**

Midea Group is committed to providing support for educational development. In the first half of 2022, Midea Group actively responded to the call for rural revitalization and implemented the East China and West China coordination policy by donating RMB10 million to Qiandongnan Prefecture in Guizhou Province, which would be used to help the students and teachers in the region for better educational development.

In addition, Midea has been donating RMB100,000 to the Dandelion School (specialized school for the children of rural migrant workers) in Beijing for three consecutive years from 2021 to 2023. The donated money would be used to improve education in the school and the living conditions of the

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students and teachers of the school, support teacher cultivation plans, fund and cultivate volunteers for the school, etc.

## **2.2 Follow-up work plan**

In the second half of 2022, Midea will continue to play its part in supporting social development. Adhering to both economic and social development, it will give full play to its advantages and strength and play an active role in charity and public welfare activities such as the fight against the COVID-19 pandemic, poverty alleviation, disaster relief, rural revitalization, educational development, and green development. In addition to active participation in these charity and public welfare activities as a way to give back to society, Midea will continue to increase its core competitiveness, build a good corporate image, and motivate more companies to support charity, playing its part in pursuit of a more harmonious society.

## Section VI Significant Events

### 1. Undertakings of the Company's Actual Controller, Shareholders, Related Parties and Acquirer, as well as the Company and Other Commitment Makers Fulfilled in the Reporting Period or Overdue at the Period-end

Applicable N/A

No such cases in the Reporting Period.

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

Applicable N/A

No such cases in the Reporting Period.

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

Applicable N/A

No such cases in the Reporting Period.

### 4. Engagement and Disengagement of CPA Firm

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

Yes  No

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

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

Applicable N/A

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

Applicable N/A



## 7. Bankruptcy and Reorganization

Applicable N/A

No such cases in the Reporting Period.

## 8. Litigation

Material litigation and arbitration:

Applicable N/A

No such cases in the Reporting Period.

Other legal matters:

Applicable N/A

## 9. Punishments and Rectifications

Applicable N/A

No such cases in the Reporting Period.

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

Applicable N/A

## 11. Significant Related Transactions

### 11.1 Continuing related transactions

Applicable N/A

Related transaction party	Relation	Type of the transaction	Contents of the transaction	Pricing principle	Transaction price	Transaction amount (RMB'000)	Proportion in the total amounts of transaction of the same kind (%)	Approved transaction line (RMB'000)	Over approved line	Mode of settlement	Obtainable market price for the transaction of the same kind	Disclosure date	Index to the disclosed information
Orinko Advanced Plastics	Controlled by family member	Procurement	Procurement of goods	Market price	-	697,804	0.60%	1,900,000	No	Payment after delivery	-	30 April 2022	www.cninfo.com.cn

Co., Ltd.	r of Company's actual controller												
Midea Real Estate Holding Limited	Controlled by Company's actual controller	Sale	Sale of goods	Market price	-	74,357	0.04%	576,430	No	Payment after delivery	-	30 April 2022	www.cninfo.com.cn
Details of any sales return of a large amount				Zero									
Give the actual situation in the Reporting Period (if any) where a forecast had been made for the total amounts of continuing related-party transactions by type to occur in the current period				The line for continuing related transactions between the Company and the related parties and their subsidiaries did not exceed the total amount of continuing related transactions estimated by the Company by type.									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				N/A									

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

Applicable N/A

No such cases in the Reporting Period.

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

Applicable N/A

No such cases in the Reporting Period.

## 11.4 Credits and liabilities with related parties

Applicable N/A

No such cases in the Reporting Period.

## 11.5 Transactions with related finance companies

Applicable N/A

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

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

Applicable N/A

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

**11.7 Other significant related transactions**

Applicable N/A

No such cases in the Reporting Period.

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

Applicable N/A

No such cases in the Reporting Period.

**12.1.2 Contracting**

Applicable N/A

**12.1.3 Leasing**

Applicable N/A

## 12.2 Major guarantees

Applicable N/A

Unit: RMB'000

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

Meizhisheng Technology Co., Ltd.	2022/4/30	1,000			-	Joint liability	One year	No	No
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	2022/4/30	7,032,000	2022-1-1	1,727,500		Joint liability	One year	No	No
Guangdong Witol Vacuum Electronic Manufacture Co., Ltd	2022/4/30	100,000	2022-1-5	280		Joint liability	One year	No	No
Wuhu Midea Kitchen Appliances Manufacturing Co., Ltd.	2022/4/30	2,520,000	2022-1-18	1,000,000		Joint liability	One year	No	No
Jiangsu Midea Cleaning Appliances Co., Ltd	2022/4/30	640,000	2022-1-1	9,430		Joint liability	One year	No	No
Maytech Technology Co., LTD.	2022/4/30	75,000			-	Joint liability	One year	No	No
Hainan Meizhi Canghai E-commerce Service Co., Ltd.	2022/4/30	22,000			-	Joint liability	One year	No	No
Hainan Meizhi Hangjian Electric Appliance Co., Ltd.	2022/4/30	22,000			-	Joint liability	One year	No	No
Eureka Technology Co., Ltd.	2022/4/30	22,000			-	Joint liability	One year	No	No
GD Midea Heating & Ventilating Equipment Co., Ltd.	2022/4/30	3,110,000	2022-1-1	166,270		Joint liability	One year	No	No
Guangdong Midea-SIIX Electronics Co., Ltd.	2022/4/30	10,000	2022-3-9	130		Joint liability	One year	No	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	2022/4/30	40,000			-	Joint liability	One year	No	No
Hefei Midea-SIIX Electronics Co., Ltd.	2022/4/30	5,000			-	Joint liability	One year	No	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	2022/4/30	30,000	2022-1-1	9,170		Joint liability	One year	No	No
Meitong Energy Technology (Chongqing) Co., Ltd.	2022/4/30	80,000			-	Joint liability	One year	No	No
Guangdong MeiKong Intelligent Building Co., Ltd.	2022/4/30	60,000			-	Joint liability	One year	No	No
Shanghai M-BMS Intelligent Construction Co., Ltd.	2022/4/30	40,000			-	Joint liability	One year	No	No
Winone Elevator Company Limited	2022/4/30	410,000	2022-1-1	65,610		Joint liability	One year	No	No
Guangdong Lingmei Technology Co., Ltd.	2022/4/30	60,000			-	Joint liability	One year	No	No
Hubei Midea Building Technology Co., Ltd.	2022/4/30	10,000			-	Joint liability	One year	No	No
Guangdong Meizhi Compressor Limited	2022/4/30	290,000	2022-1-1	37,870		Joint liability	One year	No	No
Guangdong Meizhi Precision-Manufacturing Co., Ltd	2022/4/30	55,000			-	Joint liability	One year	No	No
Guangdong Welling Motor Manufacturing Co., Ltd.	2022/4/30	250,000	2022-1-1	22,890		Joint liability	One year	No	No
Foshan Welling Washer Motor Manufacturing Co., Ltd.	2022/4/30	310,000	2022-1-1	18,490		Joint liability	One year	No	No
Guangdong Midea Environmental Technologies Co., Ltd.	2022/4/30	20,000			-	Joint liability	One year	No	No
Huaian Welling Motor Manufacturing Co., Ltd.	2022/4/30	10,000			-	Joint liability	One year	No	No
Guangdong Midea Intelligent Technologies Co., Ltd.	2022/4/30	20,000			-	Joint liability	One year	No	No
Zhejiang Meizhi Compressor Co., Ltd.	2022/4/30	4,000,000	2022-3-31	602,000		Joint liability	One	No	No

	30					year		
Anhui Meizhi Compressor Co., Ltd.	2022/4/30	40,000	2022-1-1	7,660	Joint liability	One year	No	No
Anhui Meizhi Precision Manufacturing Co., Ltd.	2022/4/30	60,000	2022-1-24	310	Joint liability	One year	No	No
Welling (Wuhu) Motor Manufacturing Co., Ltd.	2022/4/30	10,000	2022-1-17	800	Joint liability	One year	No	No
Wuhu Welling Motor Sales Co., Ltd.	2022/4/30	1,865,000		-	Joint liability	One year	No	No
Anhui Welling Auto Parts Co., Ltd.	2022/4/30	130,000	2022-5-9	-	Joint liability	One year	No	No
Dorna Technology Co., Ltd.	2022/4/30	55,000		-	Joint liability	One year	No	No
Guangdong Midea Electromechanical Technology Co., Ltd.	2022/4/30	60,000		-	Joint liability	One year	No	No
MiSiliconn Semiconductor Technologies Co., Ltd.	2022/4/30	67,000		-	Joint liability	One year	No	No
Guangdong Jiya Precision Machinery Technology Co., Ltd.	2022/4/30	60,000		-	Joint liability	One year	No	No
Anqing Welling Auto Parts Co., Ltd.	2022/4/30	50,000		-	Joint liability	One year	No	No
Servotronix Motion Technology Development (Shenzhen) Ltd.	2022/4/30	30,000		-	Joint liability	One year	No	No
Ningbo Midea United Materials Supply Co. Ltd.	2022/4/30	2,000,000	2022-1-12	40,990	Joint liability	One year	No	No
Guangzhou Kaizhao Commercial and Trading Co., Ltd	2022/4/30	60,000		-	Joint liability	One year	No	No
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	2022/4/30	185,000	2022-1-1	2,630	Joint liability	One year	No	No
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	2022/4/30	1,665,000	2022-1-1	192,320	Joint liability	One year	No	No
GD Midea Environment Appliances Mfg. Co., Ltd.	2022/4/30	1,400,000	2022-1-1	11,700	Joint liability	One year	No	No
Guangdong Midea Cuchen Company Ltd.	2022/4/30	6,000		-	Joint liability	One year	No	No
GD Midea Caffitaly Coffee Machine Manufacturing Co., Ltd.	2022/4/30	10,000		-	Joint liability	One year	No	No
Wuhu Midea Life Appliances Mfg Co., Ltd.	2022/4/30	2,200,000	2022-6-6	810,000	Joint liability	One year	No	No
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	2022/4/30	2,750,000	2022-1-1	244,760	Joint liability	One year	No	No
Guangdong Midea Kitchen & Bath Appliances Manufacturing Co., Ltd.	2022/4/30	400,000		-	Joint liability	One year	No	No
Foshan Shunde Midea Water Dispenser Manufacturing Company Limited	2022/4/30	855,000	2022-1-1	14,910	Joint liability	One year	No	No
Foshan Midea Chungho Water Purification Equipment. Co., Ltd.	2022/4/30	230,000	2022-1-20	12,970	Joint liability	One year	No	No
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	2022/4/30	2,600,000	2022-1-1	4,520	Joint liability	One year	No	No
Wuxi Little Swan Electric Co., Ltd.	2022/4/30	3,395,000	2022-1-1	1,135,290	Joint liability	One year	No	No
Hefei Midea Laundry Appliance Co., Ltd.	2022/4/30	2,880,000	2022-1-1	12,440	Joint liability	One year	No	No
Wuxi Filin Electronics Co., Ltd.	2022/4/30	100,000		-	Joint liability	One year	No	No

Hubei Midea Laundry Appliance Co., Ltd.	2022/4/30	100,000			-	Joint liability	One year	No	No
Hainan Midea Refrigerator & Washer Sales Co., Ltd.	2022/4/30	50,000			-	Joint liability	One year	No	No
Hefei Hualing Co., Ltd.	2022/4/30	700,000	2022-1-1	99,790		Joint liability	One year	No	No
Hubei Midea Refrigerator Co., Ltd.	2022/4/30	260,000			-	Joint liability	One year	No	No
Hefei Midea Refrigerator Co., Ltd.	2022/4/30	3,000,000			-	Joint liability	One year	No	No
Guangzhou Midea Hualing Refrigerator Co., Ltd.	2022/4/30	700,000	2022-1-6	9,880		Joint liability	One year	No	No
Toshiba Home Appliances Manufacturing (Nanhai) Co., Ltd	2022/4/30	100,000	2022-3-10		-	Joint liability	One year	No	No
Little Swan (Jing Zhou) Sanjin Electronic Appliances Limited	2022/4/30	10,000			-	Joint liability	One year	No	No
Midea Group E-Commerce Co., Ltd.	2022/4/30	100,000			-	Joint liability	One year	No	No
Guangdong Midea Smart Link Technologies Co., Ltd.	2022/4/30	91,200	2022-1-1	4,130		Joint liability	One year	No	No
Reis Robotics (Kunshan) Co., Ltd.	2022/4/30	70,000	2022-1-1	1,880		Joint liability	One year	No	No
KUKA Systems (China) CO., Ltd.	2022/4/30	500,000	2022-1-1	56,670		Joint liability	One year	No	No
KUKA Robotics Manufacturing China Co.,Ltd	2022/4/30	50,000	2022-1-19	22,700		Joint liability	One year	No	No
KUKA Robotics Guangdong Co., Ltd	2022/4/30	150,000	2022-2-24	61,140		Joint liability	One year	No	No
KUKA Robotics (Shanghai) Co.,Ltd.	2022/4/30	450,000	2022-1-1	32,790		Joint liability	One year	No	No
Shanghai Swisslog Healthcare Co., Ltd.	2022/4/30	10,000			-	Joint liability	One year	No	No
Guangdong Swisslog Technology Co., Ltd.	2022/4/30	50,000	2022-2-23	550		Joint liability	One year	No	No
Shanghai Swisslog Technology Co., Ltd.	2022/4/30	230,000	2022-1-1	48,140		Joint liability	One year	No	No
Swisslog (Shanghai) Co., Ltd.	2022/4/30	80,000			-	Joint liability	One year	No	No
Guangdong Meicloud Technology Co., Ltd.	2022/4/30	40,000			-	Joint liability	One year	No	No
Foshan Meicloud Technology Co., Ltd.	2022/4/30	10,000			-	Joint liability	One year	No	No
Guangdong Yueyun Industrial Internet Innovative Technology Co., Ltd.	2022/4/30	10,000			-	Joint liability	One year	No	No
Wuhan Meicloud Technology Co., Ltd.	2022/4/30	10,000			-	Joint liability	One year	No	No
Suzhou Meicloud Technology Co., Ltd.	2022/4/30	10,000			-	Joint liability	One year	No	No
Midea International Corporation Company Limited	2022/4/30	12,330,000	2022-1-1	9,867,720		Joint liability	One year	No	No
Midea Investment Development Company Limited	2021/12/27	8,053,680	2022-2-24	3,020,130		Joint liability	One year	No	No
Midea International Trading Company Limited	2022/4/30	650,000	2022-1-5	4,230		Joint liability	One year	No	No
Welling International Hong Kong Ltd	2022/4/30	310,000			-	Joint liability	One	No	No

	30					year		
Midea Electric Trading (Singapore) Co.,Pte. Ltd.	2022/4/30	3,000,000	2022-3-15	367,200	Joint liability	One year	No	No
Orient Household Appliances Ltd.	2022/4/30	33,500			- Joint liability	One year	No	No
Midea Consumer Electric (Vietnam) Co., Ltd.	2022/4/30	6,700			- Joint liability	One year	No	No
Concepcion Midea Inc.	2022/4/30	6,700	2022-1-1		- Joint liability	One year	No	No
Midea Italia S.R.L.	2022/4/30	120,000			- Joint liability	One year	No	No
Midea Mexico, S. DE R.L. DE C.V.	2022/4/30	100,000			- Joint liability	One year	No	No
Midea Electric Trading (Thailand) Co., Ltd.	2022/4/30	13,400			- Joint liability	One year	No	No
Midea America Corp.	2022/4/30	150,000	2022-1-1	64,350	Joint liability	One year	No	No
PT. Midea Planet Indonesia	2022/4/30	247,000			- Joint liability	One year	No	No
Midea Europe GmbH	2022/4/30	400,000			- Joint liability	One year	No	No
Midea America (Canada) Corp.	2022/4/30	102,900	2022-1-1		- Joint liability	One year	No	No
Midea Consumer Appliances DMCC	2022/4/30	175,000			- Joint liability	One year	No	No
Midea Middle East	2022/4/30	70,000			- Joint liability	One year	No	No
Meco Innovations Technology, LLC	2022/4/30	80,000			- Joint liability	One year	No	No
Toshiba Lifestyle Products & Services Corporation	2022/4/30	2,055,390	2022-1-1	8,250	Joint liability	One year	No	No
Midea Electric Netherlands (I) B.V.	2022/4/30	52,260,000	2022-1-1	28,856,400	Joint liability	One year	No	No
Midea Electrics Netherlands B.V.	2022/4/30	1,000,000			- Joint liability	One year	No	No
Clivet S.p.A.	2022/4/30	90,000	2022-1-1	76,150	Joint liability	One year	No	No
Servotronix Motion Control Ltd.	2022/4/30	940			- Joint liability	One year	No	No
Midea Austria GmbH	2022/4/30	5,000			- Joint liability	One year	No	No
Midea (Egypt) Kitchen & water heater appliances Co. ,Ltd	2022/4/30	70,000			- Joint liability	One year	No	No
Total guarantee line for subsidiaries approved during the Reporting Period (B1)			160,967,410		Total actual guarantee amount for subsidiaries during the Reporting Period (B2)		57,807,670	
Total approved guarantee line for subsidiaries at the end of the Reporting Period (B3)			160,967,410		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)		55,579,380	
Guarantees between subsidiaries								
Guaranteed party	Disclosure date of the guarant	Line of guarantee	Actual occurrence date (date of	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a relate



	ee line announ cement		agreement signing)					d party or not
Guangdong Midea Electric Co., Ltd.	2022/2/ 23	2,803,360	2022-4-26	1,177,410	Joint liability	One year	No	No
Wuhu Midea Annto Logistics Co., Ltd.	2022/4/ 30	1,450,000	2022-1-1	296,340	Joint liability	One year	No	No
Ningbo Annto Logistics Co., Ltd.	2022/4/ 30	950,000			Joint liability	One year	No	No
Hainan Annto Zhilian Supply Chain Management Co., Ltd.	2022/4/ 30	100,000			- Joint liability	One year	No	No
Total line for guarantees between subsidiaries approved during the Reporting Period (C1)		5,303,360			Total actual guarantee amount between subsidiaries during the Reporting Period (C2)			1,596,480
Total approved line for guarantees between subsidiaries at the end of the Reporting Period (C3)		5,303,360			Total actual guarantee balance between subsidiaries at the end of the Reporting Period (C4)			1,473,750
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the Reporting Period (A1+B1+C1)		166,270,770			Total actual guarantee amount during the Reporting Period (A2+B2+C2)			59,404,150
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		166,270,770			Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)			57,053,130
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company				44.00%				
Of which:								
Amount of guarantees provided for shareholders, the actual controller and their related parties (D)				0				
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)				52,804,090				
Portion of the total guarantee amount in excess of 50% of net assets (F)				0				
Total amount of the three kinds of guarantees above (D+E+F)				52,804,090				
Joint responsibilities possibly borne for undue guarantees (if any)				N/A				
Provision of external guarantees in breach of the prescribed procedures (if any)				N/A				

### 12.3 Entrusted asset management

Applicable  N/A

No such cases in the Reporting Period.

### 12.4 Other significant contracts

Applicable  N/A

No such cases in the Reporting Period.

### 13. Other Significant Events

Applicable  N/A

On 23 May 2022, the Company and Clou Electronics signed the Share Subscription Agreement. As such, the Company intended to subscribe for 422,504,744 shares in a private placement of Clou Electronics, accounting for 30% of Clou Electronics' total share capital at the agreement signing date. As the private placement of Clou Electronics is priced at RMB3.28/share, the Company's estimated subscription amount is RMB1.386 billion, all of which is to be paid in cash (final number of shares subscribed for subject to the requirement of the CSRC approval document).

On the same day, the Company and Shenzhen Capital Holdings Co., Ltd. (hereinafter, "Shenzhen Capital") signed the Share Transfer Agreement. As such, Shenzhen Capital intended to transfer the 126,047,248 shares held by it in Clou Electronics (or 8.95% of Clou Electronics' total share capital at the agreement signing date) to the Company. As the transfer is priced at RMB6.64/share, the total transfer consideration is RMB836.9537 million. In the meantime, the Company and Shenzhen Capital signed the Voting Rights Entrustment Agreement. According the said agreement, Shenzhen Capital intended to entrust the Company with the voting rights in correspondence to the 126,047,248 shares held by it in Clou Electronics (or 8.95% of Clou Electronics' total share capital at the agreement signing date). The entrustment period will expire after 24 months of the acceptance of the private placement application materials by the CSRC or any of the following conditions occurs (whichever is earlier): (1) both parties agree, in writing, to terminate this agreement; (2) the shares carrying the entrusted voting rights are transferred to the consignee; or (3) the Share Transfer Agreement is terminated before the shares carrying the entrusted voting rights are transferred to the Company and/or the Share Subscription Agreement is terminated before the private placement shares are registered under the Company.

Upon the acquisition, the Company is to hold 548,551,992 shares in Clou Electronics, approximately accounting for 29.96% of Clou Electronics' total share capital upon the private placement.

### 14. Significant Events of Subsidiaries

Applicable  N/A

## Section VII Changes in Shares and Information about Shareholders

### 1. Changes in Shares

#### 1.1 Changes in shares

Unit: share

	Before		Increase/decrease in Reporting Period (+/-)			After	
	Shares	Percentage (%)	New issue	Others	Subtotal	Shares	Percentage (%)
1. Restricted shares	156,538,881	2.24		-6,918,316	-6,918,316	149,620,565	2.14
1.1 Shares held by the state							
1.2 Shares held by state-owned corporations							
1.3 Shares held by other domestic investors	153,773,081	2.20		-6,724,266	-6,724,266	147,048,815	2.10
Among which: Shares held by domestic corporations	2,363,601	0.03			0	2,363,601	0.03
Shares held by domestic individuals	151,409,480	2.17		-6,724,266	-6,724,266	144,685,214	2.07
1.4 Shares held by foreign investors	2,765,800	0.04		-194,050	-194,050	2,571,750	0.04
Among which: Shares held by foreign corporations							
Shares held by foreign individuals	2,765,800	0.04		-194,050	-194,050	2,571,750	0.04
2. Non-restricted shares	6,830,024,963	97.76	13,526,990	4,156,523	17,683,513	6,847,708,476	97.86
2.1 RMB common shares	6,830,024,963	97.76	13,526,990	4,156,523	17,683,513	6,847,708,476	97.86
2.2 Domestically listed foreign shares							
2.3 Overseas listed foreign shares							
2.4 Other							
3. Total shares	6,986,563,844	100.00	13,526,990	-2,761,793	10,765,197	6,997,329,041	100.00

Reasons for the changes in shares

Applicable N/A

a. The 377,083 restricted shares of a total of 21 eligible awardees for the second unlocking period of the

reserved restricted shares under the 2018 Restricted Share Incentive Scheme were unlocked on 22 June 2022.

b. The 2,791,699 restricted shares of a total of 189 eligible awardees for the third unlocking period of the first grant under the 2018 Restricted Share Incentive Scheme were unlocked on 28 June 2022, including 182,250 restricted shares of foreign employees.

c. For the reasons of certain awardees' resignation, violation of the Company's "Red Lines", being reassigned or other factors, on 20 April 2022, the Company repurchased and retired 248,333 shares of nine awardees with respect to the first grant under the 2018 Restricted Share Incentive Scheme, 137,917 shares of four awardees with respect to the reserved restricted shares under the 2018 Restricted Share Incentive Scheme, 771,042 shares of 18 awardees under the 2019 Restricted Share Incentive Scheme, 1,314,501 shares of 30 awardees under the 2020 Restricted Share Incentive Scheme, and 290,000 shares of seven awardees under the 2021 Restricted Share Incentive Scheme, totaling 2,761,793 restricted shares.

d. In the Reporting Period, the awardees of stock options chose to exercise 13,526,990 shares, which have been registered into the Company's share capital.

e. In the Reporting Period, locked-up shares held by senior management decreased by 987,741 shares.

