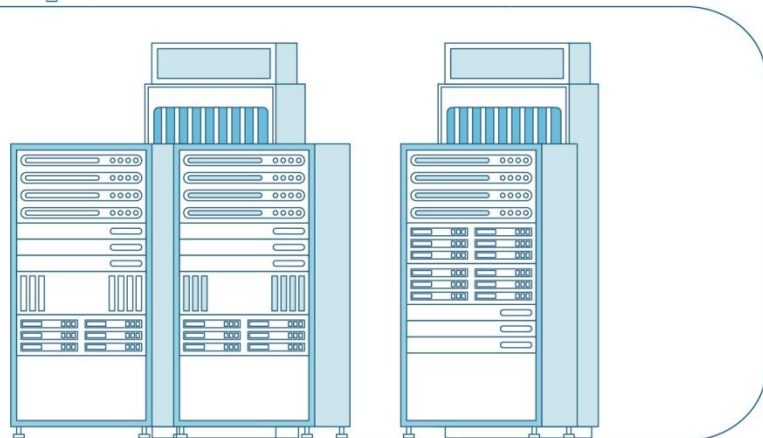
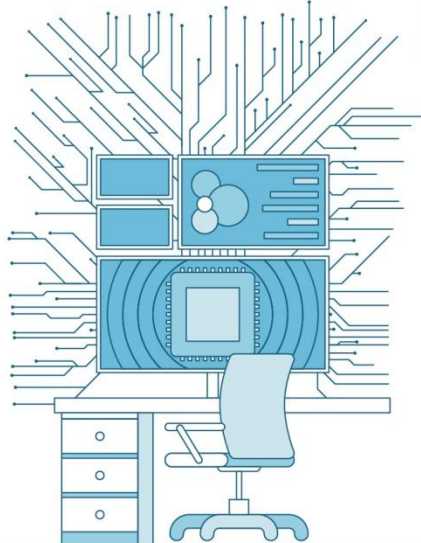
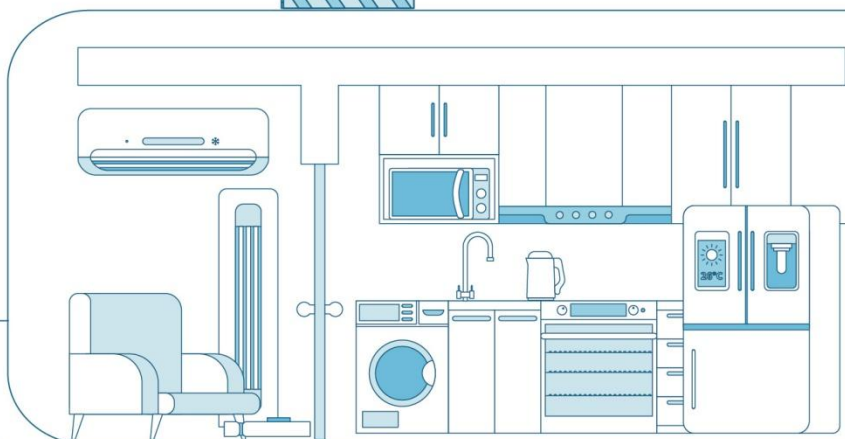
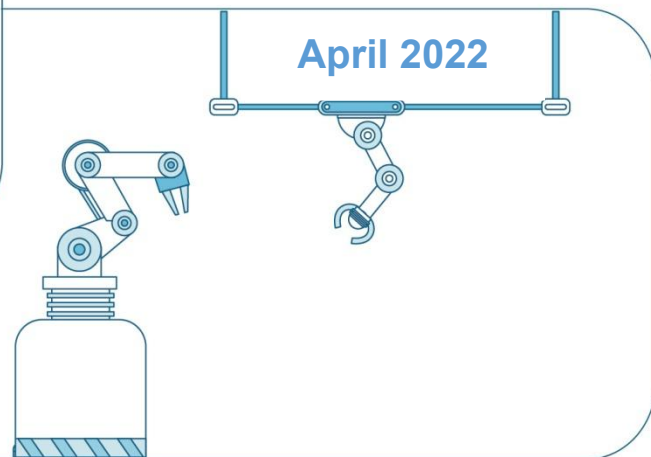




2021

Annual Report

April 2022



Midea Group Co., Ltd.