Approval of share changes

Applicable N/A

Transfer of share ownership

Applicable N/A

Progress of any share repurchase

Applicable N/A

As of the date of this Report, via the special securities account for share repurchases, the Company cumulatively repurchased 33,072,771 shares (0.4725% of the Company's total share capital) by way of centralized bidding. With the highest trading price being RMB60.05/share and the lowest being RMB50.14/share, the total payment amounted to RMB1,830,811,030 (exclusive of transaction costs).

This share repurchase has been in conformity with the applicable laws and regulations, as well as the Company's share repurchase plan.

Progress of any repurchased share reduction through centralized price bidding

Applicable N/A

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

Applicable N/A

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

Applicable N/A

## 1.2 Changes in restricted shares

Applicable N/A

Unit: share

Name of shareholder	Opening restricted shares	Unlocked in current period	Increased in current period	Repurchased and retired	Closing restricted shares	Reason for change	Date of unlocking
Awardees of the first grant of 2018 Restricted Share Incentive Scheme	6,687,750	2,791,699	0	248,333	3,647,718	Locked up according to the Scheme	28 June 2022
Awardees of reserved restricted shares under 2018 Restricted Share Incentive Scheme	1,297,500	377,083	0	137,917	782,500	Locked up according to the Scheme	22 June 2022
Zhu Fengtao	780,300	780,300	0	0	0	Unlocked for former senior management	-
Xiao Mingguang	353,750	353,750	0	0	0	Unlocked for former senior management	-
Zhang Xiaoyi	337,431	0	25,000	0	362,431	Locked up for senior management	-
Jiang Peng	268,950	20,000	0	0	248,950	Locked up for senior management	-
Hu Ziqiang	250,000	0	25,000	0	275,000	Locked up for senior management	-
Guan Jinwei	276,250	0	25,000	0	301,250	Locked up for	-

						senior management	
Bai Lin	0	0	71,309	0	71,309	Locked up for senior management	-
Zhong Zheng	167,114	0	20,000	0	187,114	Locked up for senior management	-
Total	10,419,045	4,322,832	166,309	386,250	5,876,272	--	--

## 2. Issuance and Listing of Securities

Applicable N/A

## 3. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of common shareholders at the period-end		426,506		Total number of preference shareholders with resumed voting rights at the period-end (if any)		0		
5% or greater common shareholders or top 10 common shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total common shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted common shares held	Number of non-restricted common shares held	Shares in pledge or frozen	
							Status	Shares
Midea Holding Co., Ltd.	Domestic non-state-owned corporation	31.00%	2,169,178,713	-	0	2,169,178,713	In pledge	100,000,000
Hong Kong Securities Clearing Company Limited	Foreign corporation	17.86%	1,249,815,931	32,851,440	0	1,249,815,931		
China Securities Finance Co., Ltd.	Domestic non-state-owned corporation	2.83%	198,145,134	-	0	198,145,134		
Fang Hongbo	Domestic individual	1.67%	116,990,492	-	87,742,869	29,247,623		
Central Huijin Asset Management Ltd.	State-owned corporation	1.26%	88,260,460	-	0	88,260,460		
Huang Jian	Domestic individual	1.23%	86,140,000	-	0	86,140,000		
Canada Pension Plan Investment Board – own funds (stock exchange)	Foreign corporation	0.88%	61,913,903	-41,999,994	0	61,913,903		
Li Jianwei	Foreign individual	0.66%	46,264,545	-3,368,455	0	46,264,545		
Yuan Liquan	Domestic	0.57%	39,633,597	2,137,215	0	39,633,597		

	individual							
Merrill Lynch International	Foreign corporation	0.55%	38,554,877	-5,268,098	0	38,554,877		
Strategic investors or general corporations becoming top-ten common shareholders due to placing of new shares (if any) (see Note 3)		N/A						
Related-parties or acting-in-concert parties among the shareholders above		N/A						
Explain if any of the shareholders above was involved in entrusting/being entrusted with voting rights or waiving voting rights		N/A						
Special account for repurchased shares among the top 10 shareholders		138,411,603 shares (or 1.98% of the Company's total share capital) were held in the special account for repurchased shares of Midea Group Co., Ltd. at the end of the Reporting Period.						
Top 10 non-restricted common shareholders								
Name of shareholder	Number of non-restricted common shares held at the period-end	Type of shares						
		Type	Shares					
Midea Holding Co., Ltd.	2,169,178,713	RMB common stock	2,169,178,713					
Hong Kong Securities Clearing Company Limited	1,249,815,931	RMB common stock	1,249,815,931					
China Securities Finance Co., Ltd.	198,145,134	RMB common stock	198,145,134					
Central Huijin Asset Management Ltd.	88,260,460	RMB common stock	88,260,460					
Huang Jian	86,140,000	RMB common stock	86,140,000					
Canada Pension Plan Investment Board— own funds (stock exchange)	61,913,903	RMB common stock	61,913,903					
Li Jianwei	46,264,545	RMB common stock	46,264,545					
Yuan Liquan	39,633,597	RMB common stock	39,633,597					
Merrill Lynch International	38,554,877	RMB common stock	38,554,877					
Huang Xiaoxiang	37,835,332	RMB common stock	37,835,332					
Related-parties or acting-in-concert parties among the top ten non-restricted common shareholders and between the top ten non-restricted common shareholders and the top ten common shareholders		N/A						
Explanation on the top 10 common shareholders participating in securities margin trading	<p>1. The Company's shareholder Yuan Liquan holds 660,000 shares in the Company through her common securities account and 38,973,597 shares in the Company through her account of collateral securities for margin trading, representing a total holding of 39,633,597 shares in the Company.</p> <p>2. The Company's shareholder Huang Xiaoxiang holds 29,435,332 shares in the Company through his common securities account and 8,400,000 shares in the Company through his account of collateral securities for margin trading, representing a total holding of 37,835,332 shares in the Company.</p>							

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

Yes No

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

Applicable N/A

No changes occurred to the shareholdings of the Company's directors, supervisors and senior management during the Reporting Period. For further information, see the 2021 Annual Report.

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

Change of the controlling shareholder during the Reporting Period

Applicable N/A

No such cases in the Reporting Period.

Change of the actual controller during the Reporting Period

Applicable N/A

No such cases in the Reporting Period.



## Section VIII Preference Shares

Applicable  N/A

No such cases in the Reporting Period.

## Section IX Bonds

Applicable  N/A

### 1. Enterprise Bonds

Applicable  N/A

No such cases in the Reporting Period.

### 2. Corporate Bonds

Applicable  N/A

#### 2.1 General information on corporate bonds

Unit: RMB

Bond name	Abbr.	Bond code	Date of issuance	Value date	Maturity	Outstanding balance	Interest rate	Way of principal repayment and interest payment	Place of trading
Midea Group Co., Ltd. maturity 2027 coupon 2.88% \$450 million senior unsecured green bonds	MIDEAZ 2.88% 02/24/2027	ISIN XS2432130453	2022-02-16	2022-02-24	2027-02-24	USD 450Million	2.88%	Interest payable semiannually, principal and interest payable at maturity	The Stock Exchange of Hong Kong Ltd.
Investor eligibility arrangements (if any)	N/A								
Trading system applicable	N/A								
Risk of termination of listing and trading (if any) and countermeasures	No such risk								

#### Overdue bonds

Applicable  N/A

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

Applicable  N/A

**2.3 Changes in credit ratings in the Reporting Period**

Applicable  N/A

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

Applicable  N/A

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

Applicable  N/A

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

Name of debt instrument	Abbr.	Code of debt instrument	Date of issuance	Value date	Maturity	Outstanding balance	Interest rate	Way of principal repayment and interest payment	Place of trading
Super-short-term Commercial Papers of Midea Group Co., Ltd. (Tranche 1, 2022)	22 Midea SCP001	012281718.IB	2022-04-27	2022-04-29	2022-10-26	RMB4 billion	2.2300%	Principal and interest repayable in full upon maturity	Inter-bank market
Investor eligibility arrangements (if any)	N/A								
Trading system applicable	N/A								
Risk of termination of listing and trading (if any) and countermeasures	No such risk								

**Overdue debt instruments**

Applicable  N/A

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

Applicable  N/A

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

Applicable  N/A

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

Applicable  N/A

## 4. Convertible Corporate Bonds

Applicable  N/A

No such cases in the Reporting Period.

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

Applicable  N/A

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

Unit: RMB'000

Item	30 June 2022	31 December 2021	Change
Current ratio	118.37%	111.67%	6.70%
Debt/asset ratio	66.01%	65.25%	0.77%
Quick ratio	99.58%	86.92%	12.65%
	H1 2022	H1 2021	Change
Net profit before non-recurring gains and losses	15,792,300	14,854,608	6.31%
EBITDA/debt ratio	23.02%	21.64%	1.38%
Interest cover (times)	22.70	26.85	-15.46%
Cash-to-interest cover (times)	31.11	33.31	-6.61%
EBITDA-to-interest cover (times)	26.45	31.18	-15.18%
Loan repayment ratio (%)	100.00%	100.00%	0.00%
Interest payment ratio (%)	100.00%	100.00%	0.00%

## Section X Financial Report

### 1. Auditor's Report

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

Yes  No

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

## **2. Financial Statements**

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

MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY BALANCE SHEETS  
AS AT 30 JUNE 2022**

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

ASSETS	Note	30 June 2022	31 December 2021	30 June 2022	31 December 2021
		Consolidated	Consolidated	Company	Company
<b>Current assets</b>					
Cash at bank and on hand	4(1)	76,701,938	71,875,556	42,386,058	48,153,997
Financial assets held for trading	4(2)	3,265,641	5,879,202	356,000	3,442,317
Derivative financial assets		586,771	545,865	346,191	157,501
Notes receivable	4(3)	6,597,218	4,784,914	-	-
Accounts receivable	4(4)	29,586,420	24,636,440	-	-
Receivables financing	4(6)	14,072,448	10,273,552	-	-
Advances to suppliers	4(7)	4,385,716	4,352,807	37,966	106,838
Contract assets	4(8)	4,264,364	3,823,476	-	-
Loans and advances	4(9)	15,584,795	20,656,600	-	-
Other receivables	4(5), 17(1)	2,175,663	3,104,065	26,512,317	31,447,849
Inventories	4(10)	36,750,838	45,924,439	-	-
Current portion of non-current assets	4(11)	38,717,839	19,851,577	35,669,169	19,095,262
Other current assets	4(12)	43,127,422	33,156,012	29,945,467	11,713,182
<b>Total current assets</b>		<b>275,817,073</b>	<b>248,864,505</b>	<b>135,253,168</b>	<b>114,116,946</b>
<b>Non-current assets</b>					
Other debt investments	4(13)	8,150,694	7,893,935	4,954,490	6,034,563
Long-term receivables	4(14)	809,030	871,356	-	-
Loans and advances	4(9)	1,190,970	851,927	-	-
Long-term equity investments	4(15), 17(2)	3,769,304	3,796,705	70,366,961	66,805,691
Investments in other equity instruments		43,377	45,747	-	-
Other non-current financial assets	4(16)	7,076,364	5,912,873	353,336	537,214
Investment properties		826,593	859,195	407,641	428,460
Fixed assets	4(17)	23,473,308	22,852,848	620,423	661,692
Construction in progress	4(18)	3,590,625	2,690,930	994,114	800,243
Right-of-use assets	4(19)	2,257,416	2,297,354	11,054	2,585
Intangible assets	4(20)	16,774,398	17,173,072	661,239	669,158
Goodwill	4(21)	27,110,127	27,874,752	-	-
Long-term prepaid expenses	4(22)	1,409,257	1,394,240	93,373	79,799
Deferred tax assets	4(23)	9,117,529	8,192,309	259,890	289,964
Other non-current assets	4(24)	31,688,080	36,374,356	30,717,985	33,023,304
<b>Total non-current assets</b>		<b>137,287,072</b>	<b>139,081,599</b>	<b>109,440,506</b>	<b>109,332,673</b>
<b>TOTAL ASSETS</b>		<b>413,104,145</b>	<b>387,946,104</b>	<b>244,693,674</b>	<b>223,449,619</b>

**MIDEA GROUP CO., LTD.**  
**CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D)**  
**AS AT 30 JUNE 2022**

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2022	31 December 2021	30 June 2022	31 December 2021
		Consolidated	Consolidated	Company	Company
<b>Current liabilities</b>					
Short-term borrowings	4(27)	10,658,682	5,381,623	-	-
Borrowings from the Central Bank		249,139	178,878	-	-
Customer deposits and deposits from banks and other financial institutions		98,826	78,180	-	-
Financial liabilities held for trading		1,706,821	-	-	-
Derivative financial liabilities		238,448	157,602	-	-
Notes payable	4(28)	29,331,809	32,752,007	-	-
Accounts payable	4(29)	65,533,733	65,983,559	-	-
Contract liabilities	4(30)	24,331,594	23,916,595	-	-
Employee benefits payable	4(31)	5,435,991	7,535,168	478,745	420,536
Taxes payable	4(32)	4,451,690	5,404,267	607,447	1,184,813
Other payables	4(33)	4,781,862	4,288,104	175,577,921	151,450,555
Current portion of non-current liabilities	4(34)	27,532,454	28,947,540	96,347	92,647
Other current liabilities	4(35)	58,664,857	48,227,953	4,029,027	35,932
<b>Total current liabilities</b>		<b>233,015,906</b>	<b>222,851,476</b>	<b>180,789,487</b>	<b>153,184,483</b>
<b>Non-current liabilities</b>					
Long-term borrowings	4(36)	26,646,374	19,734,020	16,420,000	12,509,900
Debentures payable	4(37)	3,047,541	-	-	-
Lease liabilities	4(38)	1,547,117	1,533,552	5,807	-
Provisions		297,087	310,571	-	-
Deferred income		1,531,430	1,228,459	154,015	154,015
Long-term employee benefits payable	4(39)	1,435,923	1,825,016	-	-
Deferred tax liabilities	4(23)	4,496,992	4,950,245	30,102	17,028
Other non-current liabilities	4(40)	687,305	687,689	-	-
<b>Total non-current liabilities</b>		<b>39,659,084</b>	<b>30,269,552</b>	<b>16,609,924</b>	<b>12,680,943</b>
<b>Total liabilities</b>		<b>272,705,675</b>	<b>253,121,028</b>	<b>197,399,411</b>	<b>165,865,426</b>
<b>Shareholders' equity</b>					
Share capital	4(41)	6,997,329	6,986,564	6,997,329	6,986,564
Capital surplus	4(43)	21,106,635	20,516,930	28,171,282	27,105,153
Less: Treasury stock	4(42)	(14,645,088)	(14,044,550)	(14,645,088)	(14,044,550)
Other comprehensive income	4(44)	(1,286,877)	(1,758,948)	(6,274)	(7,295)
General risk reserve		686,352	719,922	-	-
Special reserve		16,434	15,542	-	-
Surplus reserve	4(45)	9,449,901	9,449,901	9,449,901	9,449,901
Undistributed profits	4(46)	107,340,604	102,982,763	17,327,113	28,094,420
Total equity attributable to shareholders of the Company		129,665,290	124,868,124	47,294,263	57,584,193
Minority interests		10,733,180	9,956,952	-	-
<b>Total shareholders' equity</b>		<b>140,398,470</b>	<b>134,825,076</b>	<b>47,294,263</b>	<b>57,584,193</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>413,104,145</b>	<b>387,946,104</b>	<b>244,693,674</b>	<b>223,449,619</b>

Legal representative:  
Fang Hongbo

Principal in charge of accounting:  
Zhong Zheng

Head of accounting department:  
Chen Lihong



MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

[English translation for reference only]

Item	Note	For the six months ended 30 June 2022	For the six months ended 30 June 2021	For the six months ended 30 June 2022	For the six months ended 30 June 2021
		Consolidated	Consolidated	Company	Company
<b>Total revenue</b>		183,663,399	174,846,895	824,660	940,047
Including: Operating revenue	4(47), 17(3)	182,661,009	173,809,565	824,660	940,047
Interest income	4(48)	1,001,960	1,037,174	-	-
Fee and commission income		430	156	-	-
<b>Total operating cost</b>		(165,037,325)	(157,800,033)	206,836	564,220
Including: Cost of sales	4(47)	(140,424,168)	(135,727,446)	(20,820)	(21,460)
Interest costs	4(48)	(33,643)	(41,149)	-	-
Fee and commission expenses		(1,518)	(3,400)	-	-
Taxes and surcharges	4(49)	(798,939)	(833,157)	(10,053)	(23,317)
Selling and distribution expenses	4(50)	(14,698,373)	(13,950,077)	-	-
General and administrative expenses	4(51)	(4,951,069)	(4,251,893)	(785,386)	(461,254)
Research and development expenses	4(52)	(5,865,033)	(5,314,637)	-	-
Financial income	4(53)	1,735,418	2,321,726	1,023,095	1,070,251
Including: Interest expenses		(867,954)	(681,864)	(1,264,787)	(1,091,508)
Interest income		2,764,267	2,501,014	2,294,576	2,034,935
Add: Other income	4(59)	644,525	578,265	18,782	96,380
Investment income	4(57), 17(4)	607,847	1,080,896	272,392	2,233,559
Including: Investment income from associates and joint ventures		263,014	309,013	126,297	142,640
Gains/(Losses) on changes in fair value	4(56)	(749,742)	(801,944)	(80,116)	(250,070)
Asset impairment losses	4(54)	(230,679)	(178,230)	-	-
Credit impairment losses	4(55)	(192,891)	(154,460)	(567)	(1,081)
Losses on disposal of assets	4(58)	18,962	(17,833)	(280)	(964)
<b>Operating profit</b>		18,724,096	17,553,556	1,241,707	3,582,091
Add: Non-operating income		162,480	176,544	27,359	26,929
Less: Non-operating expenses		(53,628)	(105,716)	(247)	(48,764)
<b>Total profit</b>		18,832,948	17,624,384	1,268,819	3,560,256
Less: Income tax expenses	4(60)	(2,710,551)	(2,407,939)	(364,840)	(71,539)
<b>Net profit</b>		16,122,397	15,216,445	903,979	3,488,717
(1) Classified by continuity of operations					
Net profit from continuing operations		16,122,397	15,216,445	903,979	3,488,717
Net profit from discontinued operations		-	-	-	-
(2) Classified by ownership of the equity					
Attributable to shareholders of the Company		15,995,496	15,009,046	903,979	3,488,717
Minority interests		126,901	207,399	-	-
<b>Other comprehensive income, net of tax</b>		406,142	(225,356)	1,021	18,926
Other comprehensive income attributable to equity owners of the Company, net of tax		470,720	(247,653)	1,021	18,926
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss		185,263	121,268	-	-
1) Changes arising from remeasurement of defined benefit plan		183,574	120,835	-	-
2) Changes in fair value of investments in other equity instruments		1,689	433	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss		285,457	(368,921)	1,021	18,926
1) Other comprehensive income that will be transferred subsequently to profit or loss under the equity method		47	24,624	1,021	18,926
2) Cash flow hedging reserve		(613,659)	(359,040)	-	-
3) Differences on translation of foreign currency financial statements		899,069	(34,505)	-	-
Other comprehensive income attributable to minority shareholders, net of tax		(64,578)	22,297	-	-
<b>Total comprehensive income</b>		16,528,539	14,991,089	905,000	3,507,643
Attributable to equity owners of the Company		16,466,216	14,761,393	905,000	3,507,643
Attributable to minority interests		62,323	229,696	-	-
<b>Earnings per share</b>					
(1) Basic earnings per share	4(61)	2.34	2.17	Not applicable	Not applicable
(2) Diluted earnings per share	4(61)	2.34	2.16	Not applicable	Not applicable

Legal representative:  
Fang Hongbo

Principal in charge of accounting:  
Zhong Zheng

Head of accounting department:  
Chen Lihong

MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

[English translation for reference only]

Item	Note	For the six months ended	For the six months ended	For the six months ended	For the six months ended
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
		Consolidated	Consolidated	Company	Company
<b>1. Cash flows from operating activities</b>					
Cash received from sales of goods or rendering of services		153,366,180	151,628,820	-	-
Net increase in customer deposits and deposits from banks and other financial institutions		20,646	-	-	-
Net decrease in loans and advances		4,692,117	-	-	-
Net decrease in deposits with the Central Bank, banks and other financial institutions		7,470	1,167,441	-	-
Net increase in borrowings from the Central Bank		70,261	-	-	-
Cash received from interest, fee and commission		1,000,789	973,445	-	-
Refund of taxes and surcharges		5,236,807	4,567,109	-	-
Cash received relating to other operating activities	4(62)(a)	3,354,892	3,795,388	30,323,333	39,536,448
<b>Sub-total of cash inflows</b>		167,749,162	162,132,203	30,323,333	39,536,448
Cash paid for goods and services		(104,212,384)	(99,315,226)	-	-
Net increase in loans and advances		-	(1,947,468)	-	-
Net decrease in customer deposits and deposits from banks and other financial institutions		-	(68,391)	-	-
Cash paid for interest, fee and commission		(35,840)	(45,029)	-	-
Cash paid to and on behalf of employees		(18,431,348)	(17,098,011)	(241,178)	(10,281)
Payments of taxes and surcharges		(8,683,607)	(7,493,467)	(352,102)	(419,819)
Cash paid relating to other operating activities	4(62)(b)	(14,991,273)	(15,988,201)	(1,107,662)	(6,307,651)
<b>Sub-total of cash outflows</b>		(146,354,452)	(141,955,793)	(1,700,942)	(6,737,751)
<b>Net cash flows from operating activities</b>	4(62)(c)	21,394,710	20,176,410	28,622,391	32,798,697
<b>2. Cash flows from investing activities</b>					
Cash received from disposal of investments		50,554,179	76,492,455	33,400,000	42,246,499
Cash received from returns on investments		3,023,041	3,033,825	1,889,667	3,122,815
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		64,531	79,031	23	2
Net cash received from disposal of subsidiaries and other business units		14,829	69,824	6,500	-
Cash received relating to other investing activities		335,082	-	-	-
<b>Sub-total of cash inflows</b>		53,991,662	79,675,135	35,296,190	45,369,316
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,868,894)	(3,447,518)	(283,430)	(167,543)
Cash paid to acquire investments		(57,309,340)	(65,061,652)	(41,670,159)	(57,395,753)
Net cash paid to acquire subsidiaries and other business units		(376,280)	(2,028,912)	-	-
Cash paid relating to other investing activities		-	-	-	-
<b>Sub-total of cash outflows</b>		(60,554,514)	(70,538,082)	(41,953,589)	(57,563,296)
<b>Net cash flows from investing activities</b>		(6,562,852)	9,137,053	(6,657,399)	(12,193,980)
<b>3. Cash flows from financing activities</b>					
Cash received from capital contributions		1,134,582	881,832	1,133,582	859,332
Including: Cash received from capital contributions by minority shareholders of subsidiaries		1,000	22,500	-	-
Cash received from borrowings		16,025,436	11,292,776	4,000,000	6,800,000
Cash received from issuance of medium-term debentures		2,841,690	-	-	-
Cash received from issuance of short-term financing bonds		3,999,500	2,999,629	3,999,500	2,999,629
Cash received relating to other financing activities		89,498	24,948	-	-
<b>Sub-total of cash inflows</b>		24,090,706	15,199,185	9,133,082	10,658,961
Cash repayments of borrowings		(3,916,525)	(6,893,639)	(89,900)	(4,799,314)
Cash paid for repayment of short-term financing bonds		-	(3,000,000)	-	(3,000,000)
Cash payments for interest expenses and distribution of dividends or profits		(12,537,953)	(11,889,373)	(13,313,757)	(12,234,993)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(49,705)	(128,450)	-	-
Cash payments relating to other financing activities		(1,853,185)	(9,975,752)	(1,357,933)	(9,512,267)
<b>Sub-total of cash outflows</b>		(18,307,663)	(31,758,764)	(14,761,590)	(29,546,574)
<b>Net cash flows from financing activities</b>		5,783,043	(16,559,579)	(5,628,508)	(18,887,613)
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		145,787	(233,775)	-	-
<b>5. Net increase in cash and cash equivalents</b>		20,760,688	12,520,109	16,336,484	1,717,104
Add: Cash and cash equivalents at the beginning of the period		40,550,039	23,548,508	21,957,042	16,595,063
<b>6. Cash and cash equivalents at the end of the period</b>	4(62)(d)	61,310,727	36,068,617	38,293,526	18,312,167