Stock code: 000333

Letter to Shareholders

This is a century of change. A falling leaf reveals the coming of the fall, and each leaf, each person, can feel the changes of this great era. We would like to pay tribute to the perseverance and dedication of every Midea employee, helping us chase our dreams regardless of what the future holds. Their strong will and yearning for the future have become the strength to continue the success and warmth of Midea. We would also like to pay tribute to our shareholders who have been loyal to Midea for so long. In a turbulent year of huge changes and market fluctuations, their long-standing trust and insistence on long-term value are invaluable. With a decade of transformation, Midea's revenue exceeded RMB300 billion for the first time. For the sixth consecutive year, Midea was included in the *Fortune Global 500* list. Meanwhile, Midea was recognized as one of "*Forbes China 2021 Top 10 Chinese Companies in Industrial Digital Transformation*". Also, four factories of Midea have been included in the "Global Lighthouse Network" initiated by the World Economic Forum. Even more exceptionally, despite the substantial increase in various costs related to commodities, shipping logistics, and energy supplies, Midea was still able to maintain profitability, demonstrating its resilience.

There is neither a better era nor a worse era, only a new era. The changes of the times have led to disruptive changes in many industries. Every major change and crisis are like big waves in the sea, and after the wave ebbs away, high-quality companies stand out. In this great era, no path is entirely smooth, nor is any path set in stone, and a great company will inevitably undergo different cycles. In this era, uncertainty has become the norm and part of the mainstream, while the pandemic crisis has served as an accelerator for some companies to enhance their competitiveness and for the commercial competition. However, technology-driven transformation remains the main theme of the current era. The emergence and in-depth application of artificial intelligence and digital technologies, rapid changes in user needs and the strengthening of the awareness of consumer sovereignty, as well as the continuous ups and downs of the market have all significantly promoted the

progress of technology-driven transformation. Midea needs to truly listen to the voice of this era, face up to reality, seek continuous evolution, grasp certainties amid uncertainties to build strengths, and innovate and change for greater growth in order to adapt to the times and shape a brighter future.

A company either prospers in making changes or perishes in mediocrity. All seeds of destruction are planted at the height of business prosperity. All goodness, excellence and greatness are meant to be broken, just like all athlete records. A decade of course resetting lies ahead. With a great story woven by all Mideans, Midea must be the first to apply industry-leading technologies, create a second growth curve at the optimum time, and open up a new avenue for growth. It must also upgrade and transform itself from a world-leading home appliance manufacturer to a technology- and innovation-driven group by continually reforming and challenging itself. In the current time and the new decade ahead, Midea's key business principle is to implement new strategies to boost new growth areas, including new business models, new processes, new techniques, new alternative materials, new products, new technology breakthroughs, new brands, new channels, new marketing methods, new national market breakthroughs, among others. Innovation is to do things we have not done before, and it requires our courage and our new mindset.

Our mission and vision are the cornerstones of our everlasting business success. Midea has repositioned its five business segments and established the new strategic focuses of "Technology Leadership, Digitization & Intelligence Driven, Direct to Users, and Global Impact". In the process of implementing new strategies to boost the new growth areas, operating efficiency is the key to Midea's survival and competitiveness, technology and innovation are the foundations of Midea, and the customer-oriented approach is the starting point for all business logic.

In this cold winter, we should further invest in the future, accelerate the upgrading of existing operations and the creation of further growth, retain the "Number One Engine" of the core home appliance business, adhere to long-term technology investment, thoroughly promote IoT and digital transformation, and accelerate product intelligent upgrades and

overall smart home business improvement. We must consolidate our existing strengths. Meanwhile, given the grand backdrop of intelligent manufacturing, energy conservation and emission reduction, and domestic substitution, we must be decisive in our deployment and accelerate the takeoff of our four core engines of robotics & automation, building technologies, energy management, and intelligent travel. Midea will continue to improve operating efficiency, maintain the stability of profitability, advocate long-termism and altruism, make the right choices, and invest in the future, in technologies, and in talent. Today, Midea already has all the strengths necessary for growth over the long run.

"Faith in a Seed" is our review of the past and our expectations for the future to mark the occasion of Midea's 50th anniversary. This magnificent tree that is Midea today must be firmly built to grow into an evergreen tree, one that has a thick trunk and roots reaching deeply into the soil so that the branches and leaves have the nourishment they need. The trunk represents our core business, while the dense branches represent the further innovation and growth that we need to create. Midea's advanced governance mechanism, adaptive values and ideas, and managerial mindset growth are the essential root of the tree of Midea. Only if it is truly built to grow, will Midea be able to continue prospering far into the future.

This turning point will pass eventually. In the face of a century of great change and a turbulent world, there is no way of knowing what will happen, but dedication is the best farewell. Youth has no age, stay young inside. Midea stays young because it dares to reform, innovate and challenge itself.

If you don't know where to go, every road will take you ahead. As we make our way forward, we look forward to continuing to witness the sustained growth of the Midea tree together with all our shareholders.

Board of Directors, Midea Group

April 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 Board has considered and approved the following dividend payout plan: based on the 6,869,123,038 shares at the disclosure date of this report (the total share capital of 6,997,053,441 shares minus the repurchased 127,930,403 shares in the repo securities account at that date), it is proposed that the Company should distribute a cash dividend of RMB17 (tax inclusive) per 10 shares to all the shareholders and should not carry out any bonus issue or convert capital surplus 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 2021 Annual Report 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 original of the auditor's report with the seal of the accounting firm, and signed and stamped by CPAs;**
- 4. 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**
- 5. The electronic version of The 2021 Annual Report 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.
KUKA	KUKA Aktiengesellschaft
TLSC	Toshiba Lifestyle Products & Services Corporation
Hiconics	Hiconics Eco-energy Technology Co., Ltd.
WDM	Beijing Wandong Medical Technology Co., Ltd.
Swisslog	Swisslog Holding AG
Servotronix	Servotronix Motion Control Ltd.
WINONE	WINONE Elevator Company Limited
Reporting Period	1 January 2021 to 31 December 2021

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	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		
Registered address	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China		
Postal code	528311		
Past changes of registered address	N/A		
Business address	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China		
Postal code	528311		
Company website	http://www.midea.com		
E-mail	IR@midea.com		

2. Contact Us

	Board Secretary	Representative for Securities Affairs
Name	Jiang Peng	You Mingyang
Address	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China	Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China
Tel.	0757-22607708	0757-23274957

Fax	0757-26605456
E-mail	IR@midea.com

3. Information Disclosure and Place Where this Report Is Kept

Stock exchange website where this Report is disclosed	The website of the Shenzhen Stock Exchange (http://www.szse.cn)
Media and website where this Report is disclosed	China Securities Journal, Securities Times and Shanghai Securities News, as well as http://www.cninfo.com.cn
Place where this Report is kept	Company Investor Relations Department

4. Company Registration and Alteration

Organization code	91440606722473344C
Changes in main business activities since the Company was listed (if any)	None
Changes of controlling shareholder of the Company (if any)	None

5. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	PricewaterhouseCoopers Zhong Tian LLP
Business address of the accounting firm	11/F., PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
Name of accountants writing signatures	Yao Wenping and Wu Fangfang

Sponsor engaged by the Company to continuously perform its supervisory function during the Reporting Period

Applicable N/A

Financial advisor engaged by the Company to continuously perform its supervisory function during the Reporting Period

Applicable N/A

6. Key Accounting Data and Financial Indicators

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

Yes No

	2021	2020		2021-over-20 20 change (%)	2019	
		Before	Restated	Restated	Before	Restated
Operating revenue (RMB'000)	341,233,208	284,221,249	284,221,249	20.06%	278,216,017	278,216,017
Net profit attributable to shareholders of the Company (RMB'000)	28,573,650	27,222,969	27,222,969	4.96%	24,211,222	24,211,222
Net profit attributable to shareholders of the Company before non-recurring gains and losses (RMB'000)	25,929,086	24,614,653	24,614,653	5.34%	22,724,392	22,724,392
Net cash flows from operating activities (RMB'000)	35,091,704	29,557,117	29,557,117	18.73%	38,590,404	38,590,404
Basic earnings per share (RMB/share)	4.17	3.93	3.93	6.11%	3.60	3.60
Diluted earnings per share (RMB/share)	4.14	3.90	3.90	6.15%	3.58	3.58
Weighted average ROE (%)	24.09%	24.95%	24.95%	-0.86%	26.43%	26.43%
	31 December 2021	31 December 2020		Change of 31 December 2021 over 31 December 2020	31 December 2019	
		Before	Restated	Restated	Before	Restated
Total assets (RMB'000)	387,946,104	360,382,603	360,382,603	7.65%	301,955,419	301,955,419
Net assets attributable to shareholders of the Company (RMB'000)	124,868,124	117,516,260	117,516,260	6.26%	101,669,163	101,669,163