Legal representative:  
Fang Hongbo

Principal in charge of accounting:  
Zhong Zheng

Head of accounting department:  
Chen Lihong

MIDEA GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

[English translation for reference only]

Item	Amount in the current period									Total shareholders' equity
	Attributable to equity owners of the Company								Minority interests	
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Undistributed profits		
<b>Balance at the end of the prior year</b>	6,986,564	20,516,930	(14,044,550)	(1,758,948)	719,922	15,542	9,449,901	102,982,763	9,956,952	134,825,076
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
<b>Balance at the beginning of the current year</b>	6,986,564	20,516,930	(14,044,550)	(1,758,948)	719,922	15,542	9,449,901	102,982,763	9,956,952	134,825,076
<b>Movements for the current period</b>	10,765	589,705	(600,538)	472,071	(33,570)	892	-	4,357,841	776,228	5,573,394
(1) Total comprehensive income	-	-	-	470,720	-	-	-	15,995,496	62,323	16,528,539
(2) Capital contribution and withdrawal by shareholders	10,765	1,036,064	(600,538)	-	-	-	-	-	734,108	1,180,399
1). Capital contribution by shareholders	13,527	818,573	-	-	-	-	-	-	68,530	900,630
2). Business combinations	-	-	-	-	-	-	-	-	87,493	87,493
3). Share-based payment included in shareholders' equity	-	642,992	-	-	-	-	-	-	35,283	678,275
4). Others	(2,762)	(425,501)	(600,538)	-	-	-	-	-	542,802	(485,999)
(3) Profit distribution	-	-	-	-	(33,570)	-	-	(11,637,716)	(71,118)	(11,742,404)
1). Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-
2). Appropriation to general risk reserve	-	-	-	-	-	-	-	-	-	-
3). Profit distribution to shareholders	-	-	-	-	-	-	-	(11,671,286)	(71,118)	(11,742,404)
4). Others	-	-	-	-	(33,570)	-	-	33,570	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-
1). Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-	-
2). Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-
3). Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-
4). Others	-	-	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-	-	892	-	-	223	1,115
1). Appropriation in current period	-	-	-	-	-	1,656	-	-	414	2,070
2). Use in current period	-	-	-	-	-	(764)	-	-	(191)	(955)
(6) Others	-	(446,359)	-	1,351	-	-	-	61	50,692	(394,255)
<b>Balance at the end of the current period</b>	6,997,329	21,106,635	(14,645,088)	(1,286,877)	686,352	16,434	9,449,901	107,340,604	10,733,180	140,398,470

MIDEA GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

[English translation for reference only]

Item	Amount in the prior year									Total shareholders' equity
	Attributable to equity owners of the Company								Minority interests	
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	General risk reserve	Special reserve	Surplus reserve	Undistributed profits		
<b>Balance at the end of the prior year</b>	7,029,976	22,488,105	(6,094,347)	(1,549,003)	587,984	12,730	7,966,362	87,074,453	6,720,840	124,237,100
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
<b>Balance at the beginning of the current year</b>	7,029,976	22,488,105	(6,094,347)	(1,549,003)	587,984	12,730	7,966,362	87,074,453	6,720,840	124,237,100
<b>Movements for the current year</b>	(43,412)	(1,971,175)	(7,950,203)	(209,945)	131,938	2,812	1,483,539	15,908,310	3,236,112	10,587,976
(1) Total comprehensive income	-	-	-	(207,079)	-	-	-	28,573,650	411,499	28,778,070
(2) Capital contribution and withdrawal by shareholders	(43,412)	(2,493,602)	(7,950,203)	-	-	-	-	-	3,389,721	(7,097,496)
1). Capital contribution by shareholders	34,437	1,495,004	-	-	-	-	-	-	587,480	2,116,921
2). Business combinations	-	-	-	-	-	-	-	-	3,189,892	3,189,892
3). Share-based payment included in shareholders' equity	-	1,190,124	-	-	-	-	-	-	62,031	1,252,155
4). Others	(77,849)	(5,178,730)	(7,950,203)	-	-	-	-	-	(449,682)	(13,656,464)
(3) Profit distribution	-	-	-	-	131,938	-	1,483,539	(12,668,206)	(401,397)	(11,454,126)
1). Appropriation to surplus reserve	-	-	-	-	-	-	1,483,539	(1,483,539)	-	-
2). Appropriation to general risk reserve	-	-	-	-	131,938	-	-	(131,938)	-	-
3). Profit distribution to shareholders	-	-	-	-	-	-	-	(11,052,729)	(401,397)	(11,454,126)
4). Others	-	-	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-
1). Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-	-
2). Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-	-	-
3). Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-
4). Others	-	-	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-	-	2,812	-	-	703	3,515
1). Appropriation in current period	-	-	-	-	-	2,812	-	-	703	3,515
2). Use in current period	-	-	-	-	-	-	-	-	-	-
(6) Others	-	522,427	-	(2,866)	-	-	-	2,866	(164,414)	358,013
<b>Balance at the end of the current year</b>	6,986,564	20,516,930	(14,044,550)	(1,758,948)	719,922	15,542	9,449,901	102,982,763	9,956,952	134,825,076

Legal representative:  
Fang Hongbo

Principal in charge of accounting:  
Zhong Zheng

Head of accounting department:  
Chen Lihong

MIDEA GROUP CO., LTD.

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

[English translation for reference only]

Item	Amount in the current period							Total shareholders' equity
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
<b>Balance at the end of the prior year</b>	6,986,564	27,105,153	(14,044,550)	(7,295)	-	9,449,901	28,094,420	57,584,193
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
<b>Balance at the beginning of the current year</b>	6,986,564	27,105,153	(14,044,550)	(7,295)	-	9,449,901	28,094,420	57,584,193
<b>Movements for the current period</b>	10,765	1,066,129	(600,538)	1,021	-	-	(10,767,307)	(10,289,930)
(1) Total comprehensive income	-	-	-	1,021	-	-	903,979	905,000
(2) Capital contribution and withdrawal by shareholders	10,765	1,066,163	(600,538)	-	-	-	-	476,390
1). Capital contribution by shareholders	13,527	818,573	-	-	-	-	-	832,100
2). Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-	-
3). Share-based payment included in owners' equity	-	673,091	-	-	-	-	-	673,091
4). Others	(2,762)	(425,501)	(600,538)	-	-	-	-	(1,028,801)
(3) Profit distribution	-	-	-	-	-	-	(11,671,286)	(11,671,286)
1). Appropriation to surplus reserve	-	-	-	-	-	-	-	-
2). Profit distribution to shareholders	-	-	-	-	-	-	(11,671,286)	(11,671,286)
3). Others	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-
1). Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-
2). Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-
3). Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-
4). Others	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-	-	-	-	-
1). Appropriation in the current year	-	-	-	-	-	-	-	-
2). Use in the current year	-	-	-	-	-	-	-	-
(6) Others	-	(34)	-	-	-	-	-	(34)
<b>Balance at the end of the current period</b>	6,997,329	28,171,282	(14,645,088)	(6,274)	-	9,449,901	17,327,113	47,294,263

**MIDEA GROUP CO., LTD.**

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

[English translation for reference only]

Item	Amount in the prior year							
	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
<b>Balance at the end of the prior year</b>	7,029,976	29,123,547	(6,094,347)	(16,009)	-	7,966,362	25,795,300	63,804,829
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
<b>Balance at the beginning of the current year</b>	7,029,976	29,123,547	(6,094,347)	(16,009)	-	7,966,362	25,795,300	63,804,829
<b>Movements for the current year</b>	(43,412)	(2,018,394)	(7,950,203)	8,714	-	1,483,539	2,299,120	(6,220,636)
(1) Total comprehensive income	-	-	-	8,714	-	-	14,835,388	14,844,102
(2) Capital contribution and withdrawal by shareholders	(43,412)	(2,452,437)	(7,950,203)	-	-	-	-	(10,446,052)
1). Capital contribution by shareholders	34,437	1,495,004	-	-	-	-	-	1,529,441
2). Capital contribution by holders of other equity instruments	-	-	-	-	-	-	-	-
3). Share-based payment included in owners' equity	-	1,231,289	-	-	-	-	-	1,231,289
4). Others	(77,849)	(5,178,730)	(7,950,203)	-	-	-	-	(13,206,782)
(3) Profit distribution	-	-	-	-	-	1,483,539	(12,536,268)	(11,052,729)
1). Appropriation to surplus reserve	-	-	-	-	-	1,483,539	(1,483,539)	-
2). Profit distribution to shareholders	-	-	-	-	-	-	(11,052,729)	(11,052,729)
3). Others	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-
1). Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-
2). Transfer from surplus reserve to share capital	-	-	-	-	-	-	-	-
3). Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-
4). Others	-	-	-	-	-	-	-	-
(5) Specific reserve	-	-	-	-	-	-	-	-
1). Appropriation in the current year	-	-	-	-	-	-	-	-
2). Use in the current year	-	-	-	-	-	-	-	-
(6) Others	-	434,043	-	-	-	-	-	434,043
<b>Balance at the end of the current year</b>	6,986,564	27,105,153	(14,044,550)	(7,295)	-	9,449,901	28,094,420	57,584,193

Legal representative:  
Fang Hongbo

Principal in charge of accounting:  
Zhong Zheng

Head of accounting department:  
Chen Lihong

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

#### 1 General information

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

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

As at 30 June 2022, the Company’s share capital was RMB 6,997,329,041, and the total number of shares in issue was 6,997,329,041, of which 149,620,565 shares were restricted tradable A shares and 6,847,708,476 shares were unrestricted tradable A shares.

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

These financial statements were authorised for issue by the Company’s Board of Directors on 30 August 2022.

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

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

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

##### (1) Basis of preparation

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

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

##### (1) Basis of preparation (Cont'd)

The financial statements are prepared on a going concern basis.

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

The financial statements of the Company for the six months ended 30 June 2022 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company's financial position of the Company as at 30 June 2022 and their financial performance, cash flows and other information for the six months then ended.

##### (3) Accounting period

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

##### (4) Functional currency

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

##### (5) Business combinations

###### (a) Business combinations involving enterprises under common control

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

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

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



## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

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

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

For business combinations achieved by stages involving enterprises not under common control, previously-held equity in the acquiree is remeasured at its fair value at the acquisition dates in the consolidated financial statements, and the difference between its fair value and carrying amount is included in investment income for the current period. Where the previously-held equity in the acquiree involves other comprehensive income under equity method and owners' equity changes other than those arising from the net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other owners' equity changes are transferred into income for the current period to which the acquisition dates belong, excluding those arising from changes in the investee's remeasurement of net liability or net asset related to the defined benefit plan. The excess of the sum of fair value of the previously-held equity and fair value of the consideration paid at the acquisition dates over share of fair value of identifiable net assets acquired from the subsidiary is recognised as goodwill.

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

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries (including structured entities).

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

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

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

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

(7) Determination criterion for cash and cash equivalents

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

(8) Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

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

(9) Financial instruments

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

(a) Financial assets

(i) Classification and measurement

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

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

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

(i-1) Debt instruments

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

Measured at amortised cost:

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

Measured at fair value through other comprehensive income:

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

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

(i-1) Debt instruments (Cont'd)

Measured at fair value through profit or loss:

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

(i-2) Equity instruments

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

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

(i-3) Derivative financial instruments

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

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

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

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

Cash flow hedge

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

- (ii) Impairment

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

Giving consideration to reasonable and supportable information on past events, current conditions, forecasts of future economic conditions and forward-looking information, and weighted by the risk of default, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

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

For the financial instruments with lower credit risk on the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition and recognises the 12-month ECL provision.

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

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

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

Grouping of notes receivable 1	Bank acceptance notes grouping
Grouping of notes receivable 2	Trade acceptance notes grouping
Grouping of accounts receivable 1	Overseas business grouping
Grouping of accounts receivable 2	Domestic business grouping
Grouping of contract assets 1	Overseas business grouping
Grouping of contract assets 2	Domestic business grouping
	Security deposit and guarantee
Grouping of other receivables 1	receivables grouping

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts in RMB '000 Yuan unless otherwise stated)  
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#### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

(9) Financial instruments (Cont'd)

(b) Financial liabilities

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

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

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

(c) Determination of fair value of financial instruments

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

(10) Inventories

(a) Classification of inventories

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

(b) Costing of inventories

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



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

(10) Inventories (Cont'd)

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

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

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

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

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

- (d) Inventory system

The Group adopts the perpetual inventory system.

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

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

- (11) Long-term equity investments

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

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

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

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

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

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controller at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For business combinations achieved by stages involving enterprises not under common control, the initial investment cost accounted for using the cost method is the sum of carrying amount of previously-held equity investment and additional investment cost. For previously-held equity accounted for using the equity method, the accounting treatment of related other comprehensive income from disposal of the equity is carried out on a same basis with the investee's direct disposal of related assets or liabilities. Owners' equity, which is recognised due to changes in investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, is accordingly transferred into profit or loss for the period in which the investment is disposed.

For investment in previously-held equity accounted for using the recognition and measurement standards of financial instruments, the initial investment cost accounted for using the cost method is the sum of carrying amount of previously-held equity investment and additional investment cost. The difference between the fair value and carrying amount for investment in previously-held equity and the accumulated changes in fair value previously included in other comprehensive income are transferred to profit or loss for the current period accounted for using the cost method.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

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

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

(b) Subsequent measurement and recognition methods of gains and losses

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss for the current period.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of the net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. The changes of the Group's share in investee's owners' equity other than those arising from the net profit or loss, other comprehensive income and profit distribution are recognised in capital surplus with a corresponding adjustment to the carrying amount of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. The unrealised profits or losses arising from the transactions between the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, based on which the investment gain or losses are recognised. Any losses resulting from transactions between the Group and its investees attributable to asset impairment losses are not eliminated.

(c) Basis for determining existence of control, joint control, significant influence over investees

Control is the power to govern an investee and obtain variable returns from participating the investee's activities, and the ability to utilise the power of an investee to affect its returns.

Joint control is the contractually agreed sharing of control over an arrangement, and relevant economic activity can be arranged upon the unanimous approval of the Group and other participants sharing of control rights.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(18)).

(12) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation (amortisation) rates of investment properties are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation (amortisation) rates
Buildings	20 to 40 years	5%	2.38% to 4.75%
Land use rights	30 to 50 years	-	2% to 3.33%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at the date of the transfer. At the time of transfer, the property is recognised based on the carrying amount before transfer.

The investment properties' estimated useful lives, the estimated net residual values and the depreciation (amortisation) methods applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

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

(13) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, overseas land, machinery and equipment, motor vehicles, electronic equipment and others.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the cost can be reliably measured. The initial cost of purchased fixed assets include purchase price, related taxes and expenditures that are attributable to the assets incurred before the assets are ready for their intended use. The initial cost of self-constructed fixed assets is determined based on Note 2(14).

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated net residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of the Group's fixed assets are as follows:

Categories	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	15 to 50 years	0% to 10%	6.7% to 1.8%
Machinery and equipment	2 to 25 years	0% to 10%	50% to 3.6%
Motor vehicles	2 to 20 years	0% to 10%	50% to 4.5%
Electronic equipment and others	2 to 20 years	0% to 10%	50% to 4.5%
Overseas land	Permanent	Not applicable	Not applicable

The estimated useful lives and the estimated net residual values of the Group's fixed assets and the depreciation methods applied to the assets are reviewed, and adjusted as appropriate at each year-end.

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

(13) Fixed assets (Cont'd)

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(18)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(14) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below its carrying amount (Note 2(18)).

(15) Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

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FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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

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

(15) Borrowing costs (Cont'd)

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by actual interest expenses deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of general borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

(16) Intangible assets

Intangible assets include land use rights, patents and non-patent technologies, trademark rights, trademark use rights and others, are measured at cost.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 30 to 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Patents and non-patent technologies

Patents are amortised on a straight-line basis over the statutory period of validity, the period as stipulated by contracts or the beneficial period.

(c) Trademark rights

The trademark rights are measured at cost when acquired and are amortised over the estimated useful life of 4 to 30 years. The cost of trademark rights obtained in the business combinations involving enterprises not under common control is measured at fair value. As some of the trademarks are expected to attract net cash inflows injected into the Group, management considers that these trademarks have an indefinite useful life and are presented based upon the carrying amount after deducting the provision for impairment (Note 4(20)).

(d) Trademark use rights

The trademark use rights are measured at cost when acquired. The cost of trademark use rights obtained in the business combinations involving enterprises not under common control is measured at fair value, and is amortised over the estimated useful life of 40 years.

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

(16) Intangible assets (Cont'd)

(e) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(f) Research and development (R&D)

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the planned investigation, evaluation and selection for the research of production processes or products is categorised as expenditure on the research phase, and it is recognised in profit or loss when it is incurred. Expenditure on design and test for the final application of the development of production processes or products before mass production is categorised as expenditure on the development phase, which is capitalised only if all of the following conditions are satisfied:

- The development of production processes or products has been fully justified by technical team;
- The budget on the development of production processes or products has been approved by management;
- There is market research analysis that demonstrates the product produced by the production process or product has the ability of marketing;
- There are sufficient technical and financial resources to support the development of production processes or products and subsequent mass production; and
- Expenditure attributable to the development of production processes or products can be reliably collected.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(g) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(18)).

(17) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.



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

##### (18) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. Intangible assets not ready for their intended use, intangible assets with infinite useful lives and overseas land are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an asset impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

##### (19) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

##### (a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance, maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences, etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

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

##### (19) Employee benefits (Cont'd)

##### (b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's defined contribution plans mainly include basic pensions and unemployment insurance, while the defined benefit plans are Wandong Medical, Toshiba Lifestyle Products & Services Corporation ("TLSC"), and KUKA Aktiengesellschaft ("KUKA") and its subsidiaries ("KUKA Group") provide supplemental retirement benefits beyond the national regulatory insurance system.

##### Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

##### Supplementary retirement benefits

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligations less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method at the interest rate of treasury bonds with similar obligation term and currency. The charges related to supplementary retirement benefits (including current service costs, historical service costs and gains or losses on settlement) and net interest are recognised in profit or loss for the current period or included in the cost of an asset, and the changes arising from remeasurement in net liabilities or net assets of defined benefit plans are recognised in other comprehensive income.

##### (c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

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

(19) Employee benefits (Cont'd)

(c) Termination benefits (Cont'd)

Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by management. The Group pays early retirement benefits to those early retired employees from the early retirement date until the normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment for termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period in which they occur.

The termination benefits expected to be settled within one year since the balance sheet date are classified as current liabilities.

(20) General risk reserve

General risk reserve is the reserve appropriated from undistributed profits to cover part of unidentified potential losses, on the basis of the estimated potential risk value of risk assets assessed by the standardised approach, which is deducted from recognised provision for impairment losses on loans. Risk assets include loans and advances, long-term equity investments, deposits with banks and other financial institutions and other receivables of subsidiaries engaged in financial business.

(21) Dividend distribution

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

(22) Provisions

Provisions for product warranties, onerous contracts, etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

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

(22) Provisions (Cont'd)

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expenses.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(23) Share-based payment

(a) Type of share-based payment

Share-based payment is a transaction in which the entity acquires services from employees as consideration for equity instruments of the entity or by incurring liabilities for amounts based on the equity instruments. Equity instruments include equity instruments of the Company, its parent company or other accounting entities of the Group. Share-based payments are divided into equity-settled and cash-settled payments. The Group's share-based payments are equity-settled payments.

Equity-settled share-based payment

The Group's equity-settled share-based payment contains share option incentive plan, restricted share plan and employee stock ownership plan. These plans are measured at the fair value of the equity instruments at grant date and the equity instruments are exercisable or unlockable when services in vesting period are completed or specified performance conditions are met. In the vesting period, the services obtained in the current period are included in relevant cost and expenses at the fair value of the equity instruments at grant date based on the best estimate of the number of exercisable or unlockable equity instruments, and capital surplus is increased accordingly. If the subsequent information indicates the number of exercisable or unlockable equity instruments differs from the previous estimate, an adjustment is made and, on the exercise or deactivation date, the estimate is revised to equal to the number of actual vested equity instruments.

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

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

(b) Determination of fair value of equity instruments

The Group determines the fair value of share options using option pricing model, which is Black - Scholes option pricing model.

The fair value of other equity instruments is based on the share prices, the price that incentive objects pay, and the number of the shares on the grant date, taking into account the effects of clause of the Group's relevant plans.

(c) Basis for determining best estimate of unlockable or exercisable equity instruments

As at each balance sheet date in the vesting period, the Group would make best estimate in accordance with the newly acquired information such as changes in the number of employees entitled with exercisable or unlockable equity instruments, and amend the estimated number of exercisable or unlockable equity instruments. On the exercise or deactivation date, the final number of estimated exercisable or unlockable equity instruments is consistent with the actual number of exercisable or unlockable equity instruments.

(24) Treasury stock

The Group's treasury stock mainly comes from the repurchase of equity instruments and the issuance of restricted shares, etc.