Reasons for the changes to the accounting policies:

The Ministry of Finance has issued in 2021 the Circular on Adjustments to the Application Scope of the Regulations of Accounting Treatments for Rental Waivers as a Result of COVID-19 (CK [2021] No. 9), the Circular on Issuing Interpretation No. 14 of the Accounting Standards for Business Enterprises (CK [2021] No. 1), the Q&A for the Implementation of the Accounting Standards for Business Enterprises, and the Circular on Issuing Interpretation No. 15 of the Accounting Standards for Business Enterprises.

The Group has prepared the financial statements for the year ended 31 December 2021 according to the aforesaid regulatory documents. For further information about the changes to the accounting policies, please refer to Note 2(31) to the financial statements.

Total share capital of the Company on the last trading session before disclosure:

Total share capital of the Company on the last trading session before disclosure (share)	6,997,053,441
--	---------------

Fully diluted earnings per share based on the latest share capital above:

Dividend paid to preference shareholders	0
Interest paid for perpetual bonds (RMB)	0
Fully diluted earnings per share based on the latest share capital above (RMB/share)	4.0837

Indicate whether the lower of the net profit before and after non-recurring gains and losses was negative for the last three accounting years, and the latest auditor's report indicated that there was uncertainty about the Company's ability to continue as a going concern.

Yes No

Indicate whether the lower of the net profit before and after non-recurring gains and losses was negative.

Yes No

7. Differences in Accounting Data under Domestic and Overseas Accounting Standards

7.1 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.

7.2 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.

7.3 Reasons for the differences

Applicable N/A

8. Key Financial Results by Quarter

RMB'000

	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Operating revenue	82,504,017	91,305,548	87,532,404	79,891,239
Net profit attributable to shareholders of the Company	6,468,588	8,540,458	8,446,204	5,118,400
Net profit attributable to shareholders of the Company before non-recurring gains and losses	6,649,368	7,987,143	7,928,026	3,364,549
Net cash flows from operating activities	8,553,861	11,622,549	7,720,334	7,194,960

Whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in the Company's quarterly or semi-annual reports

Yes No

9. Non-recurring Gains and Losses

Applicable N/A

RMB'000

Item	2021	2020	2019	Note
Gain or loss from disposal of non-current assets	77,527	-52,424	-131,131	
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	995,824	2,204,165	676,430	

Other non-operating income and expenses except above-mentioned items	2,352,849	1,378,105	1,347,788	
Less: Corporate income tax	668,578	765,871	394,095	
Minority interests (after tax)	113,058	155,659	12,162	
Total	2,644,564	2,608,316	1,486,830	--

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

Applicable N/A

No such cases for the Reporting Period.

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 Gains and Losses>.

Applicable N/A

No such cases for the Reporting Period.

Section III Management Discussion and Analysis

1. Industry Overview for 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 is capable of carrying out professional R&D, production, and sales of high-precision core components such as compressors, motors, chips, variable frequency drive, servo systems, and cooling modules. It operates many brands including GMCC, Welling, MR, TOSHIBA, HICONICS, SUNYE, SERVOTRONIX, DORNA, etc., with its products widely used in home appliances, 3C products, new energy vehicles and industrial automation, among others. 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 has upgraded its strategic focus to “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 company in robotics and automation, with a stake of approximately 95%.

1.2 Position in home appliance industry

Midea ranks No. 183 on the 19th *Forbes Global 2000* list released in May 2021, moving up 46 places compared to last year. Meanwhile, it is listed in “*Forbes China 2021 Top 10 Chinese Companies in Industrial Digital Transformation*” and “*Forbes China 2021 Top 10 Chinese Companies in Industrial Internet*”. In addition, it ranks No. 288 on the *Fortune Global 500* list unveiled in August 2021, moving up 19 places from the year before and marking its sixth year on the list. 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. Meanwhile, Standard & Poor's has raised the credit rating on Midea from "A-" to "A" in 2021, making Midea the highest-rated private manufacturer in China.

According to data provider AVC, Midea ranks first with respect to both the online and offline domestic market share for seven out of the 25 major home appliance categories, namely, residential air conditioners, clothes dryers, rice cookers, electric fans, electric pressure cookers, induction cookers and electric radiators. This is because Midea has successfully retained the "Number One Engine" of ToC business in 2021 on the domestic market.

The table below shows the offline market shares and rankings of the Company's primary home appliance products (by retail sales) in 2021:

Product category	Market share	Ranking
Residential air conditioners	36.0%	1
Laundry appliances	27.4%	2
Clothes dryers	25.0%	1
Refrigerators	14.5%	2
Rice cookers	42.1%	1
Electric pressure cookers	43.8%	1
Electric radiators	49.4%	1
Induction cookers	47.9%	1
Electric fans	38.7%	1
Electric kettles	38.0%	1
Water dispensers	43.0%	1
Blenders	30.7%	2

Product category	Market share	Ranking
Water purifiers	20.1%	2
Microwave ovens	46.6%	2
Countertop ovens	31.9%	2
Electric water heaters	17.0%	3

The table below shows the online market shares and rankings of the Company's primary home appliance products (by retail sales) in 2021:

Product category	Market share	Ranking
Residential air conditioners	34.6%	1
Laundry appliances	33.7%	2
Clothes dryers	31.7%	1
Refrigerators	18.2%	2
Microwave ovens	49.7%	1
Countertop ovens	27.0%	1
Electric pressure cookers	40.4%	1
Rice cookers	30.1%	1
Induction cookers	50.5%	1
Dishwashers	29.5%	1
Electric kettles	27.0%	1
Electric fans	22.7%	1
Garment steamers	25.1%	1
Electric radiators	21.4%	1
Water purifiers	17.6%	1
Electric water heaters	29.9%	2
Gas water heaters	17.1%	2
Range hoods	15.9%	2

Product category	Market share	Ranking
Sterilizing cabinets	17.9%	2
Gas stoves	13.8%	2
Water dispensers	15.7%	3
Blenders	14.3%	3

1.3 Industry Overview

A. Home Appliance Industry

2021 saw a strong rebound of China's economy, which became increasingly stable with an upturn. The home appliance industry overcame adverse factors such as the price upsurge of raw materials and the chip shortage in the manufacturing industry. The overall development of the industry maintained a positive and healthy trend, with continued strong growth in exports and further recovery in the domestic market. According to the 2021 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, in 2021, the domestic retail sales of home appliances was RMB754.28 billion, up 3.4% year-on-year; and the exports of home appliances reached RMB638.2 billion, up 14.1% year-on-year, as shown by data released by the Central Administration of Customs. Currently, the world is still in a grave and complex situation due to the pandemic, with unprecedented challenges for economic development. Nevertheless, in the medium and long run, upgrading of the industrial structure, stable increase of household income, diversified consumption, the national policy support for the green and smart industries, as well as upgrading of the standards for home appliances will create new opportunities and growth points. From the perspective of industry trend, first, the home appliance industry presents horizontal cross-border development with the integration of home decoration, home furnishing and home appliances. Home appliance manufacturers expand their business horizontally in cooperation with distribution channels, advancing towards a strategic direction of home appliances + home furnishing. Whole-house customization and whole-house renovation have been incorporated into their line of business. Second, home appliance manufacturers display vertical development within themselves by diversifying product categories and specifications. The elements

such as capturing lifestyle trends, tapping into user needs, addressing pain points, promoting product innovation and providing quality living will shape the development of new products. Third, the product is always the cornerstone. User experience can be enhanced from the dimensions of safety, ease of use and wellness, which contribute to product competitiveness. Although China's white goods market has entered a matured stage, consumption upgrading remains evident and high-end home appliances with high energy efficiency aimed at improved quality of life still have great potential for development.