Consideration and transaction costs paid by the Group for repurchasing equity instruments are deducted from equity and not recognised as financial assets. The considerations paid by the Group for repurchasing equity instruments are presented as treasury stock, and the related transaction costs are recognised in owners' equity.

On the deregistration day of shares, relevant share capital and treasury stock are reversed with the difference included in capital surplus (share premium) based on actual deregistration results.

On the grant day of restricted shares, the Group recognises bank deposits when receiving subscription from the employees and measures the repurchase obligation as liability. On the day of release of restricted shares, relevant treasury stocks, liabilities and capital surplus recognised in the vesting period are reversed based on the actual vesting results.

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

##### (25) Revenue

Revenue is the gross inflow of economic benefit arising from the ordinary course of the Group's activities, which will lead to an increase in shareholders' equity and are irrelevant to capital contributions by shareholders.

Revenue for the Group's performance of contract obligations in a contract is recognised when a customer is in control of the underlying goods. Obtaining the control of the underlying goods means being able to direct the use of the goods and obtain almost all economic benefits from them.

When any of the following conditions is met, the Group is subject to performance obligations within a period of time; otherwise, at a point in time:

- (1) Customers obtain and consume economic benefits coming from the Group's performance of contract while the Group performs the contract.
- (2) Customers can control goods under construction during the Group's performance of contract.
- (3) Goods produced during the Group's performance of contract are irreplaceable. During the whole contract period, the Group is entitled to collect payments for those which have been accumulated up to now.

For a contract obligation within a period of time, the Group shall recognise the revenue based on the progress of the obligation fulfilment within that period of time, except where the progress of the obligation fulfilment cannot be determined reasonably.

Where the status of completion cannot be reasonably determined, revenue shall be recognised at the amount of cost incurred if it is predicted that the cost can be compensated till the progress of the obligation fulfilment can be reasonably determined.

For a contract obligation at a point in time, the Group shall recognise the revenue when a customer is in control of the underlying goods.

##### (a) Sales of products

The Group are principally engaged in the manufacturing and sales of heating & ventilation, as well as air-conditioner (hereinafter referred to as "HVAC") (mainly comprises residential air conditioner, central air-conditioner, heating and ventilation systems, etc.) and consumer appliances (mainly comprise kitchen appliances, refrigerators, washing machines and various small appliances, etc.), and robotics and automation system.

Revenue from domestic sales of HVAC and consumer appliances is recognised when the Group has delivered products to the location specified in the sales contract and the buyer has confirmed the acceptance of the products, and the delivery order is signed by both parties. Upon confirming the acceptance, the buyer has the right to sell the products at its discretion and takes the risks of any price fluctuations and obsolescence and loss of the products.

Revenue from overseas sales of HVAC and consumer appliances is recognised when the goods have been declared to the customs and shipped out of the port in accordance with the sales contract.

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

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

##### (a) Sales of products (Cont'd)

Revenue from sales of robotics and automation system is recognised when the Group has delivered products to the location specified in the sales contract and the buyer has confirmed the acceptance of the products, and the delivery order is signed by both parties.

The credit period granted to distributors by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component. Generally, the retail customers of the Group are entitled to return the products within 7 days after the confirmation of receipt.

The Group provides distributors with sales discount, and the relevant revenue is recognised at contract consideration net of the discount amount estimated.

The periods and terms of product quality warranty are provided in accordance with the laws and regulations related to the products. The Group has not provided any additional services or product quality warranty, so the product quality warranty does not constitute a separate performance obligation.

##### (b) Rendering of services

The Group provides robotics and automation system construction service, intelligent logistics integration solution, storage services, delivery services, installation services and transportation service, which are recognised in a certain period of time based on the stage of completion. On the balance sheet date, the Group re-estimates the stage of completion to reflect the actual status of contract performance.

When the Group recognises revenue based on the stage of completion, the amount with unconditional collection right obtained by the Group is recognised as accounts receivable, and the rest is recognised as contract assets. Meanwhile, loss provision for accounts receivable and contract assets are recognised on the basis of ECL (Note 2(9)). If the contract price received or receivable exceeds the amount for the completed service, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Contract costs include contract performance costs and contract acquisition costs. The costs incurred by the Group for the provision of services are recognised as contract performance costs. The recognised revenue is carried forward to the cost of sales from main operations based on the stage of completion. Incremental costs incurred by the Group for the acquisition of contract are recognised as the costs to obtain a contract. For the costs to obtain a contract with the amortisation period within one year, the costs are charged to profit or loss when incurred. For the costs to obtain a contract with the amortisation period beyond one year, the costs are charged in the current profit or loss on the same basis as aforesaid revenue of rendering of services recognised under the relevant contract. If the carrying amount of the contract costs is higher than the remaining consideration expected to be obtained by rendering of the service net of the estimated cost to be incurred, the Group makes provision for impairment on the excess portion and recognises it as asset impairment losses. As at the balance sheet date, based on whether the amortisation period of the costs to fulfil a contract is more than one year when initially recognised, the amount of the Group's costs to fulfil a contract net of related provision for asset impairment is presented as inventories or other non-current assets. For costs to obtain a contract with amortisation period beyond one year at the initial recognition, the amount net of related provision for asset impairment is presented as other non-current assets.

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

(25) Revenue (Cont'd)

(c) Interest income

Interest income from financial instruments is calculated by effective interest method and recognised in profit or loss for the current period. Interest income comprises premiums or discounts, or the amortisation based on effective rates of other difference between the initial carrying amount and the due amount of interest-earning assets.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and the interest income or interest costs based on effective rates. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the financial instruments or applicable shorter period are discounted to the current carrying amount of the financial instruments. When calculating the effective interest rate, the Group estimates cash flows by considering all contractual terms of the financial instrument (e.g., early repayment options, similar options, etc.), but without considering future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income from impaired financial assets is calculated at the interest rate that is used for discounting estimated future cash flow when measuring the impairment loss.

(d) Dividend income

Dividend income is recognised when the right to receive dividend payment is established.

(e) Rental income

Rental income from investment prosperities is recognised in the income statement on a straight-line basis over the lease period.

(f) Fee and commission income

Fee and commission income is recognised in profit or loss for the current period when the service is provided. The Group defers the initial charge income or commitment fee income arising from the forming or acquisition of financial assets as the adjustment to effective interest rate. If the loans are not lent when the loan commitment period is expired, related charges are recognised as fee and commission income.



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

##### (26) Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including refund of taxes and financial subsidies, etc.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

Government grants related to assets are grants that are acquired by the Group and used for acquisition, construction or forming long-term assets in other ways. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are recorded as deferred income reasonably and systematically amortised to profit or loss over the useful life of the related asset.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised directly in profit or loss for the current period.

The same kind of government grants are presented with the same method.

Those related to ordinary activities are recorded into operating profit while the other in non-operating income and expenses.

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

##### (27) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible losses). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

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

##### (27) Deferred tax assets and deferred tax liabilities (Cont'd)

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

##### (28) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as the lessee

At the lease commencement date, the Group recognises the right-of-use asset and measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease. Variable lease payments in proportion to sales are excluded from lease payments and recognised in profit or loss as incurred. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current liabilities.

Right-of-use assets of the Group comprise leased buildings, machinery and equipment, motor vehicles, etc. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group chooses to include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term, instead of recognising right-of-use assets and lease liabilities.

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

**(28) Leases (Cont'd)**

The Group accounts for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group redetermines the lease term at the effective date of the lease modification, and remeasures the lease liability by discounting the revised lease payments using a revised discount rate, except that the contract changes directly resulting from COVID-19 are accounted for by applying the practical expedient. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group correspondingly decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

For the rent concessions as a direct result of COVID-19 and for the period ended 30 June 2022 only, the Group applies the practical expedient and records the undiscounted concessions in profit or loss when the agreement is reached to discharge the original payment obligation with corresponding adjustment of lease liabilities.

The Group as the lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

**(a) Operating leases**

Where the Group leases out self-owned buildings, machinery and equipment, and motor vehicles under operating leases, rental income therefrom is recognised on a straight-line basis over the lease term. Variable rental that is linked to a certain percentage of sales is recognised in rental income as incurred.

For the rent concessions as a direct result of COVID-19 and for the period ended 30 June 2022 only, the Group applies the practical expedient to account for the concessions as variable lease payments and record the concessions in profit or loss during the waiving period.

Except that the above contract changes directly resulting from COVID-19 are accounted for by applying the practical expedient, for a lease modification, the Group accounts for it as a new lease from the effective date of the modification, and considers any lease payments received in advance and receivable relating to the lease before modification as receivables of the new lease.

**(b) Finance leases**

At the commencement date, the Group recognises the lease payments receivable under a finance lease and derecognises relevant assets. The lease payments receivable under a finance lease are presented as long-term receivables; the lease payments receivable under a finance lease due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

##### (29) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

##### (30) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

###### Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

##### (i) Provision for impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the asset group and group of asset groups that contain the apportioned goodwill is determined by the higher value between the use value 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 groups containing the relevant goodwill, based on the present value of cash flows forecasts. Key assumptions adopted in the impairment testing of goodwill included estimated revenue growth rate, EBITDA margin, perpetual annual growth rate, discount rate, etc. which involved critical accounting estimates and judgement.

If management revises the estimated revenue growth rate and perpetual annual growth rate that are used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised rates are lower than the current rates, the Group would need to recognise further impairment against goodwill.

If management revises the EBITDA margin that is used in the calculation of the future cash flows of asset groups or groups of asset groups, and the revised EBITDA margin is lower than the current one, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

**MIDEA GROUP CO., LTD.**

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

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

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

If the actual estimated revenue growth rate, perpetual annual growth rate and EBITDA margin are higher or the actual pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

(ii) Income tax and deferred income tax

The Group is subject to enterprise income tax in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in Note 3(1), some subsidiaries of the Group are high-tech enterprises. The "High-Tech Enterprise Certificate" is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

Deferred tax assets are recognised for the deductible tax losses that can be carried forward to subsequent years to the extent that it is probable that taxable profit will be available in the future against which the deductible tax losses can be utilised. Taxable profit that will be available in the future includes the taxable profit that will be realised through normal operations and the taxable profit that will be increased upon the reversal of taxable temporary differences incurred in prior periods. Judgements and estimates are required to determine the time and amounts of taxable profit in the future. Any difference between the reality and the estimate may result in adjustment to the carrying amount of deferred tax assets.

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**3 Taxation**

(1) Main tax category and rate

Category	Tax base	Tax rate
Enterprise income tax	Levied based on taxable income	Note (a)
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	Note (b)
City maintenance and construction tax	The amount of VAT paid	1% or 5% or 7%
Educational surcharge	The amount of VAT paid	3% or 5%
Local educational surcharge	The amount of VAT paid	2%
Property tax	Price-based property is subject to a 1.2% tax rate after a 30% cut in the original price of property; rental-based property is subject to a 12% tax rate for the rental income.	1.2% or 12%

(a) Notes to the enterprise income tax rate of the principal tax payers with different tax rates

(a-1) The following subsidiaries of the Company are subject to an enterprise income tax rate of 15% in 2022 as they qualified as high-tech enterprises and obtained the *High-tech Enterprise Certificate*:

Name of taxpayer	No. of the <i>High-tech Enterprise Certificate</i>	Dates of issuance	Term of validity
Jiangsu Midea Cleaning Appliances Co., Ltd.	GR202032012131	2 December 2020	3 years
GD Midea Environment Appliances Mfg. Co., Ltd.	GR201944000430	2 December 2019	3 years
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	GR202144008574	20 December 2021	3 years
Guangdong Witol Vacuum Electronic Manufacture Co., Ltd.	GR202044001986	1 December 2020	3 years
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	GR202044003557	9 December 2020	3 years
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	GR202144012791	31 December 2021	3 years
Foshan Shunde Midea Electric Science and Technology Co., Ltd.	GR201944000317	2 December 2019	3 years
GD Midea Heating & Ventilating Equipment Co., Ltd.	GR202144001270	20 December 2021	3 years
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	GR201934001163	9 September 2019	3 years
Anhui Meizhi Precision Manufacturing Co., Ltd.	GR202134004969	3 September 2021	3 years
Guangzhou Midea Hualing Refrigerator Co., Ltd.	GR201944009238	2 December 2019	3 years
Guangdong Welling Motor Manufacturing Co., Ltd.	GR202044006087	9 December 2020	3 years
Foshan Welling Washer Motor Manufacturing Co., Ltd.	GR202044005425	9 December 2020	3 years
Huaian Welling Motor Manufacturing Co., Ltd.	GR201932010033	6 December 2019	3 years
Wuxi Filin Electronics Co., Ltd.	GR202132000964	3 November 2021	3 years
GD Midea Air-Conditioning Equipment Co., Ltd.	GR202044003059	1 December 2020	3 years

**MIDEA GROUP CO., LTD.**

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**3 Taxation (Cont'd)**

(1) Main tax category and rate (Cont'd)

(a) Notes to the enterprise income tax rate of the principal tax payers with different tax rates (Cont'd)

(a-1) The following subsidiaries of the Company are subject to an enterprise income tax rate of 15% in 2022 as they qualified as high-tech enterprises and obtained the *High-tech Enterprise Certificate* (Cont'd):

Name of taxpayer	No. of the <i>High-tech Enterprise Certificate</i>	Dates of issuance	Term of validity
Handan Midea Air-Conditioning Equipment Co., Ltd.	GR202013000191	27 September 2020	3 years
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	GR202042000684	1 December 2020	3 years
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	GR202044001953	1 December 2020	3 years
Guangdong Swisslog Technology Co., Ltd.	GR202144005648	20 December 2021	3 years
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	GR202034001383	17 August 2020	3 years
Chongqing Midea General Refrigeration Equipment Co., Ltd.	GR202051100347	9 October 2020	3 years
Guangdong Meizhi Compressor Limited	GR202044004270	9 December 2020	3 years
Hubei Midea Refrigerator Co., Ltd.	GR202042000745	1 December 2020	3 years
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	GR202044007232	9 December 2020	3 years
Anhui Meizhi Compressor Co., Ltd.	GR201934000046	9 September 2019	3 years
Foshan Shunde Midea Water Dispenser Manufacturing Co., Ltd.	GR202044004098	9 December 2020	3 years
Midea Welling Motor Technology (Shanghai) Co., Ltd.	GR202031001304	12 November 2020	3 years
Welling (Wuhu) Motor Manufacturing Co., Ltd.	GR202134003666	18 November 2021	3 years
Hefei Midea Laundry Appliance Co., Ltd.	GR202134003561	18 September 2021	3 years
Hefei Hualing Co., Ltd.	GR202134000541	18 September 2021	3 years
Foshan Midea Chungho Water Purification Equipment. Co., Ltd.	GR202144010400	31 December 2021	3 years
Toshiba HA Manufacturing (Nanhai) Co., Ltd.	GR202144002672	20 December 2021	3 years
Guangdong Meizhi Precision-Manufacturing Co., Ltd.	GR202144003890	20 December 2021	3 years
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	GR202134003382	18 September 2021	3 years
Guangdong Midea Intelligent Technologies Co., Ltd.	GR202144008039	20 December 2021	3 years
WINONE ELEVATOR COMPANY LIMITED	GR202144006432	20 December 2021	3 years
Beijing Hiconics Eco-energy Frequency Conversion Technology Co., Ltd.	GR202011003365	21 October 2020	3 years
Changsha Sunye Electric Co., Ltd.	GR202143000846	18 September 2021	3 years
Beijing Huatairunda Energy Saving Co., Ltd.	GR202111004112	17 December 2021	3 years
Dorna Technology Co., Ltd.	GR202033006717	1 December 2020	3 years
Wuxi Little Swan Company Limited	GR202032006759	2 December 2020	3 years
KUKA Robotics Manufacturing China Co., Ltd.	GR201931001602	28 October 2019	3 years

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#### 3 Taxation (Cont'd)

(1) Main tax category and rate (Cont'd)

(a) Notes to the enterprise income tax rate of the principal tax payers with different tax rates (Cont'd)

(a-1) The following subsidiaries of the Company are subject to an enterprise income tax rate of 15% in 2022 as they qualified as high-tech enterprises and obtained the *High-tech Enterprise Certificate* (Cont'd):

Name of taxpayer	No. of the <i>High-tech Enterprise Certificate</i>	Dates of issuance	Term of validity
KUKA Robotics Guangdong Co., Ltd.	GR202044003841	9 December 2020	3 years
Reis Robotics (Kunshan) Co., Ltd.	GR202132000238	3 November 2021	3 years
Midea Intelligent Lighting & Controls Technology Co., Ltd.	GR202036000935	4 September 2020	3 years
Beijing Wandong Software Technology Co., Ltd.	GR202011009515	2 December 2020	3 years
Wanliyun Medical Information Technology (Beijing) Co., Ltd.	GR201911005106	2 December 2019	3 years
Guangdong Midea Environmental Technologies Co., Ltd.	GR202144004692	20 December 2021	3 years
MR Semiconductor Ltd.	GR202131000701	9 October 2021	3 years
Anhui Welling Auto Parts Corporation Limited	GR202134002578	18 September 2021	3 years
Guangdong Meicloud Technology Co., Ltd.	GR202144008715	20 December 2021	3 years
Wuhan TTium Motor Technology Co., Ltd.	GR201942001358	15 November 2019	3 years

(a-2) According to the *Notice of the Ministry of Finance, the State Taxation Administration on Preferential Enterprise Income Tax Policies for Hainan Free-trade Port, Cai Shui (2020) (No.31)*, the Company's subsidiary in Hainan is subject to enterprise income tax at a rate of 15% from 1 January 2020 to 31 December 2024.

(a-3) Pursuant to the *Notice on Extending the Preferential Enterprise Income Tax Policies for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen*, enterprises that meet the notice requirements are subject to a reduced enterprise income tax rate of 15%. Therefore, Midea Commercial Factoring Co., Ltd., a subsidiary of the Company, is subject to enterprise income tax at a rate of 15% from 1 January 2021 to 31 December 2025.

(a-4) According to the *Announcement on Continuing the Enterprise Income Tax Policies for the Development of Western China* jointly issued by the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on 23 April 2020, Chongqing Midea Air-Conditioning Equipment Co., Ltd., Chongqing Midea Commercial Factoring Co., Ltd., Chongqing Annto Logistics Technology Co., Ltd. and Guiyang Annto Logistics Technology Co., Ltd., subsidiaries of the Company are subject to enterprise income tax at a rate of 15% from 1 January 2021 to 31 December 2030.



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#### 3 Taxation (Cont'd)

- (1) Main tax category and rate (Cont'd)
- (a) Notes to the enterprise income tax rate of the principal tax payers with different tax rates (Cont'd)
- (a-5) On 24 March 2016, Luanping Huitong Photovoltaic Power Co., Ltd., a subsidiary of the Company, obtained the *Record Form for Enterprise Income Tax Preference* issued by the Luanping County Office of the State Taxation Administration. According to the *Announcement of the State Taxation Administration on the Income Tax Preference Policies for New Power Grid Projects of Power Grid Enterprises* (State Taxation Administration Announcement in 2013, No. 26), Phase I Project of the company was subject to the preferential policy of enterprise income tax exemption from 2016 to 2018, and was subject to the preferential policy of enterprise income tax reduction of 50% from 2019 to 2021. On 28 November 2017, the company also obtained the *Record Form for Enterprise Income Tax Preference* issued by the Luanping County Office of the State Taxation Administration. According to Item 2 of Article 27 in the *Enterprise Income Tax Law of the People's Republic of China*, Order of the President of the People's Republic of China (No. 63), Phase II Project of the company was subject to the preferential policy of enterprise income tax exemption from 2017 to 2019, and is subject to the preferential policy of enterprise income tax reduction of 50% from 2020 to 2022.
- (a-6) According to the *Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (Cai Shui [2019] No. 13), the *Announcement on the Matters Concerning the Implementation of Preferential Income Tax Policies for the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households* (Announcement [2021], No. 12) and the *Announcement on the Matters Concerning the Implementation of Preferential Income Tax Policies for the Development of Small and Micro Enterprises* (Announcement [2022], No. 13) jointly issued by the Ministry of Finance and the State Taxation Administration, for Shenzhen Midea Capital Enterprise Management Co., Ltd., a subsidiary of the Company and qualified as a small low-profit enterprise, in 2022, EIT is based on a 20% rate applied to 12.5% of its taxable income amount for the proportion of taxable income up to RMB 1 million, and a 20% rate applied to 25% of its taxable income amount for the proportion of taxable income between RMB 1 million and RMB 3 million.
- (a-7) The Company's subsidiaries in Mainland China other than those mentioned in (a-1) to (a-6) are subject to enterprise income tax at the rate of 25%.
- (a-8) In August 2008, Midea Electric Trading (Singapore) Co., Pte Ltd., the Company's subsidiary, was awarded with the *Certificate of Honour for Development and Expansion* (No. 587) by the Singapore Economic Development Board and is subject to the applicable preferential income tax rate of 5.5% for 2022. Midea Singapore Trading Co., Pte Ltd. and Little Swan International (Singapore) Co., Pte Ltd., the Company's subsidiaries, are subject to enterprise income tax at the rate of 17%.
- (a-9) The Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5%. Such subsidiaries include Midea International Trading Company Limited, Midea International Corporation Company Limited, Midea Home Appliances Investments (Hong Kong) Co., Limited, Century Carrier Residential Air-conditioning Equipment Co., Limited, Midea Refrigeration (Hong Kong) Limited, Welling Holding Limited, Welling International Hong Kong Ltd., Chairing Holding Limited, Main Power Electrical Factory Limited and Midea Investment (Asia) Company Limited.

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#### 3 Taxation (Cont'd)

##### (1) Main tax category and rate (Cont'd)

##### (a) Notes to the enterprise income tax rate of the principal tax payers with different tax rates (Cont'd)

(a-10) The Company's subsidiaries in BVI and Cayman Islands are exempted from enterprise income tax. Such subsidiaries include Mecca International (BVI) Limited, Titoni Investments Development Ltd., Midea Investment Holding (BVI) Limited, Midea Electric Investment (BVI) Limited, Welling Holding (BVI) Ltd., Midea Holding (Cayman Islands) Limited and Midea Investment Development Company Limited.

(a-11) Springer Carrier Ltda., the Company's subsidiary in Brazil, is subject to Brazil enterprise income tax at the rate of 34%.

(a-12) TLSC, the Company's subsidiary in Japan, and its subsidiaries ("TLSC Group"), are subject to Japan enterprise income tax at the rate of 34.01%.

(a-13) Clivet S.P.A ("Clivet"), the Company's subsidiaries in Italy, are subject to Italy enterprise income tax at the rate between 20% and 31.4%.

(a-14) KUKA Group, the Company's subsidiary in Germany, is subject to Germany enterprise income tax at the rate of 32%.

(a-15) Servotronix Motion Control Ltd. ("SMC"), the Company's subsidiary in Israel, is subject to Israel enterprise income tax at the rate of 23%.

(a-16) Misr Refrigeration and Air Conditioning Manufacturing Company, S.A.E., the Company's subsidiary in Egypt, is subject to Egyptian enterprise income tax at the rate of 22.5%.

##### (b) Notes to the VAT tax rate of the principal tax payers with different tax rates

(b-1) Pursuant to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (Announcement [2019] No. 39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs and relevant regulations, the applicable tax rate of revenue arising from sales of goods and rendering of repairing and replacement services of the Company's certain subsidiaries is 13% from 1 April 2019, and that of revenue arising from real estate leasing and transportation services of the Company's certain subsidiaries is 9%.

(b-2) Financial services, consulting services and storage services provided by the Company and certain subsidiaries are subject to VAT at the rate of 6%.

(b-3) Rental revenue of the Company's certain subsidiaries is subject to easy levy of VAT at the rate of 5%.

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**3 Taxation (Cont'd)**

(1) Main tax category and rate (Cont'd)

(b) Notes to the VAT tax rate of the principal tax payers with different tax rates (Cont'd)

(b-4) Pursuant to relevant provisions of the *Announcement on the VAT Policy Relating to the Promotion of Relief and Development of Difficulty-ridden Industries in the Service Sector* (Announcement [2022] No. 11), Article 7 of the *Announcement on Relevant Policies for Deepening the Value-Added Tax Reform* (Announcement [2019] No. 39), and additional deduction policies of value-added tax for production and consumer service industry specified in the *Announcement on the Additional Deduction Policies of Value-added Tax for Consumer Service Industry* (Announcement [2019] No. 87), the applicable period of preferential tax policies that have expired shall be extended to 31 December 2022, and certain subsidiaries of the Company engaged in the production service sector, are eligible for a 10% additional VAT deduction based on deductible input VAT.

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**4 Notes to the consolidated financial statements****(1) Cash at bank and on hand**

Item	Ending balance	Opening balance
Cash on hand	2,447	1,609
Cash at bank (a)	45,849,451	46,691,119
Other cash balances (b)	849,514	443,893
Statutory reserve with the Central Bank (c)	412,248	419,718
Surplus reserve with the Central Bank	154,409	272,949
Deposits with banks and other financial institutions (d)	29,157,065	23,351,878
Accrued interest	276,804	694,390
<b>Total</b>	<b>76,701,938</b>	<b>71,875,556</b>
Including: Total amounts deposited with banks overseas (including Hong Kong, China, Macau, China, Singapore, Japan, Italy, Brazil, Germany, etc.)	15,767,238	6,763,152

- (a) As at 30 June 2022, cash at bank included fixed deposits with the term of over 3 months, amounting to RMB 12,852,645,000 (31 December 2021: RMB 28,767,516,000).
- (b) Other cash balances mainly include letters of guarantee, bank acceptance notes and letters of credit.
- (c) Statutory reserve with the Central Bank represents the statutory reserve deposited in People's Bank of China by the financial enterprise in accordance with relevant regulations, which are calculated at 5% and 8% for eligible RMB deposits and foreign currency deposits, respectively, and are not available for use in the Group's daily operations.
- (d) As at 30 June 2022, deposits with banks and other financial institutions included fixed deposits with the term of over 3 months, amounting to RMB 1,000,000,000 (31 December 2021: RMB 1,000,000,000).
- (2) Financial assets held for trading

Item	Ending balance	Opening balance
Structural deposits (a)	1,776,905	4,285,607
Investments in equity instrument held for trading (b)	1,099,287	1,319,470
Others	389,449	274,125
<b>Total</b>	<b>3,265,641</b>	<b>5,879,202</b>

- (a) As at 30 June 2022, structural deposits were deposits with financial institutions due within 1 year, which were measured at fair value through profit or loss.
- (b) As at 30 June 2022, investments in equity instrument held for trading referred to equity investments in listed companies, which were measured at fair value through profit or loss.

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

## (3) Notes receivable

Item	Ending balance	Opening balance
Bank acceptance notes	6,559,383	4,689,898
Trade acceptance notes	129,940	126,640
Less: Provision for bad debts (a)	(92,105)	(31,624)
Total	6,597,218	4,784,914

## (a) Provision for bad debts

For notes receivable of the Group arising from sales of goods or rendering of services in the ordinary course of business, the Group measures bad debts based on the lifetime ECL regardless of whether there exists a significant financing component. As at 30 June 2022, the Group considered that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.

## (b) As at 30 June 2022, notes receivable endorsed or discounted but unmatured were as follows:

Item	Derecognised	Not derecognised
Bank acceptance notes	-	3,320,446

## (4) Accounts receivable

Item	Ending balance	Opening balance
Accounts receivable	30,560,260	25,495,619
Less: Provision for bad debts	(973,840)	(859,179)
Total	29,586,420	24,636,440

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

Ageing	Ending balance	Opening balance
Within 1 year	29,799,662	24,566,401
1 to 2 years	439,256	617,355
2 to 3 years	157,043	144,300
3 to 5 years	127,743	134,460
Over 5 years	36,556	33,103
Sub-total	30,560,260	25,495,619

As at 30 June 2022, the Group had no significant overdue accounts receivable.

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

(4) Accounts receivable (Cont'd)

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

As at 30 June 2022, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows :

Category	Ending balance			Reason
	Book balance	Lifetime ECL rate	Provision for bad debts	
Domestic customers	43,880	100.00%	(43,880)	The debtor encountered financial distress, etc.
Overseas customers	17,471	100.00%	(17,471)	The debtor encountered financial distress, etc.
Total	61,351		(61,351)	

As at 30 June 2022, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

Category	Ending balance		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Domestic business grouping	13,332,913	2.98%	(397,430)
Overseas business grouping	17,165,996	3.00%	(515,059)
Total	30,498,909		(912,489)

(c) For the six months ended 30 June 2022, the provision for bad debts reversed amounted to RMB 183,359,000.

For the six months ended 30 June 2022, the accounts receivable written off by the Group were arising from transactions with third parties and no accounts receivable with significant amounts were written off.

(d) As at 30 June 2022, the five largest accounts receivable aggregated by debtor were summarised and analysed as follows:

Item	Amount	Provision for bad debts	% of total balance
Total amount of the five largest accounts receivable	1,638,234	(40,956)	5.36%

(5) Other receivables

Item	Ending balance	Opening balance
Other receivables	2,217,464	3,147,595
Less: Provision for bad debts	(41,801)	(43,530)
Total	2,175,663	3,104,065

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

(5) Other receivables (Cont'd)

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

The ageing of other receivables is analysed as follows :

Ageing	Ending balance	Opening balance
Within 1 year	1,875,014	2,856,634
1 to 2 years	238,442	149,331
2 to 3 years	31,931	97,424
3 to 5 years	47,258	28,029
Over 5 years	24,819	16,177
Sub-total	2,217,464	3,147,595

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

Item	Stage 1				Stage 3		Sub-total Provision for bad debts
	12-month ECL (Grouping)		12-month ECL (Individual)		Lifetime ECL (Credit impaired)		
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts	
1 January 2022	2,992,048	38,263	150,280	-	5,267	5,267	43,530
Transfer to Stage 3	(18)	(2)	-	-	18	2	-
Net (decrease)/increase in the current year	(793,457)	(8,887)	(136,608)	-	(66)	(57)	(8,944)
Including: Write-off in the current period	-	-	-	-	(66)	(66)	(66)
Derecognition	-	-	-	-	-	-	-
Differences on translation of foreign currency financial statements	-	7,208	-	-	-	7	7,215
30 June 2022	2,198,573	36,582	13,672	-	5,219	5,219	41,801

- (i) As at 30 June 2022, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

Stage 1	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
	13,672	0%	-	Relatively low bad debt risks

  

Stage 3	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
	5,219	100.00%	(5,219)	The debtor encountered financial distress, etc.

- (ii) As at 30 June 2022, other receivables for which the related provision for bad debts was provided on the grouping basis were all at Stage 1, which were analysed as follows:

Stage 1	Ending balance			Opening balance		
	Book balance	Provision for bad debts	Provision ratio	Book balance	Provision for bad debts	Provision ratio
	Amount	Amount		Amount	Amount	
Security deposit/guarantee payables grouping	2,198,573	(36,582)	1.66%	2,992,048	(38,263)	1.28%

- (c) For the six months ended 30 June 2022, the provision for bad debts reversed amounted to RMB 19,870,000.

For the six months ended 30 June 2022, no other receivables with significant amounts were written off.

- (d) As at 30 June 2022, the five largest other receivables aggregated by debtor were summarised and analysed as follows:

Item	Amount	Provision for bad debts	% of total balance
Total amount of the five largest other receivables	133,079	(3,788)	6.00%

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

## (5) Other receivables (Cont'd)

(e) As at 30 June 2022, the Group had no significant government grants recognised at amounts receivable.

## (6) Receivables financing

Item	Ending balance	Opening balance
Receivables financing	14,072,448	10,273,552

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

As at 30 June 2022 and 31 December 2021, the Group measured provision for bad debts based on the lifetime ECL and expected that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.

As at 30 June 2022, the Group's notes receivable endorsed or discounted but not matured presented in receivables financing were as follows:

Item	Derecognised	Not derecognised
Receivables financing	17,767,351	-

## (7) Advances to suppliers

Item	Ending balance	Opening balance
Prepayments for raw materials and others	4,385,716	4,352,807

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

Ageing	Ending balance		Opening balance	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	4,212,859	96.06%	4,241,867	97.45%
1 to 2 years	141,871	3.23%	74,391	1.71%
2 to 3 years	13,611	0.31%	18,798	0.43%
Over 3 years	17,375	0.40%	17,751	0.41%
Total	4,385,716	100.00%	4,352,807	100.00%

As at 30 June 2022, advances to suppliers with ageing over 1 year with a carrying amount of RMB 172,857,000 (31 December 2021: RMB 110,940,000) were mainly unsettled prepayments for raw materials.

As at 30 June 2022, the five largest advances to suppliers aggregated by debtor were summarised and analysed as follows:



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

Item	Amount	% of total balance
Total amount of the five largest advances to suppliers	1,116,432	25.46%

(8) Contract assets

Item	Ending balance	Opening balance
Contract assets	4,334,389	3,870,243
Less: Provision for impairment of contract assets	(70,025)	(46,767)
Total	4,264,364	3,823,476

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

As at 30 June 2022, contract assets for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

Grouping	Ending balance		
	Book balance	Lifetime ECL rate	Provision for bad debts
Domestic business grouping	1,142,663	3.31%	(37,861)
Overseas business grouping	3,191,726	1.01%	(32,164)
Total	4,334,389		(70,025)

(9) Loans and advances

(a) By individual and corporation:

Item	Ending balance	Opening balance
Loans and advances measured at amortised cost		
Loans and advances to individuals	2,198,764	2,217,220
Loans and advances to corporations	15,069,283	19,744,034
Including: Loans	10,605,323	12,790,285
Discount bills	4,463,960	6,953,749
Sub-total	17,268,047	21,961,254
Less: Provision for loan losses	(492,282)	(452,727)
Total	16,775,765	21,508,527

As at 30 June 2022, loans and advances over 1 year amounted to RMB 1,190,970,000 (31 December 2021: RMB 851,927,000).

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

(9) Loans and advances (Cont'd)

(b) By type of collateral held:

Item	Ending balance	Opening balance
Unsecured loans	2,194,596	2,211,108
Guaranteed loans	410,209	587,936
Pledged loans	14,663,242	19,162,210
Sub-total	17,268,047	21,961,254
Less: Provision for loan losses	(492,282)	(452,727)
Total	16,775,765	21,508,527

(10) Inventories

(a) Inventories are summarised by category as follows:

Item	Ending balance			Opening balance		
	Book balance	Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Finished goods	25,857,792	(533,009)	25,324,783	33,636,462	(419,166)	33,217,296
Raw materials	9,274,477	(141,590)	9,132,887	9,592,914	(121,217)	9,471,697
Work in progress	1,751,998	-	1,751,998	2,406,866	-	2,406,866
Consigned processing materials and others.	541,170	-	541,170	828,580	-	828,580
Total	37,425,437	(674,599)	36,750,838	46,464,822	(540,383)	45,924,439

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

Item	Opening balance	Increase of provision in the current period	Decrease by reversal or write-off in the current period	Differences on translation of foreign currency financial statements	Ending balance
Finished goods	419,166	166,758	(47,347)	(5,568)	533,009
Raw materials	121,217	38,585	(13,742)	(4,470)	141,590
Total	540,383	205,343	(61,089)	(10,038)	674,599

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

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

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

(11) Current portion of non-current assets

Item	Ending balance	Opening balance
Long-term receivables due within 1 year	457,716	491,205
Other debt investments due within 1 year	14,232,853	19,360,372
Current portion of other non-current assets	24,027,270	-
Total	38,717,839	19,851,577

(12) Other current assets

Item	Ending balance	Opening balance
Fixed income products (a)	35,591,234	23,696,825
Input VAT to be deducted	4,578,509	6,137,776
Prepaid expenses	970,946	828,675
Others	1,986,733	2,492,736
Total	43,127,422	33,156,012

(a) As at 30 June 2022, fixed income products were monetary investment products deposited in financial institutions with maturities of no more than one year at the time of acquisition, which were subsequently measured at amortised cost.

(13) Other debt investments

Item	Ending balance	Opening balance
Fair value through other comprehensive income		
- Transferable certificate of deposit	22,383,547	27,254,307
Less: Other debt investments due within 1 year	(14,232,853)	(19,360,372)
Total	8,150,694	7,893,935

As at 30 June 2022, the cost of the Group's transferable certificate of deposit approximated its fair value.

As at 30 June 2022, the Group expected that there has no significant increase in credit risk of transferable certificate of deposit since initial recognition and made provision for loss based on 12-month ECL. The Group considered that there was no significant credit risk associated with transferable certificate of deposit and did not expect that there would be any significant losses from non-performance by these banks.

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

## (14) Long-term receivables

Item	Ending balance	Opening balance
Long-term receivables	1,282,760	1,371,022
Less: Provision for bad debts	(16,014)	(8,461)
Total	1,266,746	1,362,561
Less: Long-term receivables due within 1 year	(457,716)	(491,205)
Total	809,030	871,356

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

## (15) Long-term equity investments

Long-term equity investments are classified as follows:

Item	Ending balance	Opening balance
Investments in associates (a)	3,769,304	3,796,705
Less: Provision for impairment of long-term equity investments	-	-
Total	3,769,304	3,796,705

(a) Investments in associates mainly refer to the investments in Guangdong Shunde Rural Commercial Bank Co., Ltd., Carrier Midea North America LLC and Hefei Royalstar Motor Co., Ltd. and other enterprises by the Group.

## (16) Other non-current financial assets

Item	Ending balance	Opening balance
Measured at fair value		
- Equity of unlisted companies, etc.	7,076,364	5,912,873
Less: Provision for impairment of other non-current financial assets	-	-
Total	7,076,364	5,912,873

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

(17) Fixed assets

Item	Buildings	Overseas land	Machinery and equipment	Motor vehicles	Electronic equipment and others	Total
<b>Cost</b>						
Opening balance	20,108,658	1,330,856	22,182,072	758,743	5,497,346	49,877,675
Increase in the current period	528,160	-	1,494,799	29,774	512,787	2,565,520
1) Purchase	263,493	-	1,431,122	29,594	464,258	2,188,467
2) Transfers from construction in progress	250,850	-	62,295	104	48,494	361,743
3) Increase by business combinations	-	-	1,382	76	35	1,493
4) Others	13,817	-	-	-	-	13,817
Decrease in the current period	(89,640)	(214)	(354,808)	(13,428)	(121,750)	(579,840)
1) Disposal or retirement	(71,378)	-	(354,577)	(13,428)	(121,520)	(560,903)
2) Others	(18,262)	(214)	(231)	-	(230)	(18,937)
Differences on translation of foreign currency financial statements	(112,823)	(34,443)	(103,312)	(1,765)	(10,955)	(263,298)
Ending balance	20,434,355	1,296,199	23,218,751	773,324	5,877,428	51,600,057
<b>Accumulated depreciation</b>						
Opening balance	9,003,358	-	13,332,180	571,319	4,067,650	26,974,507
Increase in the current period	474,963	-	731,397	12,402	369,254	1,588,016
1) Provision	462,738	-	731,397	12,402	369,254	1,575,791
2) Others	12,225	-	-	-	-	12,225
Decrease in the current period	(55,757)	-	(289,895)	(11,997)	(107,287)	(464,936)
1) Disposal or retirement	(41,829)	-	(289,740)	(11,997)	(107,150)	(450,716)
2) Others	(13,928)	-	(155)	-	(137)	(14,220)
Differences on translation of foreign currency financial statements	(6,069)	-	(13,873)	(659)	545	(20,056)
Ending balance	9,416,495	-	13,759,809	571,065	4,330,162	28,077,531
<b>Provision for impairment</b>						
Opening balance	6,179	5,469	10,011	21,093	7,568	50,320
Increase in the current period	-	-	-	-	-	-
1) Provision	-	-	-	-	-	-
Decrease in the current period	-	-	(61)	(102)	(1)	(164)
1) Disposal or retirement	-	-	(61)	(102)	(1)	(164)
Differences on translation of foreign currency financial statements	(172)	(329)	(30)	(13)	(394)	(938)
Ending balance	6,007	5,140	9,920	20,978	7,173	49,218
Carrying amount at the end of the period	11,011,853	1,291,059	9,449,022	181,281	1,540,093	23,473,308
Carrying amount at the beginning of the period	11,099,121	1,325,387	8,839,881	166,331	1,422,128	22,852,848

(a) For the six months ended 30 June 2022, the depreciation of fixed assets amounted to RMB 1,575,791,000 (for the six months ended 30 June 2021: RMB 1,607,829,000) and was included in the income statement in full amount.

(b) As at 30 June 2022, the Company was still in the course of obtaining the ownership certificate for the fixed asset with a carrying amount of RMB 617,721,000 (31 December 2021: RMB 617,721,000).

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

(18) Construction in progress

Project name	Ending balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Early-stage Project of Shanghai R&D Centre	874,160	-	874,160	687,704	-	687,704
Midea Headquarters A04 Land Parcel Project	752,127	-	752,127	565,884	-	565,884
Midea Headquarters 08 Land Parcel Project	240,058	-	240,058	234,165	-	234,165
Thailand Factories	256,385	-	256,385	213,005	-	213,005
Indian Science Park	177,894	-	177,894	179,813	-	179,813
Other projects	1,321,107	(31,106)	1,290,001	843,547	(33,188)	810,359
Total	3,621,731	(31,106)	3,590,625	2,724,118	(33,188)	2,690,930

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**4 Notes to the consolidated financial statements (Cont'd)**
**(18) Construction in progress (Cont'd)**
**(a) Movements of significant projects of construction in progress**

Project name	Opening balance	Increase in the current period	Transfers to fixed asset	Other decreases	Differences on translation of foreign currency financial statements	Ending balance	Source of funds
Early-stage Project of Shanghai R&D Centre	687,704	186,456	-	-	-	874,160	Self-financing
Midea Headquarters A04 Land Parcel Project	565,884	186,243	-	-	-	752,127	Self-financing
Midea Headquarters 08 Land Parcel Project	234,165	5,893	-	-	-	240,058	Self-financing
Thailand Factories	213,005	44,419	-	-	(1,039)	256,385	Self-financing
Indian Science Park	179,813	10,735	-	(11,230)	(1,424)	177,894	Self-financing
Other projects	843,547	853,606	(361,743)	(7,056)	(7,247)	1,321,107	Self-financing
Total	2,724,118	1,287,352	(361,743)	(18,286)	(9,710)	3,621,731	

(i) For the six months ended 30 June 2022, the Group had no borrowing costs eligible for capitalisation.

(ii) As at 30 June 2022, the cost of construction in progress matched the budget amount, and the projects were carried out on schedule.

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**4 Notes to the consolidated financial statements (Cont'd)**  
(19) Right-of-use assets

Item	Buildings	Machinery and equipment	Land use rights and others	Total
<b>Cost</b>				
Opening balance	2,852,417	241,510	111,501	3,205,428
Increase in the current period	510,106	31,682	6,111	547,899
1) New lease contracts	503,180	29,467	6,073	538,720
2) Lease modifications and others	6,926	2,215	38	9,179
Decrease in the current period	(179,776)	(21,583)	(1,448)	(202,807)
1) Expiration of lease contracts	(125,741)	(13,531)	(854)	(140,126)
2) Lease modifications and others	(54,035)	(8,052)	(594)	(62,681)
Differences on translation of foreign currency financial statements	(657)	(9,854)	(622)	(11,133)
Ending balance	3,182,090	241,755	115,542	3,539,387
<b>Accumulated depreciation</b>				
Opening balance	751,536	136,409	20,129	908,074
Increase in the current period	481,917	40,921	9,205	532,043
1) Provision	481,917	40,921	9,205	532,043
Decrease in the current period	(133,681)	(16,230)	(966)	(150,877)
1) Expiration of lease contracts	(125,741)	(13,531)	(854)	(140,126)
2) Lease modifications and others	(7,940)	(2,699)	(112)	(10,751)
Differences on translation of foreign currency financial statements	171	(7,036)	(404)	(7,269)
Ending balance	1,099,943	154,064	27,964	1,281,971
Carrying amount at the end of the period	2,082,147	87,691	87,578	2,257,416
Carrying amount at the beginning of the period	2,100,881	105,101	91,372	2,297,354



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

Item	Land use rights	Patents and non-patent technologies	Trademark rights	Trademark use rights	Others	Total
<b>Cost</b>						
Opening balance	7,158,510	3,199,777	4,769,814	2,295,651	5,576,295	23,000,047
Increase in the current period	466,118	4,437	34	-	130,061	600,650
1) Purchase	459,320	3,767	34	-	116,104	579,225
2) Increase by business combinations	5,017	-	-	-	9,438	14,455
3) Others	1,781	670	-	-	4,519	6,970
Decrease in the current period	(40,373)	(12)	-	-	(29,792)	(70,177)
1) Disposal	(40,373)	(12)	-	-	(29,792)	(70,177)
Differences on translation of foreign currency financial statements	(1,271)	(48,380)	(113,645)	(261,506)	(83,076)	(507,878)
Ending balance	7,582,984	3,155,822	4,656,203	2,034,145	5,593,488	23,022,642
<b>Accumulated amortisation</b>						
Opening balance	1,138,198	921,857	160,901	342,000	3,087,655	5,650,611
Increase in the current period	72,774	92,197	33,565	25,860	295,124	519,520
1) Provision	71,641	92,197	33,565	25,860	295,124	518,387
2) Others	1,133	-	-	-	-	1,133
Decrease in the current period	(10,255)	(12)	-	-	(24,605)	(34,872)
1) Disposal	(10,255)	(12)	-	-	(24,605)	(34,872)
Differences on translation of foreign currency financial statements	132	(26,553)	602	(35,325)	(17,072)	(78,216)
Ending balance	1,200,849	987,489	195,068	332,535	3,341,102	6,057,043
<b>Provision for impairment</b>						
Opening balance	-	108,010	-	-	68,354	176,364
Increase in the current period	-	-	-	-	6,400	6,400
1) Provision	-	-	-	-	6,400	6,400
Decrease in the current period	-	-	-	-	-	-
1) Disposal	-	-	-	-	-	-
Differences on translation of foreign currency financial statements	-	4,957	-	-	3,480	8,437
Ending balance	-	112,967	-	-	78,234	191,201
Carrying amount at the end of the period	6,382,135	2,055,366	4,461,135	1,701,610	2,174,152	16,774,398
Carrying amount at the beginning of the period	6,020,312	2,169,910	4,608,913	1,953,651	2,420,286	17,173,072

- (a) For the six months ended 30 June 2022, the amortisation of intangible assets amounted to RMB 518,387,000 (for the six months ended 30 June 2021: RMB 579,289,000) and was included in the income statement in full amount.
- (b) As at 30 June 2022, intangible assets with a carrying amount of RMB 42,937,000 (31 December 2021: RMB 0) had outstanding certificates of land use rights

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

(21) Goodwill

The Group's goodwill had been allocated to the asset group and asset groups at the acquisition date, and the allocation is as follows:

Name of investee	Ending balance	Opening balance
KUKA Group	19,943,412	20,544,697
TLSC Group	2,287,889	2,580,274
Little Swan	1,361,306	1,361,306
Others	4,048,806	3,893,186
Sub-total	27,641,413	28,379,463
Less: Provision for impairment	(531,286)	(504,711)
Total	27,110,127	27,874,752

(22) Long-term prepaid expenses

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

(23) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

Item	Ending balance		Opening balance	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	7,319,923	1,617,565	6,189,786	1,371,028
Provision for asset impairment	3,105,596	647,721	2,891,362	596,763
Employee benefits payable	1,046,634	254,343	1,214,088	285,263
Other current liabilities	33,795,392	6,213,666	29,984,331	5,531,170
Others	9,027,306	2,089,699	9,949,311	2,192,050
Total	54,294,851	10,822,994	50,228,878	9,976,274

(b) Deferred tax liabilities before offsetting

Deferred tax liabilities	Ending balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value	1,000,261	248,187	3,159,648	349,208
Business combinations involving enterprises not under common control	10,446,965	2,886,786	11,683,474	3,145,282
Others	13,257,302	3,067,484	14,441,530	3,239,720
Total	24,704,528	6,202,457	29,284,652	6,734,210

(c) The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:

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

Item	Balance after offsetting at the end of the period	Balance after offsetting at the beginning of the period
Deferred tax assets	9,117,529	8,192,309
Deferred tax liabilities	4,496,992	4,950,245

(24) Other non-current assets

Item	Ending balance	Opening balance
Fixed income products (a)	54,492,997	35,485,395
Less: Fixed income products due within 1 year	(24,027,270)	-
Sub-total	30,465,727	35,485,395
Others	1,222,353	888,961
Total	31,688,080	36,374,356

- (a) As at 30 June 2022, fixed income products were monetary investment products and non-transferable certificates of deposit deposited in financial institutions with maturities of more than one year at the time of acquisition, which were subsequently measured at amortised cost.