According to the data from the National Household Appliances Industry Information Center, the domestic retail sales of air conditioners was RMB154.5 billion in 2021, up 4.8% year on year. In terms of sales channel, online channel sales accounted for nearly 45%, amounting to RMB69 billion, up 14.1% year on year. In terms of competition pattern, the concentration of offline air conditioner market share was further improved, and the market share by unit sales of the top three enterprises in the industry exceeds 83% totally. In terms of product performance, the market share of products with high energy efficiency kept rising, and the price structure was further optimized, among which, in the offline air conditioner market, the unit sales of inverter products increased to over 98%, the unit sales of Energy Efficiency Class 1 products increased to over 70%, and the unit sales of products with a unit price of over RMB2,000 increased to 87%. In terms of product function, the functions of air conditioners have been expanded from cooling and heating to self-cleaning, humidity, air cleanness and freshness, etc. As the comfort of product experience has been focused on, the fresh air function products have developed rapidly, and the market segments have further developed, such as the rapid development of air conditioners that are applicable for kitchen scenes and the elderly and portable air conditioners.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of laundry appliances was RMB71.4 billion in 2021, up 8.7% year-on-year, with the online sales accounting for over 52% of total sales. 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 52.5% (32.5% for front-loading washer-dryers). Meanwhile, as consumers are paying more attention to health, the offline market shares (by unit sales) of laundry appliances with sterilization and mite elimination functions rose to 54.5% and 22.8% respectively in 2021. 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 60% market share, with a year-on-year increase of over 11%. 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 RMB5,500 took up a market share of 20%. The drying function brings the advantages of saving time, being convenient, non-ironing, and saving space. As China's clothes dryer technologies become more mature, the heat-pump clothes dryer experienced fast growth during 2021 and has dominated the domestic offline market.

According to the data from the National Household Electrical Appliance Industry Information Center, the domestic retail sales of refrigerators were RMB99.9 billion in 2021, up 7.4% year-on-year. The market share concentration of the leading brands in the domestic refrigerator market has been further enhanced. Due to the impacts of rising raw material prices and structural upgrading, structural upgrading was evident with refrigerators of different prices, with the offline market share (by unit sales) of products priced over RMB7,000 exceeding 20%. As seen from the change of multi-door refrigerator market share, those with more than four doors have become the absolute mainstream in the offline market, with a market share of 45.3% by unit sales. In 2021, the offline market share (by unit sales) of refrigerators with an over-400L capacity was close to 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 RMB174.8 billion in 2021, up 4.3% year-on-year. As dishwashers became more popular on the domestic market, the retail sales were close to RMB10 billion, with the online and offline sales recording year-on-year increases of 11.9% and 12.4%, respectively. And product upgrading continued. Integration of more functions such as washing, sterilization, drying and storage emerged. Built-in large-capacity products saw a substantially bigger market share, with the offline market share of dishwashers with 13 place settings capacity reaching 25.6% by retail sales. And the average price of dishwashers went up 8.5% year-on-year on the offline market. In terms of the

competition landscape, the top three manufacturers saw expanding market shares domestically, with their combined offline market share exceeding 50% by unit sales. Integrated stove sales reached RMB24.5 billion in the domestic market, an increase of 38.8% 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 rapidly. The all-in-one models with kitchen hood, stove, steamer and oven have developed dramatically and become the category with the largest offline market share, with the offline market share of products priced over RMB13,000 reaching as high as 57.4% by unit sales. 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 RMB117.4 billion in 2021, down 8.6% year-on-year, of which the online sales took up a percentage of 70.9%. With respect to the market performance of all categories, due to weak demand for traditional products, the high base in 2020 caused by the “stay-at-home” policy as a result of the COVID-19 pandemic, as well as natural factors such as the temperature and air quality, small kitchen appliances and environment appliances underperformed, while the market of emerging health-friendly small domestic appliances for personal care told a different story. The diversified and individualized consumer needs have resulted in rapid growth for these products, driving the emergence of more niche products. The sales of health-friendly vacuum cleaners were outstanding due to the pandemic. In 2021, the domestic sales of vacuum cleaners were RMB26.6 billion, up 14.5% year-on-year. By categories, robot cleaners embraced new functions such as self-cleaning, cleaning base, dust collecting base and automatic water filling. Their average market price increased considerably, with the online price up nearly 44% year-on-year. As the needs for house cleaning continue to grow, multiple new cleaning appliances such as scrubbers and steam mops have emerged. Thanks to the advancement of technology and more human-friendly design, such as roller brush that can self-clean in real time, lighter body weight, and less noise, the online and offline market shares (by retail sales) of floor scrubbers surged 244.7% and 779.6% respectively year-on-year.