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

(25) Asset impairment and provision for loss

Item	1 January 2022	Increase in the current period	Decrease in the current period		Differences on translation of foreign currency financial statements	30 June 2022
			Reversal	Write-off		
Provision for bad debts	1,395,521	399,848	(206,021)	(4,599)	31,293	1,616,042
Including: Provision for bad debts of accounts receivable	859,179	278,516	(183,359)	(4,533)	24,037	973,840
Provision for losses of loans and advances	452,727	40,511	(956)	-	-	492,282
Provision for bad debts of notes receivable	31,624	62,107	(1,626)	-	-	92,105
Provision for bad debts of other receivables	43,530	10,992	(19,870)	(66)	7,215	41,801
Provision for bad debts of long-term receivables	8,461	7,722	(210)	-	41	16,014
Provision for decline in the value of inventories	540,383	205,343	(4,683)	(56,406)	(10,038)	674,599
Provision for impairment of fixed assets	50,320	-	-	(164)	(938)	49,218
Provision for impairment of intangible assets	176,364	6,400	-	-	8,437	191,201
Provision for impairment of contract assets	46,767	27,908	(4,289)	-	(361)	70,025
Provision for impairment of investment properties	12,576	-	-	-	-	12,576
Provision for impairment of construction in progress	33,188	-	-	-	(2,082)	31,106
Provision for impairment of goodwill	504,711	-	-	-	26,575	531,286
Total	2,759,830	639,499	(214,993)	(61,169)	52,886	3,176,053

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

As at 30 June 2022, assets with use rights restricted were mainly as follows:

Item	Ending balance	Opening balance
Cash at bank and on hand		
Including: Cash at bank (Note 4(1))	12,852,645	28,767,516
Other cash balances (Note 4(1))	849,514	443,893
Statutory reserves with the Central Bank (Note 4(1))	412,248	419,718
Deposits with banks and other financial institutions (Note 4(1))	1,000,000	1,000,000
Total	15,114,407	30,631,127

**(27) Short-term borrowings**

Item	Ending balance	Opening balance
Unsecured borrowings	2,436,834	1,260,780
Guaranteed borrowings	7,681,970	1,982,534
Pledged borrowings	539,878	2,138,309
Total	10,658,682	5,381,623

As at 30 June 2022, the annual interest rate range of short-term borrowings was 0.41% to 14.90% (31 December 2021: 0.41% to 9.75%).

**(28) Notes payable**

Item	Ending balance	Opening balance
Bank acceptance notes	29,331,809	32,752,007

**(29) Accounts payable**

Item	Ending balance	Opening balance
Materials cost payable	61,012,948	61,527,747
Others	4,520,785	4,455,812
Total	65,533,733	65,983,559

As at 30 June 2022, accounts payable with ageing over 1 year with a carrying amount of RMB 1,055,032,000 (31 December 2021: RMB 1,271,088,000) were mainly unsettled accounts payable for materials.

**(30) Contract liabilities**

Item	Ending balance	Opening balance
Advances for construction projects	2,674,387	2,596,795
Advances on sales and services	21,657,207	21,319,800
Total	24,331,594	23,916,595

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

(31) Employee benefits payable

Item	Ending balance	Opening balance
Short-term employee benefits payable (a)	5,318,615	7,430,595
Others	117,376	104,573
Total	5,435,991	7,535,168

(a) Short-term employee benefits

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Wages and salaries, bonus, allowances and subsidies	6,949,838	13,300,921	(15,369,473)	4,881,286
Staff welfare	299,396	927,676	(967,517)	259,555
Social security contributions	67,268	938,408	(944,777)	60,899
Including: Medical insurance	65,663	902,786	(908,378)	60,071
Work injury insurance	664	21,045	(21,220)	489
Maternity insurance	941	14,577	(15,179)	339
Housing funds	23,079	314,083	(314,119)	23,043
Labour union funds and employee education funds	22,246	61,705	(59,248)	24,703
Other short-term employee benefits	68,768	356,554	(356,193)	69,129
Sub-total	7,430,595	15,899,347	(18,011,327)	5,318,615

(32) Taxes payable

Item	Ending balance	Opening balance
Enterprise income tax payable	2,578,726	2,972,040
Unpaid VAT	1,154,924	1,032,688
Others	718,040	1,399,539
Total	4,451,690	5,404,267

(33) Other payables

Item	Ending balance	Opening balance
Other payables	4,781,862	4,288,104

(a) Other payables are mainly restricted share repurchase obligation, deposit and security deposit payable, reimbursed logistics expense, etc.

(b) As at 30 June 2022, other payables with ageing over 1 year with a carrying amount of RMB 1,457,701,000 (31 December 2021: RMB 1,288,937,000) were mainly those recognised for performing equity incentive plan and deposit and security deposit payable, which were unsettled since related projects were uncompleted.

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

(34) Current portion of non-current liabilities

Item	Ending balance	Opening balance
Current portion of long-term borrowings	26,695,122	28,087,037
Current portion of lease liabilities	837,332	860,503
Total	27,532,454	28,947,540

(35) Other current liabilities

Item	Ending balance	Opening balance
Accrued sale rebates	35,357,854	31,307,753
Short-term financing bonds payable (a)	4,015,610	-
Others	19,291,393	16,920,200
Total	58,664,857	48,227,953

(a) As at 30 June 2022, short-term financing bonds payable represented super short-term financing bonds with a total face value of RMB 4,000,000,000 issued by the Company, with a term of 180 days, and a coupon rate of 2.23%.

(36) Long-term borrowings

Item	Ending balance	Opening balance
Mortgage borrowings (a)	25,830,444	26,635,207
Guaranteed borrowings (b)	9,882,746	6,903,645
Unsecured borrowings	17,620,590	14,269,908
Pledged borrowings	7,716	12,297
Total	53,341,496	47,821,057
Less: Current portion of mortgage borrowings	(25,830,444)	(26,626,623)
Current portion of guaranteed borrowings	(15,023)	(15,025)
Current portion of unsecured borrowings	(843,221)	(1,439,224)
Current portion of pledged borrowings	(6,434)	(6,165)
Total	26,646,374	19,734,020

(a) As at 30 June 2022, bank mortgage borrowings were mainly mortgage borrowings with a cost of EUR 3,684,357,000, equivalent to RMB 25,821,445,000 (31 December 2021: a cost of EUR 3,686,857,000, equivalent to RMB 26,617,999,000) and were pledged by 81.04% equity of KUKA Group, which was acquired by the subsidiary of the Company. Interest is paid on a semi-annual basis, and the borrowings are due in August 2022.

(b) As at 30 June 2022, bank guaranteed borrowings mainly included: (i) guaranteed borrowings with a cost of EUR 271,000,000, equivalent to RMB 1,899,276,000 (31 December 2021: a cost of EUR 271,000,000, equivalent to RMB 1,956,539,000) guaranteed by the Company, with interest paid every 3 months, which will be due in April 2024; (ii) guaranteed borrowings with a cost of JPY 69,460,000,000, equivalent to RMB 3,412,987,000 (31 December 2021: a cost of JPY 69,460,000,000, equivalent to RMB 3,849,126,000) guaranteed by the Company, with interest paid on a monthly basis, which will be due in May 2024; (iii) guaranteed borrowings with a cost of EUR 150,000,000, equivalent to RMB 1,051,260,000 (31 December 2021: a cost of EUR 150,000,000, equivalent to RMB 1,082,955,000) guaranteed by the Company, with interest paid on a monthly basis, which will be due in June 2025; and (iv) guaranteed borrowings with a cost of EUR 500,000,000, equivalent to RMB

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

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

3,504,200,000 (31 December 2021: Nil) guaranteed by the Company, with interest paid every 3 months, which will be due in May 2025.

- (c) As at 30 June 2022, the annual interest rate range of long-term borrowings was 0.33% to 5.50% (31 December 2021: 0.49% to 5.50%).

(37) Debentures payable

Name of bond	Par value	Value date	Term	Amount issued	Nominal interest rate	Opening balance	Ending balance
USD bonds	2,848,500	24 February 2022	5 years	2,848,500	2.88%	-	3,047,541

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

(38) Lease liabilities

Item	Ending balance	Opening balance
Lease liabilities	2,384,449	2,394,055
Less: Current portion of lease liabilities	(837,332)	(860,503)
	1,547,117	1,533,552

(39) Long-term employee benefits payable

Item	Ending balance	Opening balance
Supplementary retirement benefits	1,322,752	1,705,440
Others	113,171	119,576
Total	1,435,923	1,825,016

(40) Other non-current liabilities

Other non-current liabilities are mainly equity purchase payables.

(41) Share capital

Item	Opening balance	Movements for the current period				Ending balance
		Share-based payment incentive plan	Desterilisation	Repurchases and write-offs	Sub-total	
RMB-denominated ordinary shares -						
RMB-denominated ordinary shares subject to trading restriction	156,539	-	(4,156)	(2,762)	(6,918)	149,621
RMB-denominated ordinary shares not	6,830,025	13,527	4,156	-	17,683	6,847,708



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

subject to trading restriction						
Total	6,986,564	13,527	-	(2,762)	10,765	6,997,329

(a) For the six months ended 30 June 2022, the share-based payment incentive plan increased the share capital by 13,527,000 shares.

(42) Treasury stock

Item	Opening balance	Movements for the current period		Ending balance
		Increase in the current period	Decrease in the current period	
Treasury stock used for share-based payment incentive plan	14,044,550	1,188,389	(587,851)	14,645,088
Total	14,044,550	1,188,389	(587,851)	14,645,088

For the six months ended 30 June 2022, the Group's repurchased treasury stock amounted to RMB 1,188,389,000. As at 30 June 2022, treasury stock mainly comprised treasury stock of RMB 10,851,033,000 used for share-based payment incentive plan and treasury stock recognised by share-based payment incentive plan amounting to RMB 3,794,055,000 that has not met unlock condition, amounting to RMB 14,645,088,000 in total.

(43) Capital surplus

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Share premium (a)	14,944,914	896,560	(425,501)	15,415,973
Share-based payment incentive plan (b)	2,161,354	799,795	(234,790)	2,726,359
Others	3,410,662	17,863	(464,222)	2,964,303
Total	20,516,930	1,714,218	(1,124,513)	21,106,635

(a) The increase in share premium arose from the exercise of share options with the amount of approximately RMB 818,573,000, the unlocking of restricted shares with the amount of approximately RMB 77,987,000; the decrease in share premium mainly arose from the repurchase of restricted shares.

(b) The increase of share-based payment incentive plan arose from expenses attributable to shareholders' equity of the parent company in the share-based payment incentive plan with the amount of approximately RMB 799,795,000, while the decrease arose from the transfer of approximately RMB 234,790,000 to share premium due to exercise of share-based payment incentive plan.

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**4 Notes to the consolidated financial statements (Cont'd)**  
**(44) Other comprehensive income**

Item	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement				
	Opening balance	Attributable to the parent company after tax	Other comprehensive income transferred to retained earnings	Ending balance	Amount arising before income tax in the current period	Less: Reclassification of previous other comprehensive income to current profit or loss	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax
Other comprehensive income items which will not be reclassified to profit or loss									
Changes arising from remeasurement of defined benefit plan	12,038	183,574	-	195,612	248,842	-	(56,244)	183,574	9,024
Changes in fair value of investments in other equity instruments	(1,949)	1,689	1,351	1,091	1,689	-	-	1,689	-
Other comprehensive income items which will be reclassified to profit or loss									
Other comprehensive income that will be transferred subsequently to profit or loss under the equity method	(89,213)	47	-	(89,166)	47	-	-	47	-
Effective portion of gains or losses on hedging instruments in a cash flow hedge	304,344	(613,659)	-	(309,315)	(420,701)	(359,992)	97,340	(613,659)	(69,694)
Differences on translation of foreign currency financial statements	(1,984,168)	899,069	-	(1,085,099)	895,161	-	-	899,069	(3,908)
<b>Total</b>	<b>(1,758,948)</b>	<b>470,720</b>	<b>1,351</b>	<b>(1,286,877)</b>	<b>725,038</b>	<b>(359,992)</b>	<b>41,096</b>	<b>470,720</b>	<b>(64,578)</b>

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

(45) Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	9,449,901	-	-	9,449,901

(46) Undistributed profits

Item	Current period	Same period of prior year
Undistributed profits at the beginning of the period	102,982,763	87,074,453
Add: Net profit attributable to owners of the parent company for the current period	15,995,496	15,009,046
Others	33,631	-
Less: Ordinary share dividends payable (a)	(11,671,286)	(11,061,680)
Undistributed profits at the end of the period	107,340,604	91,021,819

(a) Ordinary share dividends distributed in the current year

In accordance with the resolution at the Board of Shareholders' meeting, dated 20 May 2022, the Company distributed a cash dividend to the shareholders at RMB 1.70 per share, amounting to approximately RMB 11,677,509,000 calculated by 6,865,511,000 issued shares less those repurchased; 2,767,000 repurchased incentive shares in the restricted shares incentive plan were written off (Note 4(41)), and cash dividend amounting to RMB 6,223,000 was cancelled. The actual cash dividend distributed in the current year amounted to approximately RMB 11,671,286,000.

(47) Revenue and cost of sales

Item	Current period	Same period of prior year
Revenue from main operations	167,496,125	157,035,631
Revenue from other operations	15,164,884	16,773,934
Sub-total	182,661,009	173,809,565

Item	Current period	Same period of prior year
Cost of sales from main operations	127,456,627	121,004,423
Cost of sales from other operations	12,967,541	14,723,023
Sub-total	140,424,168	135,727,446

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

## (47) Revenue and cost of sales (Cont'd)

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

Product or business category	Current period		Same period of prior year	
	Revenue	Cost of sales	Revenue	Cost of sales
HVAC	83,236,383	65,712,490	76,408,470	61,335,227
Consumer appliances	66,334,685	46,958,140	64,964,319	47,164,339
Robotics and automation system	13,259,483	10,447,185	12,589,884	9,729,927
Others	4,665,574	4,338,812	3,072,958	2,774,930
Sub-total	167,496,125	127,456,627	157,035,631	121,004,423

For the six months ended 30 June 2022, cost of sales from main operations was mainly material costs and labour costs, which accounted for over 80% of total cost of sales from main operations (for the six months ended 30 June 2021: over 80%).

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

Item	Current period		Same period of prior year	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from sales of materials	13,451,028	12,600,574	15,044,049	14,407,177
Others	1,713,856	366,967	1,729,885	315,846
Sub-total	15,164,884	12,967,541	16,773,934	14,723,023

For the six months ended 30 June 2022, cost of sales from other operations was mainly material costs, which accounted for over 80% of total cost of sales from other operations (for the six months ended 30 June 2021: over 80%).

## (c) For the six months ended 30 June 2022, among the Group's revenue from main operations, the amount recognised at a point in time accounted for above 90% and the amount recognised within a certain period of time mainly included revenue from main operations of robotics and automation system segment. The Group's revenue from other operations was recognised at a point in time.

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**4 Notes to the consolidated financial statements (Cont'd)****(48) Interest income and interest costs**

The Group's interest income and costs arising from the normal course of financial business are presented as follows:

Item	Current period	Same period of prior year
Interest income from loans and advances	910,289	857,905
Including: Interest income from loans and advances to corporations and individuals	873,969	809,354
Interest income from note discounting	36,320	48,551
Interest income from deposits with banks, other financial institutions and the Central Bank	91,671	179,269
Interest income	1,001,960	1,037,174
Interest costs	(33,643)	(41,149)

**(49) Taxes and surcharges**

Item	Current period	Same period of prior year
City maintenance and construction tax	288,461	336,013
Educational surcharge	212,661	248,069
Others	297,817	249,075
Total	798,939	833,157

**(50) Selling and distribution expenses**

Item	Current period	Same period of prior year
Selling and distribution expenses	14,698,373	13,950,077

For the six months ended 30 June 2022, selling and distribution expenses were mainly maintenance expenses, advertisement and promotion fee, employee benefits, E-commerce service fee, storage service fee and property management expenses, which accounted for over 70% of total selling and distribution expenses (for the six months ended 30 June 2021: over 70%).

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**4 Notes to the consolidated financial statements (Cont'd)****(51) General and administrative expenses**

Item	Current period	Same period of prior year
General and administrative expenses	4,951,069	4,251,893

For the six months ended 30 June 2022, general and administrative expenses were mainly employee benefits, depreciation and amortisation expenses, technical maintenance expenses, administrative office expenses, storage service fee and property management expenses which accounted for over 70% of total general and administrative expenses (for the six months ended 30 June 2021: over 70%).

**(52) R&D expenses**

Item	Current period	Same period of prior year
R&D expenses	5,865,033	5,314,637

For the six months ended 30 June 2022, R&D expenses were mainly employee benefits, depreciation and amortisation expenses, trial products and material inputs expenses, which accounted for over 80% of total R&D expenses (for the six months ended 30 June 2021: over 80%).

**(53) Financial income**

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

Item	Current period	Same period of prior year
Interest expenses	(867,954)	(681,864)
Less: Interest income	2,764,267	2,501,014
Add: Exchange gains or losses	(71,019)	616,849
Add: Others	(89,876)	(114,273)
Total	1,735,418	2,321,726

**(54) Asset impairment losses**

Item	Current period	Same period of prior year
Losses on decline in the value of inventories (Note 4(10))	200,660	179,042
Impairment losses on contract assets (Note 4(8))	23,619	(812)
Impairment losses on intangible assets (Note 4(20))	6,400	-
Total	230,679	178,230

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

Item	Current period	Same period of prior year
Losses on bad debts of accounts receivable (Note 4(4))	95,157	50,794
Losses on bad debts of other receivables (Note 4(5))	(8,878)	20,450
Impairment losses on notes receivable (Note 4(3))	60,481	6,700
Impairment losses on loans and advances (Note 4(9))	38,619	67,446
Impairment losses on long-term receivables (Note 4(14))	7,512	9,070
Total	192,891	154,460

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

Item	Current period	Same period of prior year
Derivative financial assets and liabilities	(62,667)	(86,610)
Other financial assets and liabilities	(687,075)	(715,334)
Total	(749,742)	(801,944)

**(57) Investment income**

Item	Current period	Same period of prior year
Investment income from holding of financial assets held for trading	107,261	505,877
Investment income from disposal of financial assets held for trading	-	137,681
Investment income from disposal of derivative financial assets and liabilities	257,463	222,211
Investment income from associates and joint ventures	263,014	309,013
Others	(19,891)	(93,886)
Total	607,847	1,080,896

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

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

(58) Losses on disposal of assets

Item	Current period	Same period of prior year
Gains on disposal of non-current assets	53,776	2,388
Losses on disposal of non-current assets	(34,814)	(20,221)
Total	18,962	(17,833)

(59) Other income

Item	Current period	Same period of prior year	Asset related/ Income related
Special subsidy, etc.	644,525	578,265	Income related

(60) Income tax expenses

Item	Current period	Same period of prior year
Current income tax calculated based on tax law and related regulations	4,089,024	2,677,644
Deferred income tax expenses	(1,378,473)	(269,705)
Total	2,710,551	2,407,939

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is listed below:

Item	Current period	Same period of prior year
Total profit	18,832,948	17,624,384
Income tax calculated at tax rate of 25%	4,708,237	4,406,096
Effect of different tax rates applicable to subsidiaries	(1,493,631)	(1,462,481)
Effect of income tax annual filing for prior periods	(166,848)	40,903
Income not subject to tax	(163,217)	(149,474)
Costs, expenses and losses not deductible for tax purposes	276,483	193,728
Utilisation of previous temporary differences or deductible losses for which no deferred tax assets were recognised in prior periods	(43,536)	(57,946)
Others	(406,937)	(562,887)
Income tax expenses	2,710,551	2,407,939



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**4 Notes to the consolidated financial statements (Cont'd)****(61) Calculation of basic and diluted earnings per share****(a) Basic earnings per share**

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares:

Item	Unit	Current period	Same period of prior year
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	15,995,496	15,009,046
Less: Dividends payable to restricted shares	RMB'000	(94,081)	(104,901)
Consolidated net profit attributable to ordinary shareholders of the parent company (excluding dividends payable to restricted shares)	RMB'000	15,901,415	14,904,145
Weighted average number of outstanding ordinary shares	Thousands shares	6,794,724	6,878,509
Basic earnings per share	RMB Yuan/share	2.34	2.17

**(b) Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the diluted weighted average number of outstanding ordinary shares:**

Item	Unit	Current period	Same period of prior year
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	15,995,496	15,009,046
Weighted average number of outstanding ordinary shares	Thousands shares	6,794,724	6,878,509
Weighted average number of ordinary shares increased from share options	Thousands shares	35,505	72,495
Weighted average number of diluted outstanding ordinary shares	Thousands shares	6,830,229	6,951,004
Diluted earnings per share	RMB Yuan/share	2.34	2.16

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**4 Notes to the consolidated financial statements (Cont'd)****(62) Notes to the cash flow statement****(a) Cash received relating to other operating activities**

Item	Current period	Same period of prior year
Non-operating income	148,065	145,631
Other income	929,267	747,933
Other operating income	1,637,751	1,686,486
Financial interest income	317,399	508,692
Others	322,410	706,646
Total	3,354,892	3,795,388

**(b) Cash paid relating to other operating activities**

Item	Current period	Same period of prior year
General and administrative expenses and R&D expenses (excluding employee benefits and taxes and surcharges)	4,113,948	4,401,999
Selling and distribution expenses (excluding employee benefits and taxes and surcharges)	10,355,366	11,330,954
Others	521,959	255,248
Total	14,991,273	15,988,201

**(c) Supplementary information to the cash flow statement**

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

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

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

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

Supplementary information	Current period	Same period of prior year
1) Reconciliation of net profit to cash flows from operating activities:		
Net profit	16,122,397	15,216,445
Add: Asset impairment losses	230,679	178,230
Credit impairment losses	192,891	154,460
Depreciation and amortisation	3,255,456	2,954,858
(Gains)/Losses on disposal of assets	(18,962)	17,833
Losses on changes in fair value	749,742	801,944
Financial expenses	(1,557,613)	(1,046,382)
Investment income	(607,847)	(1,080,896)
Decrease in deferred tax assets	(892,692)	(289,035)
Increase in deferred tax liabilities	(353,888)	(202,799)
Decrease in inventories	8,541,659	(3,582,020)
Decrease in operating receivables	(5,945,656)	(8,694,721)
Increase in operating payables	843,457	14,935,305
Share-based payments and others	835,087	813,188
Net cash flows from operating activities	21,394,710	20,176,410
2) Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the end of the period	61,310,727	36,068,617
Less: Cash and cash equivalents at the beginning of the period	(40,550,039)	(23,548,508)
Net increase in cash and cash equivalents	20,760,688	12,520,109

(d) Composition of cash and cash equivalents

Item	Current period	Same period of prior year
Cash on hand	2,447	2,811
Cash at bank that can be readily drawn on demand	32,996,806	18,962,105
Other cash balances that can be readily drawn on demand	-	355,727
Deposits with the Central Bank that can be readily drawn on demand	154,409	104,174
Deposits with banks and other financial institutions	28,157,065	16,643,800
Cash and cash equivalents at the end of the period	61,310,727	36,068,617

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

(63) Monetary items denominated in foreign currencies

Item	30 June 2022		
	Foreign currency balance	Exchange rate	RMB balance
<b>Cash at bank and on hand</b>			
USD	1,407,784	6.7114	9,448,202
JPY	16,931,813	0.0491	831,352
HKD	1,643,162	0.8552	1,405,232
EUR	1,017,446	7.0084	7,130,669
BRL	43,383	1.2813	55,587
VND	670,113,333	0.0003	201,034
Other currencies	Not applicable	Not applicable	1,552,754
Sub-total			20,624,830
<b>Accounts receivable</b>			
USD	1,485,895	6.7114	9,972,436
JPY	16,253,544	0.0491	798,049
HKD	58,095	0.8552	49,683
EUR	540,668	7.0084	3,789,218
BRL	766,824	1.2813	982,532
VND	1,466,270,000	0.0003	439,881
Other currencies	Not applicable	Not applicable	2,612,547
Sub-total			18,644,346
<b>Other receivables</b>			
USD	45,393	6.7114	304,651
JPY	1,339,511	0.0491	65,770
HKD	1,853	0.8552	1,585
EUR	44,872	7.0084	314,481
BRL	39,201	1.2813	50,228
Other currencies	Not applicable	Not applicable	376,811
Sub-total			1,113,526
<b>Total</b>			<b>40,382,702</b>

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

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

Item	30 June 2022		
	Foreign currency balance	Exchange rate	RMB balance
<b>Short-term borrowings</b>			
USD	204,944	6.7114	1,375,461
EUR	237,923	7.0084	1,667,460
BRL	373,126	1.2813	478,086
Other currencies	Not applicable	Not applicable	370,794
Sub-total			3,891,801
<b>Accounts payable</b>			
USD	401,381	6.7114	2,693,828
JPY	4,986,273	0.0491	244,826
HKD	17,975	0.8552	15,372
EUR	231,262	7.0084	1,620,777
BRL	248,349	1.2813	318,210
Other currencies	Not applicable	Not applicable	1,778,059
Sub-total			6,671,072
<b>Other payables</b>			
USD	4,847	6.7114	32,530
JPY	8,462,383	0.0491	415,503
HKD	1,987	0.8552	1,699
EUR	1,399	7.0084	9,805
Other currencies	Not applicable	Not applicable	156,860
Sub-total			616,397
<b>Current portion of non-current liabilities</b>			
EUR	3,821,286	7.0084	26,781,101
Other currencies	Not applicable	Not applicable	110,103
Sub-total			26,891,204
<b>Long-term borrowings</b>			
USD	50,209	6.7114	336,974
EUR	921,000	7.0084	6,454,736
JPY	69,460,000	0.0491	3,412,987
Other currencies	Not applicable	Not applicable	4,005
Sub-total			10,208,702
<b>Debentures payable</b>			
USD	454,084	6.7114	3,047,541
Sub-total			3,047,541
<b>Lease liabilities</b>			
EUR	94,957	7.0084	665,496
JPY	1,220,489	0.0491	59,926
Other currencies	Not applicable	Not applicable	77,631
Sub-total			803,053
Total			52,129,770

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

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

Item	31 December 2021		
	Foreign currency balance	Exchange rate	RMB balance
<b>Cash at bank and on hand</b>			
USD	602,212	6.3757	3,839,525
JPY	12,142,726	0.0554	672,707
HKD	1,630,997	0.8176	1,333,503
EUR	148,197	7.2197	1,069,937
BRL	289,406	1.1425	330,646
VND	448,073,333	0.0003	134,422
Other currencies	Not applicable	Not applicable	1,452,778
Sub-total			8,833,518
<b>Accounts receivable</b>			
USD	1,060,053	6.3757	6,758,578
JPY	11,614,937	0.0554	643,468
HKD	23,316	0.8176	19,063
EUR	394,600	7.2197	2,848,894
BRL	635,016	1.1425	725,506
VND	1,722,254,244	0.0003	516,676
Other currencies	Not applicable	Not applicable	2,475,054
Sub-total			13,987,239
<b>Other receivables</b>			
USD	175,560	6.3757	1,119,315
JPY	1,379,057	0.0554	76,400
HKD	1,901	0.8176	1,555
EUR	43,768	7.2197	315,990
BRL	67,455	1.1425	77,067
Other currencies	Not applicable	Not applicable	328,047
Sub-total			1,918,374
<b>Total</b>			<b>24,739,131</b>

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

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

Item	31 December 2021		
	Foreign currency balance	Exchange rate	RMB balance
<b>Short-term borrowings</b>			
USD	200,000	6.3757	1,275,140
EUR	149,976	7.2197	1,082,782
Other currencies	Not applicable	Not applicable	185,393
Sub-total			2,543,315
<b>Accounts payable</b>			
USD	330,786	6.3757	2,108,991
JPY	5,227,130	0.0554	289,583
HKD	12,987	0.8176	10,618
EUR	219,900	7.2197	1,587,612
BRL	370,864	1.1425	423,712
Other currencies	Not applicable	Not applicable	1,845,979
Sub-total			6,266,495
<b>Other payables</b>			
USD	7,124	6.3757	45,423
JPY	7,415,640	0.0554	410,826
HKD	10,577	0.8176	8,648
EUR	2,410	7.2197	17,401
Other currencies	Not applicable	Not applicable	127,366
Sub-total			609,664
<b>Current portion of non-current liabilities</b>			
EUR	3,824,888	7.2197	27,614,541
USD	89,993	6.3757	573,767
Other currencies	Not applicable	Not applicable	115,468
Sub-total			28,303,776
<b>Long-term borrowings</b>			
USD	49,910	6.3757	318,208
EUR	421,000	7.2197	3,039,494
JPY	69,460,000	0.0554	3,849,126
Other currencies	Not applicable	Not applicable	17,292
Sub-total			7,224,120
<b>Lease liabilities</b>			
EUR	95,154	7.2197	686,986
JPY	1,965,358	0.0554	108,881
Other currencies	Not applicable	Not applicable	45,337
Sub-total			841,204
<b>Total</b>			<b>45,788,574</b>

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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#### 5 Changes of consolidation scope

- (1) Business combinations involving enterprises not under common control

- (a) Business combinations involving enterprises not under common control in the current year

The Group acquired Midea Venture Capital Management Co., Ltd. and its subsidiaries (including structured entities) in January 2022, Wuhan TTium Motor Technology Co., Ltd. and its subsidiaries in April 2022 and Shaanxi Construction Investment Co., Ltd. in May 2022.

The acquisition has no significant impact on the Group's consolidated financial statements.

- (2) Changes of consolidation scope due to other reasons

- (a) Increase of consolidation scope

The Company's wholly-owned subsidiary Anhui Welling Auto Parts Corporation Limited established Anqing Welling Auto Parts Corporation Limited in January 2022, holding 100% of the shares.

Annto Logistics Supply Chain Technology Co., Ltd. and Foshan Annto Logistics Technology Co., Ltd., the Company's subsidiaries, established Tianjin Antu Supply Chain Management Co., Ltd. in January 2022, holding 99% and 1% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Guangdong Midea Smart Home Retail Co., Ltd. in January 2022, holding 95% and 5% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Guangdong Midea Smart Home Technology Co., Ltd. in January 2022, holding 95% and 5% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Wuhu Yubian Intelligent Technology Co., Ltd. in February 2022, holding 95% and 5% of the shares respectively.

Midea International Corporation Company Limited, a wholly-owned subsidiary of the Company, established MC Innovation Center Co., Ltd. in February 2022, holding 100% of the shares.

Guangdong Midea Smart Home Retail Co., Ltd. and Guangdong Midea Smart Home Technology Co., Ltd., wholly-owned subsidiaries of the Company, established Wuhu Midea Smart Home Co., Ltd., Haikou Midea Smart Home Appliances Sales Co., Ltd., Hangzhou Midea Smart Home Co., Ltd., Foshan Midea Smart Home Co., Ltd., Lanzhou Midea Smart Home Appliances Sales Co., Ltd., Tianjin Midea Smart Home Co., Ltd., Hefei Midea Smart Home Co., Ltd., Changsha Midea Smart Home Co., Ltd., Guangzhou Midea Smart Home Co., Ltd., Wuxi Midea Smart Home Co., Ltd., Kunming Midea Smart Home Co., Ltd., Ji'nan Midea Smart Home Co., Ltd., Chengdu Midea Smart Home Co., Ltd., Nanyang Midea Smart Home Co., Ltd., Xi'an Midea Smart Home Appliances Sales Co., Ltd., Beijing Midea Smart Home Co., Ltd., Guizhou Midea Smart Home Co., Ltd., Linyi Midea Smart Home Appliances Sales Co., Ltd., Nanning Midea Smart Home Appliances Sales Co., Ltd., Wuhan Midea Smart Home Co., Ltd. and Xuzhou Midea Smart Home Co., Ltd. in March 2022, holding 95% and 5% of the shares respectively.



## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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#### 5 Changes of consolidation scope (Cont'd)

(2) Changes of consolidation scope due to other reasons (Cont'd)

(a) Increase of consolidation scope (Cont'd)

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Guizhou Midea Digi-Port Technology Co., Ltd. in April 2022, holding 95% and 5% of the shares respectively.

Guangdong Midea Smart Home Retail Co., Ltd. and Guangdong Midea Smart Home Technology Co., Ltd., wholly-owned subsidiaries of the Company, established Shijiazhuang Midea Smart Home Co., Ltd., Nanjing Midea Smart Home Co., Ltd., Fuzhou Midea Smart Home Co., Ltd., Nanchang Midea Smart Home Co., Ltd., Urumchi Midea Smart Home Co., Ltd., Chongqing Midea Smart Home Co., Ltd. and Ningbo Midea Smart Home Co., Ltd. in April 2022, holding 95% and 5% of the shares respectively.

Guangdong Midea Smart Home Retail Co., Ltd. and Guangdong Midea Smart Home Technology Co., Ltd., wholly-owned subsidiaries of the Company, established Shenzhen Midea Smart Home Appliances Sales Co., Ltd. and Changchun Midea Smart Home Appliances Sales Co., Ltd. in May 2022, holding 95% and 5% of the shares respectively.

Midea Electrics Netherlands B.V., a wholly-owned subsidiary of the Company, established Midea Electrics France in June 2022, holding 100% of the shares.

Guangdong Midea Smart Home Retail Co., Ltd. and Guangdong Midea Smart Home Technology Co., Ltd., wholly-owned subsidiaries of the Company, established Zhengzhou Midea Smart Home Co., Ltd. and Taiyuan Midea Smart Home Co., Ltd. in June 2022, holding 95% and 5% of the shares respectively.

Kuka Deutschland GmbH, a subsidiary of the Company, established Kuka TR Robot Teknolojileri Sanayi Ticaret Anonim Sirketi in June 2022, holding 100% of the shares.

(b) Decrease of consolidation scope

Decrease of consolidation scope in the current period mainly includes deregistration of subsidiaries. Details are as follows:

Name of entity	Disposal method of the equity	Disposal time-point of the equity
Shanghai Guifu Information Technology Co., Ltd.	Deregistration	January 2022
Shenzhen Midea Financial Leasing Co., Ltd.	Deregistration	May 2022
Wuhan Hiconics Electric Drive Technology Co., Ltd.	Change of equity	March 2022

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6 Interests in other entities

(1) Interests in subsidiaries

(a) Composition of significant subsidiaries

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
GD Midea Air-Conditioning Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture and sales of air conditioner	73%	7%	Business combinations involving enterprises not under common control
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture and sales of air conditioner	93%	7%	Business combinations involving enterprises not under common control
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	Wuhan, PRC	Wuhan, PRC	Manufacture of air conditioner	73%	7%	Establishment
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of air conditioner	87%	13%	Establishment
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	Chongqing, PRC	Chongqing, PRC	Manufacture and sales of air conditioner	95%	5%	Establishment
GD Midea Heating & Ventilating Equipment Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of air conditioner	90%	10%	Establishment
Zhejiang Meizhi Compressor Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Manufacture of air conditioner	100%	-	Establishment
Hefei Midea Refrigerator Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of refrigerator	75%	25%	Business combinations involving enterprises not under common control
Hefei Hualing Co., Ltd.	Hefei, PRC	Hefei, PRC	Manufacture of refrigerator	75%	25%	Business combinations involving enterprises not under common control
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	-	100%	Establishment
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Foshan, PRC	Foshan, PRC	Manufacture of small household appliances	-	100%	Establishment
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	90%	10%	Business combinations involving enterprises under common control
Wuxi Little Swan Electric Co., Ltd.	Wuxi, PRC	Wuxi, PRC	Manufacture of washing machine	100%	0%	Establishment
Midea Electric Trading (Singapore) Co., Pte. Ltd.	Singapore	Singapore	Export trade	-	100%	Establishment
Midea Group Finance Co., Ltd.	Foshan, PRC	Foshan, PRC	Financial industry	95%	5%	Establishment
Midea Microfinance Loan Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Petty loan	5%	95%	Business combinations involving enterprises not under common control
Mecca International (BVI) Limited	British Virgin Islands	British Virgin Islands	Investment holding	0%	100%	Establishment
Midea International Corporation Company Limited	Hong Kong	Hong Kong	Investment holding	100%	-	Establishment
Wuhu Midea Life Appliances Mfg Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Manufacture of small household appliances	100%	-	Establishment
Midea Electric Netherlands (I) B.V.	Netherlands	Netherlands	Investment holding	-	100%	Establishment
Toshiba Consumer Marketing Corporation	Japan	Japan	Manufacture of home appliances	-	100%	Business combinations involving enterprises not under common control
TLSC	Japan	Japan	Manufacture of home appliances	-	100%	Business combinations involving enterprises not under common control
KUKA	Germany	Germany	Manufacture and sales of robots	-	95%	Business combinations involving enterprises not under common control
Ningbo Midea United Materials Supply Co., Ltd.	Ningbo, PRC	Ningbo, PRC	Wholesale and retail	100%	0%	Establishment
Wuhu Midea Annto Logistics Co., Ltd.	Wuhu, PRC	Wuhu, PRC	Logistics	-	76%	Establishment
Midea Innovation Investment Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Investment holding	85%	15%	Establishment
Midea Group (Shanghai) Co. Ltd.	Shanghai, PRC	Shanghai, PRC	Manufacture and sales of household appliances	90%	10%	Establishment
Chongqing Midea Commercial Factoring Co., Ltd.	Chongqing, PRC	Chongqing, PRC	Factoring	-	100%	Establishment
Tianjin Midea Commercial Factoring Co., Ltd.	Tianjin, PRC	Tianjin, PRC	Factoring	-	100%	Establishment
Midea Investment Co., Ltd.	Hainan, PRC	Hainan, PRC	Investment	90%	10%	Establishment

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

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

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

Item	Current period	Same period of prior year
Aggregated carrying amount of investments	3,769,304	3,016,023
Aggregate of the following items in proportion		
Net profit (i)	263,014	309,013
Other comprehensive income (i)	47	24,624
Total comprehensive income	263,061	333,637

- (i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in associates and the unification of accounting policies adopted by the associates to those adopted by the Company.
- (3) Structured entities not included in the consolidation scope

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

#### 7 Segment information

The reportable segments of the Group are the business units that provide different products or services, or operate in different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 4 reportable segments as follows:

- Heating & ventilation, as well as air-conditioner
- Consumer appliances
- Robotics and automation system
- Others

Inter-segment transfer prices are determined based on negotiation by both parties with reference to selling prices for third parties.

The assets are allocated based on the operations of the segments and the physical locations of the assets. The liabilities are allocated based on the operations of the segments. Expenses indirectly attributable to the segments are allocated based on the proportion of each segment's revenue.

Operating expenses include cost of sales, interest costs, fee and commission expenses, taxes and surcharges, selling and distribution expenses, general and administrative expenses, R&D expenses and financial expenses.

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8 Segment reporting

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

Segment information as at and for the six months ended 30 June 2022 is as follows:

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

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8 Segment reporting (Cont'd)

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

Segment information as at and for the six months ended 30 June 2021 is as follows:

Item	Same period of prior year					
	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated amount	Offsetting	Total
Revenue from external customers	89,094,203	68,877,276	12,627,376	4,248,040	-	174,846,895
Inter-segment revenue	1,585,955	338,135	91,109	3,800,787	(5,815,986)	-
Operating expenses	(82,720,464)	(61,540,893)	(12,476,531)	(6,806,929)	5,744,784	(157,800,033)
Segment profit	7,959,694	7,674,518	241,954	1,241,898	(71,202)	17,046,862
Other profit or loss						577,522
Total profit						17,624,384
Total assets	164,823,833	139,287,931	34,823,438	191,395,213	(150,119,213)	380,211,202
Total liabilities	117,342,017	107,014,609	24,510,854	182,432,488	(174,543,552)	256,756,416
Long-term equity investments in associates and joint ventures	247,711	128,357	24,380	2,615,575	-	3,016,023
Investment income from associates and joint ventures	110,218	5,494	(288)	193,589	-	309,013
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	1,414,789	896,323	374,733	4,349,352	-	7,035,197
Losses on/(Reversal of) asset impairment	70,592	89,860	17,778	-	-	178,230
Losses on/(Reversal of) credit impairment	(61,249)	(17,671)	87,584	181,396	(35,600)	154,460
Depreciation of right-of-use assets	45,671	41,654	130,446	184,604	-	402,375
Depreciation and amortisation expenses	977,772	803,712	524,378	246,621	-	2,552,483

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**8 Segment reporting (Cont'd)**

## (b) Geographical area information

The Group's revenue from external customers domestically and in foreign countries or geographical areas, and the total non-current assets other than long-term equity investments, financial assets, goodwill and deferred tax assets located domestically and in foreign countries or geographical areas (including Germany, Japan, Hong Kong, Macau, Singapore, Brazil, etc.) are as follows:

Revenue from external customers	Current period	Same period of prior year
Domestic	105,824,857	100,887,459
In other countries/geographical areas	77,838,542	73,959,436
Total	183,663,399	174,846,895

Total non-current assets	Current period	Same period of prior year
Domestic	32,732,170	39,689,984
In other countries/geographical areas	16,821,780	17,838,149
Total	49,553,950	57,528,133

**9 Related parties and significant related party transactions**

## (1) Information of the parent company

## (a) General information of the parent company

Name of the parent company	Relationship	Place of registration	Nature of business
Midea Holding Co., Ltd.	Controlling shareholder	Shunde District, Foshan	Commercial

The Company's ultimate controlling person is Mr. He Xiangjian.

## (b) Registered capital and changes in registered capital of the parent company

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

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

Name of the parent company	At the end of the period			At the beginning of the period		
	Shareholding (%)		Voting rights (%)	Shareholding (%)		Voting rights (%)
	Direct	Indirect		Direct	Indirect	
Midea Holding Co., Ltd.	31.00%	-	31.00%	31.05%	-	31.05%

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

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

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**9 Related parties and significant related party transactions (Cont'd)****(3) Information of other related parties**

Name of other related parties	Relationship
Guangdong Infore Material-Tech Co., Ltd.	Controlled by direct relatives of the Company's ultimate controlling shareholder
Orinko New Material Co., Ltd.	Controlled by direct relatives of the Company's ultimate controlling shareholder
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Controlled by the Company's ultimate controlling shareholder
Foshan Micro Midea Filter Mfg. Co., Ltd.	Associate of the Company
Guangdong Shunde Rural Commercial Bank Co., Ltd.	Associate of the Company

**(4) Information of related party transactions**

The following primary related party transactions are conducted in accordance with normal commercial terms at agreed price by reference to the market price.

**(a) Purchase of goods:**

Related parties	Content of related party transactions	Current period	Same period of prior year
Orinko New Material Co., Ltd.	Purchase of goods	697,804	671,628
Foshan Micro Midea Filter Mfg. Co., Ltd.	Purchase of goods	161,191	180,676
Guangdong Wellkey Electrician Material Co., Ltd.	Purchase of goods		527,342
Anhui Wellkey Electrician Material Co., Ltd.	Purchase of goods		279,685
Total		858,995	1,659,331

As at 30 June 2022, Guangdong Wellkey Electrician Material Co., Ltd. and Anhui Wellkey Electrician Material Co., Ltd. were not related parties of the Company due to changes in equity relationship.

**(b) Sales of goods:**

Related parties	Content of related party transactions	Current period	Same period of prior year
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Sales of goods	74,357	93,907

**(c) Investment income and interest income:**

Related parties	Current period	Same period of prior year
Guangdong Shunde Rural Commercial Bank Co., Ltd.	159,386	100,448

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#### 9 Related parties and significant related party transactions (Cont'd)

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

Receivables from related parties:

Item	Related parties	Ending balance	Opening balance
Cash at bank and on hand, other debt investments and current portion of current assets, etc.	Guangdong Shunde Rural Commercial Bank Co., Ltd.	11,185,592	6,218,638

Payables to related parties:

Item	Related parties	Ending balance	Opening balance
Accounts payable	Orinko New Material Co., Ltd.	119,838	150,002
	Foshan Micro Midea Filter Mfg. Co., Ltd.	62,916	80,498
	Guangdong Wellkey Electrician Material Co., Ltd.	-	186,309
	Anhui Wellkey Electrician Material Co., Ltd.	-	96,106
Notes payable	Guangdong Wellkey Electrician Material Co., Ltd.	-	54,613

As at 30 June 2022, Guangdong Wellkey Electrician Material Co., Ltd. and Anhui Wellkey Electrician Material Co., Ltd. were not related parties of the Company due to changes in equity relationship.

#### 10 Share-based payment

##### (1) Share option incentive plan

- (a) Pursuant to the ninth share option incentive plan (the "Ninth Share Option Incentive Plan") approved at the 2021 annual shareholders' meeting in 2022, the Company granted 107,791,000 share options with exercise price of RMB 54.61 to 2,815 employees. Under the circumstance that the Company meets expected performance, 30%, 30% and 40% of the total share options granted will become effective after 2 years, 3 years and 4 years respectively since 8 June 2022.

Determination method for fair value of share options at the grant date

Exercise price of options:	RMB 54.61
Effective period of options:	5 years
Current price of underlying shares:	RMB 52.99
Estimated fluctuation rate of share price:	35.70%
Estimated dividend rate:	2.17%
Risk-free interest rate within effective period of options:	2.00%

The fair value of the Ninth Share Option Incentive Plan calculated pursuant to the above parameters is: RMB 1,334,978,000.



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

(1) Share option incentive plan (Cont'd)

(b) Movements in share options during the six months ended 30 June 2022

Item	For the six months ended 30 June 2022 (Share in thousands)
Share options issued at the beginning of the year	198,770
Share options granted during the period	107,791
Share options exercised during the period	(13,527)
Share options lapsed during the period	(12,313)
Share options issued at the end of the period	280,721

As at 30 June 2022, the residual contractual maturity date of the Fifth Share Option Incentive Plan is on 6 May 2024. The residual contractual maturity date of the Fifth Reserved Share Option Incentive Plan is on 10 March 2025. The residual contractual maturity date of the Sixth Share Option Incentive Plan is on 29 May 2025. The residual contractual maturity date of the Seventh Share Option Incentive Plan is on 4 June 2024. The residual contractual maturity date of the Eighth Share Option Incentive Plan is on 3 June 2026. The residual contractual maturity date of the Ninth Share Option Incentive Plan is on 7 June 2027.

(2) Restricted share plan

(a) Pursuant to the restricted shares incentive plan for 2022 approved at the 2021 annual shareholders' meeting in 2022 (the "Restricted Shares Incentive Plan for 2022"), the Company granted 12,152,500 restricted shares with exercise price of RMB 26.47 to 191 employees. Under the circumstance that the Company meets expected performance, 30%, 30% and 40% of the total restricted shares granted will be unlocked after 2 years, 3 years and 4 years respectively since 8 June 2022. The listing date for the granted restricted shares of this plan is 13 July 2022.

(b) Movements in restricted shares during the six months ended 30 June 2022

Item	For the six months ended 30 June 2022 (Share in thousands)
Restricted shares issued at the beginning of the year	62,267
Restricted shares granted during the period	12,153
Restricted shares unlocked during the period	(3,169)
Restricted shares lapsed during the period	(2,762)
Restricted shares issued at the end of the period	68,489

(3) For the six months ended 30 June 2022, the total expenses due to the above share-based payment incentive plan were RMB 835,078,000. As at 30 June 2022, the balance relating to the share-based payment incentive plan and accrued from capital surplus was RMB 2,726,359,000.

#### 11 Contingencies

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As at 30 June 2022, the amount in tax disputes involving Brazilian subsidiary with 51% interests held by the Company was about BRL 616 million (equivalent to RMB 789 million) (Some cases have lasted for more than 10 years. The above amount included the principal and interest). As at 30 June 2022, relevant cases were still at court. Original shareholders of Brazilian subsidiary have agreed to compensate the Company according to verdict results of the above tax disputes. The maximum compensation amount is about BRL 157 million (equivalent to RMB 201 million). With reference to judgements of third-party attorneys, management believes that the probability of losing lawsuits and making compensation is small, and expects no significant risk of tax violation.

#### **12 Commitments**

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

#### **13 Events after the balance sheet date**

Nil.

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**14 Financial risk**

The Group is exposed to various financial risks in the ordinary course of business, mainly including:

- Market risk (mainly including foreign exchange risk, interest rate risk and price risk)
- Credit risk
- Liquidity risk

The following mainly relates to the above risk exposures and relevant causes, objectives, policies and process of risk management, method of risk measurement, etc.

The objective of the Group's risk management is to seek balance between risk and income, minimising the adverse impact of financial risks on the Group's financial performance. Pursuant to the risk management objective, the Group has made risk management policies to identify and analyse the risks it is exposed to and set appropriate risk resistant level and design relevant internal control procedures to monitor the Group's risk level. The Group reviews regularly these risk management policies and relevant internal control systems to adapt to changes in market condition or its operating activities.

(1) Market risk

(a) Foreign exchange risk

The Group mainly operates in China, Europe, America, Asia, South America and Africa for the manufacturing, sales, investments and financing activities. Any foreign currency denominated monetary assets and liabilities other than in RMB would subject the Group to foreign exchange exposure.

The Group's finance department at its headquarters has a professional team to manage foreign exchange risk, with approach of the natural hedge for settling currencies, signing forward foreign exchange hedging contracts and controlling the scale of foreign currency assets and liabilities, to minimise foreign exchange risk, and to reduce the impact of exchange rate fluctuations on business performance.

(b) Interest rate risk

The Group's interest rate risk arises from interest bearing borrowings including long-term borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2022, the Group's long-term interest bearing borrowings at floating rates amounted to RMB 336,974,000 (31 December 2021: RMB 891,817,000).

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest costs with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. Management makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk.

## MIDEA GROUP CO., LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

##### (c) Other price risk

The Group's other price risk arises mainly from financial instruments measured at fair value. As at 30 June 2022, if expected price of the investments held by the Group fluctuated, the Group's gains or losses on changes in fair value would be affected accordingly.

##### (2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, deposits with the Central Bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, receivables financing, loans and advances, other receivables, contract assets, other debt investments and derivative financial assets at fair value through profit or loss that are not included in the impairment assessment scope. As at the balance sheet date, the carrying amount of the Group's financial assets represented the maximum exposure of the Group and no guarantees that may allow the Group to undertake credit risk were provided.

The Group expects that there is no significant credit risk associated with cash at bank, deposits with the Central Bank and deposits with banks and other financial institutions since they are deposited at state-owned banks and other medium or large size listed banks. The Group does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on notes receivable, accounts receivable, receivables financing, loans and advances, other receivables, contract assets, monetary investments in other current assets, structural deposits and other debt investments. 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.

##### (3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

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

(3) Liquidity risk (Cont'd)

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

30 June 2022					
Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings (including interest)	10,744,601	-	-	-	10,744,601
Borrowings from the Central Bank (including interest)	250,000	-	-	-	250,000
Customer deposits and deposits from banks and other financial institutions (including interest)	98,895	-	-	-	98,895
Notes payable	29,331,809	-	-	-	29,331,809
Accounts payable	65,519,687	14,046	-	-	65,533,733
Other payables	4,781,862	-	-	-	4,781,862
Financial liabilities held for trading	1,706,821	-	-	-	1,706,821
Derivative financial liabilities	238,448	-	-	-	238,448
Other current liabilities (including interest)	23,335,993	-	-	-	23,335,993
Current portion of non-current liabilities (including interest)	27,724,645	-	-	-	27,724,645
Long-term borrowings (including interest)	553,374	18,542,481	8,715,407	-	27,811,262
Debentures payable	86,980	86,980	3,234,305	-	3,408,265
Lease liabilities (including interest)	-	607,481	750,262	336,115	1,693,858
Other non-current liabilities	-	-	687,305	-	687,305
Sub-total	164,373,115	19,250,988	13,387,279	336,115	197,347,497

  

31 December 2021					
Ending balance	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings (including interest)	5,420,066	-	-	-	5,420,066
Borrowings from the Central Bank (including interest)	180,000	-	-	-	180,000
Customer deposits and deposits from banks and other financial institutions (including interest)	78,235	-	-	-	78,235
Notes payable	32,752,007	-	-	-	32,752,007
Accounts payable	65,983,559	-	-	-	65,983,559
Other payables	4,288,104	-	-	-	4,288,104
Derivative financial liabilities	157,602	-	-	-	157,602
Other current liabilities	16,920,200	-	-	-	16,920,200
Current portion of non-current liabilities (including interest)	28,995,245	-	-	-	28,995,245
Long-term borrowings (including interest)	409,056	6,656,015	13,726,837	-	20,791,908
Lease liabilities (including interest)	-	667,710	879,105	143,316	1,690,131
Other non-current liabilities	-	-	687,689	-	687,689
Sub-total	155,184,074	7,323,725	15,293,631	143,316	177,944,746

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**15 Fair value estimates**

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

As at 30 June 2022, the financial assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Fair value at the end of the period			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value -				
Financial assets held for trading	1,099,287	2,166,354	-	3,265,641
Derivative financial assets	-	586,771	-	586,771
Receivables financing	-	14,072,448	-	14,072,448
Other current assets - hedging instruments and transferable certificate of deposit	-	538,214	-	538,214
Other debt investments	-	22,383,547	-	22,383,547
Other equity investments	-	-	43,377	43,377
Other non-current financial assets	-	-	7,076,364	7,076,364
<b>Total assets</b>	<b>1,099,287</b>	<b>39,747,334</b>	<b>7,119,741</b>	<b>47,966,362</b>
Financial liabilities measured at fair value -				
Financial liabilities held for trading	-	-	1,706,821	1,706,821
Derivative financial liabilities	-	238,448	-	238,448
Other current liabilities - hedging instruments	-	521,188	-	521,188
<b>Total liabilities</b>	<b>-</b>	<b>759,636</b>	<b>1,706,821</b>	<b>2,466,457</b>

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

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

As at 31 December 2021, the financial assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

Item	Fair value at the beginning of the year			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value -				
Financial assets held for trading	1,319,470	4,559,732	-	5,879,202
Derivative financial assets	-	545,865	-	545,865
Receivables financing	-	10,273,552	-	10,273,552
Other current assets - hedging instruments and transferable certificate of deposit	-	982,965	-	982,965
Other debt investments	-	27,254,307	-	27,254,307
Investments in other equity instruments	-	-	45,747	45,747
Other non-current financial assets	-	-	5,912,873	5,912,873
<b>Total assets</b>	<b>1,319,470</b>	<b>43,616,421</b>	<b>5,958,620</b>	<b>50,894,511</b>
Financial liabilities measured at fair value -				
Derivative financial liabilities	-	157,602	-	157,602
Other current liabilities - hedging instruments	-	9,047	-	9,047
<b>Total liabilities</b>	<b>-</b>	<b>166,649</b>	<b>-</b>	<b>166,649</b>

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There was no significant transfer of fair value measurement level of the above financial instruments among the three levels.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. Inputs of valuation technique mainly comprise risk-free interest rate, estimated interest rate and estimated annual yield.

There were no changes in the valuation technique for the fair value of the Group's financial instruments in the current year.

The changes in Level 3 financial assets and liabilities are analysed below:

Item	Financial assets	Financial liabilities
1 January 2022	5,958,620	-
Increase	1,581,046	(1,766,953)
Decrease	(50,842)	17,056
Transfer out of Level 3	(51,500)	-
<b>Total gains of current period</b>		
Investment income recognised in the income statement	(379,967)	43,076
Gains recognised in other comprehensive income	62,384	-
<b>30 June 2022</b>	<b>7,119,741</b>	<b>(1,706,821)</b>

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

Item	Financial assets
1 January 2021	3,407,500
Increase	2,492,898
Decrease	(869,794)
Transfer into Level 3	28,666
Total gains of current period	
Investment income recognised in the income statement	943,969
Losses recognised in other comprehensive income	(44,619)
31 December 2021	5,958,620

- (a) The fair value of this part of other non-current financial assets is measured using discounted cash flows approach. The judgement of Level 3 of the fair value hierarchy is based on the materiality of unobservable inputs towards calculation of whole fair value. Significant unobservable inputs mainly include the financial data of targeted company and risk adjusted discount rates.

Assets and liabilities subject to Level 2 fair value measurement are mainly structural deposits, transferable certificate of deposit, receivables financing and forward exchange contracts and are evaluated by market approach and income approach.

**(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed**

The Group's financial assets and financial liabilities measured at amortised cost mainly include: cash at bank and on hand, deposits with the Central Bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, contract assets, loans and advances, other receivables, other current assets (excluding those mentioned in Note 15(1)), notes payable, accounts payable, contract liabilities, short-term borrowings, long-term borrowings, debentures payable, lease liabilities, current portion of non-current liabilities, customer deposits and deposits from banks and other financial institutions, other payables, other current liabilities, etc.

Carrying amounts of the Group's financial assets and financial liabilities measured at amortised cost as at 30 June 2022 and 31 December 2021 approximated to their fair value.



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**16 Capital management**

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group is not subject to external mandatory capital requirements, and monitors capital structure on the basis of gearing ratio (total liabilities divide total assets).

As at 30 June 2022 and 31 December 2021, the Group's gearing ratio was as follows:

Item	Ending balance	Opening balance
Total liabilities	272,705,675	253,121,028
Total assets	413,104,145	387,946,104
Gearing ratio	66.01%	65.25%

**17 Notes to the parent company's financial statements**

## (1) Other receivables

Item	Ending balance	Opening balance
Other receivables	26,530,591	31,465,557
Less: Provision for bad debts	(18,274)	(17,708)
Total	26,512,317	31,447,849

## (a) Other receivables are analysed by ageing as follows:

Ageing	Ending Balance	Opening balance
Within 1 year	26,527,119	31,461,940
1 to 2 years	860	1,708
Over 2 years	2,612	1,909
Total	26,530,591	31,465,557

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

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

Item	Stage 1				Stage 3		Sub-total Provision for bad debts
	12-month ECL (Grouping)		12-month ECL (Individual)		Lifetime ECL (Credit impaired)		
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts	
1 January 2022	31,315,234	17,708	150,323	-	-	-	17,708
Transfer to Stage 3 in the current year	-	-	-	-	-	-	-
Net increase in the current period	(4,798,315)	566	(136,651)	-	-	-	566
Including: Write-off in the current period	-	-	-	-	-	-	-
Derecognition	-	-	-	-	-	-	-
30 June 2022	26,516,919	18,274	13,672	-	-	-	18,274

(c) As at 30 June 2022, other receivables of the Company at Stage 1 were analysed as follows:

(i) As at 30 June 2022, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

Category	Ending balance			
	Book balance	12-month ECL rate	Provision for bad debts	Reason
Stage 1	13,672	0%	-	Relatively low expected loss risk

(ii) As at 30 June 2022, other receivables for which the related provision for bad debts was provided on the grouping basis were all at Stage 1, which were analysed as follows:

Stage 1	Ending balance			Opening balance		
	Book balance	Provision for bad debts	Provision ratio	Book balance	Provision for bad debts	Provision ratio
	Amount	Amount		Amount	Amount	
Security deposit/guarantee payables grouping	26,516,919	(18,274)	0.07%	31,315,234	(17,708)	0.06%

(d) As at 30 June 2022, the five largest other receivables aggregated by debtor were analysed as follows:

Name of entity	Nature	Book balance	Ageing	% of total balance	Provision for bad debts
Company A	Current accounts	23,551,391	Within 1 year	88.77%	(14,131)
Company B	Current accounts	1,128,000	Within 1 year	4.25%	(677)
Company C	Current accounts	518,672	Within 1 year	1.95%	(311)
Company D	Current accounts	235,000	Within 1 year	0.89%	(141)
Company E	Current accounts	193,503	Within 1 year	0.73%	(116)
Sub-total		25,626,566		96.59%	(15,376)

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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(All amounts in RMB '000 Yuan unless otherwise stated)  
[English translation for reference only]

- 17 Notes to the parent company's financial statements (Cont'd)**
- (2) Long-term equity investments

Long-term equity investments are classified as follows:

Item	Ending balance	Opening balance
Subsidiaries (a)	67,942,113	64,376,850
Associates (b)	2,424,848	2,428,841
Sub-total	70,366,961	66,805,691
Less: Provision for impairment	-	-
Total	70,366,961	66,805,691

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts in RMB '000 Yuan unless otherwise stated)  
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17 Notes to the parent company's financial statements (Cont'd)

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

(a) Subsidiaries

Name of investee	Opening Balance	Movements for the current period			Ending balance	Cash dividends attributable to the parent company declared in the current period
		Increase in investment	Decrease in investment	Others		
Wuxi Little Swan Electric Co., Ltd.	20,266,584	-	-	36,208	20,302,792	-
Guangdong Midea Electric Co., Ltd.	5,000,000	-	-	-	5,000,000	-
Midea Group Finance Co., Ltd.	3,361,856	-	-	534	3,362,390	-
Foshan Shunde Midea Household Appliances Industry Co., Ltd.	5,949,000	-	-	-	5,949,000	-
Guangdong Midea Microwave Oven Manufacturing Co., Ltd.	1,880,041	-	-	-	1,880,041	-
GD Midea Air-Conditioning Equipment Co., Ltd.	1,906,520	-	-	55,158	1,961,678	-
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	1,171,449	-	-	13,730	1,185,179	-
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	1,080,049	-	-	1,952	1,082,001	-
Guangdong Midea Intelligent Technologies Co., Ltd.	1,059,451	800,000	-	2,963	1,862,414	-
Midea Group (Shanghai) Co., Ltd.	912,585	-	-	5,707	918,292	-
Hubei Midea Refrigerator Co., Ltd.	874,840	-	-	8,881	883,721	-
Anhui Meizhi Precision Manufacturing Co., Ltd.	831,698	-	-	2,174	833,872	-
GD Midea Heating & Ventilating Equipment Co., Ltd.	850,748	-	-	33,283	884,031	-
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	772,668	-	-	4,040	776,708	-
Wuhu Xinhe Technology Co., Ltd.	742,684	-	-	-	742,684	-
Hefei Midea Refrigerator Co., Ltd.	551,886	-	-	9,703	561,589	-
Ningbo Midea United Material Supply Co., Ltd.	501,044	-	-	1,447	502,491	-
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	481,769	-	-	-	481,769	-
Hefei Hualing Co., Ltd.	313,212	-	-	22,264	335,476	-
Midea International Corporation Company Limited	176,974	-	-	-	176,974	-
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	193,589	-	-	10,508	204,097	-
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	116,227	-	-	2,879	119,106	-
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	88,396	-	-	2,587	90,983	-
Zhejiang Meizhi Compressor Co., Ltd.	66,553	-	-	98	66,651	-
Wuhu Midea Life Appliances Mfg Co., Ltd.	56,544	-	-	131	56,675	-
Wandong Medical	2,297,093	2,051,910	-	-	4,349,003	31,958
Midea Innovation Investment Co., Ltd.	2,135,000	-	-	-	2,135,000	-
Hainan Midea Building Technology Co., Ltd.	921,500	-	-	-	921,500	-
Guangdong Midea Electromechanical Technology Co., Ltd.	500,000	-	-	-	500,000	-
Guangdong Midea Commercial Air-Conditioning Equipment Co., Ltd.	769,430	-	-	-	769,430	-
Others	8,547,460	190,831	(18,600)	326,875	9,046,566	20,841
Total	64,376,850	3,042,741	(18,600)	541,122	67,942,113	52,799

**MIDEA GROUP CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

(All amounts in RMB '000 Yuan unless otherwise stated)  
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**17 Notes to the parent company's financial statements (Cont'd)**

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

(b) Associates

Investments in associates mainly refer to the investments in Guangdong Shunde Rural Commercial Bank Co., Ltd. and Hefei Royalstar Motor Co., Ltd. and other companies by the Company.

(3) Operating revenue

Operating revenue mainly comprises other operating revenue including the trademark royalty income, rental income, management fee income, etc. obtained by the Company from the subsidiaries.

(4) Investment income

Item	Current period	Same period of prior year
Income from long-term equity investments under cost method	52,799	1,840,053
Investment income from holding of financial assets held for trading	95,277	250,866
Income from long-term equity investments under equity method	126,297	142,640
Others	(1,981)	-
Total	272,392	2,233,559

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

**MIDEA GROUP CO., LTD.****SUPPLEMENTARY INFORMATION**

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

**1 Details of non-recurring profit or loss**

Item	Current period	Same period of prior year
Gains or losses on disposal of non-current assets, including write-off of provision for asset impairment	22,156	(17,085)
Except for the effective hedging activities related to the Company's ordinary activities, gains or losses on changes in fair value arising from financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, other non-current financial assets, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, other non-current financial assets.	(434,341)	(101,719)
Others (mainly including government grants, compensation income, penalty income and other non-operating income and expenses)	772,377	544,913
Sub-total	360,192	426,109
Less: Effect of enterprise income tax (decrease in income tax expressed with "-")	(30,095)	(64,272)
Effect of minority interests (after tax)	(26,113)	10,698
Net non-recurring profit or loss attributable to shareholders of the parent company	303,984	372,535

Basis of preparation of details of non-recurring profit or loss:

Under the requirements of the *Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public - Non-recurring Profit or Loss [2008]* from CSRC, non-recurring profit or loss refers to that arises from transactions and events that are not directly relevant to ordinary activities, or that is relevant to ordinary activities, but is extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

## 2 Return on net assets and earnings per share

The Group's return on net asset and earnings per share calculated pursuant to the *Compilation Rules for Information Disclosure of Companies Offering Securities to the Public No. 9 - Calculation and Disclosure of Return on Net Asset and Earnings per Share* (revised in 2010) issued by CSRC and relevant requirements of accounting standards are as follows:

Item	Weighted average return on net assets (%)		Earnings per share (in RMB Yuan)			
			Basic earnings per share		Diluted earnings per share	
	Current period	Same period of prior year	Current period	Same period of prior year	Current period	Same period of prior year
Net profit attributable to ordinary shareholders of the Company	12.18%	12.63%	2.34	2.17	2.34	2.16
Net profit attributable to ordinary shareholders of the Company, net of non-recurring profit or loss	11.95%	12.31%	2.30	2.11	2.30	2.10

## 3 Differences in Accounting Data under Domestic and Overseas Accounting Standards

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

Applicable     Not applicable

- (2) Differences in the net profit and net assets disclosed in the financial reports prepared under CAS and foreign accounting standards

Applicable     Not applicable