According to the data from the National Household Electrical Appliance Industry Information Center, the

online retail sales of home appliances in China amounted to RMB368.01 billion in 2021, up 9.3% year-on-year, accounting for a market share of 48.8%; while the offline retail sales amounted to RMB386.27 billion, down 1.7% year-on-year, accounting for 51.2%. Online sales channel of home appliances in the past decade or so has made its way from scratch to expansion. The 2020 pandemic has once again pushed it to a new height, but now with the general resumption of offline shopping, the online channel has ushered in a period of relative stability. In terms of sales, the sales structure of each channel in the domestic market remains well optimized, with high-end, healthy and intelligent home appliances gaining a prominent presence. According to the data from the National Household Electrical Appliance Industry Information Center, in 2021, both online and offline market sales of medium- and high-end products, such as self-cleaning air conditioners, cross four-door refrigerators, front-loading washer-dryers, gas water heaters with zero cold water and robot cleaners, have further improved.

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.

IFR data showed that the CAGR of the sales of industrial robotics in China from 2015 to 2020 exceeded 20%, and the installation of industrial robots continued to rank first in the world. In 2021, in spite of facing multiple challenges such as the epidemic, chip shortage crisis, raw material shortage, supply chain pressure, power supply tension and rising transportation prices, with unstable overseas epidemic, China continued to take overseas manufacturing orders. Besides, COVID-19 promoted enterprises to use the strategy of "robot assembling line", and market demand was successively released with the stable

epidemic in China. According to the data released by the National Bureau of Statistics, the domestic production volume of industrial robotics achieved to 366,044 units in 2021, up 44.9% year on year, which hit a new record. Simultaneously, in 2021, relevant financing in the industrial robotics field retained heated, while Industrial Internet of Things, collaborative robotics, logistics and medical robots, and 3D vision and sensors were the most remarkable fields. In terms of industries, as the new energy automobile drove the automobile industry to return to prosperity and the demand for 3C products, lithium-ion and photovoltaic was strong, the application of robot in general industrial fields was further expanded, and new opportunities appeared for the application of robot in non-industrial fields. In terms of models, MIR data shows that SCARA robots, collaborative robotics and six-axis robotics all presented high growth momentum, among which the shipment of six-axis robotics below 20kg in 2021 rose by 48% year on year, while six-axis robotics above 20kg hit a new record, whose year-on-year growth reached 64% after three consecutive years of negative growth, and even the year-on-year growth of collaborative robotics was more than 100%.

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 2020 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%. 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. Judging from the operating data of major manufacturers in 2020, 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 "double carbon" policies involving building construction 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, all of which aim at 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 "double carbon" and energy saving renovation.

Taken as a whole, under the background of "double 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.

2. Business Scope in the Reporting Period

In 2021, the COVID-19 pandemic remained a serious problem for the world, the political and economic environment became more complicated both at home and abroad, and the prices of bulk raw materials such as copper and steel surged to a high level. Meanwhile, new changes such as energy reform, IoT, digital transformation and Metaverse were underway with innovation springing up. Uncertainties and challenges became the new normal. As such, Midea encountered a more complex external environment compared to last year. However, it delivered expected operating results in spite of the profit pressure caused by sharp fluctuations in raw material costs and the appreciation of the RMB, manifesting its resilience. Against a more 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, as well as carried out transformation in both the domestic and overseas operations. With innovation, breakthroughs and planning as the keynote, it took the five business divisions into a new stage, promoted the implementation of the strategic focus, as well as delivered innovation and breakthroughs regarding management systems, the organizational structure and mechanisms. For 2021, Midea achieved, on a consolidated basis, total revenue of RMB343.4 billion, up 20% YoY; and a net profit attributable to shareholders of the Company of RMB28.6 billion, up 5% 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 deeply integrates technological innovation and household appliances to achieve the vision of "Bring Great Innovations to Life" through technological innovation. 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

building an industry-leading and smart home service platform. Midea independently builds a big data platform integrating market, user and public opinion data, constructs a big data-based innovative planning platform, and implements product innovation driven by both big and small data. Centering on the planning process, it achieves the integration of SKU planning and smart scene planning process. 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 2021, Midea won a total of 141 industrial design awards, including 41 Red Dot Design Awards, 49 iF Design Awards, 40 IDEA Awards and 11 G-mark Awards.

For smart living room scenes:

In terms of residential air conditioners, Midea, as a prominent innovator who always stays at the forefront of the industry, has never stopped exploring product innovation based on user needs, scenarios and ecosystems. COLMO AirNEXT Air Evolution Main Frame adopts a pluggable air module to meet the air needs of users of different ages, while with an open ecological interface to upgrade the disrotatory breezeless technology, the wind speed and temperature are more natural and stable. It is equipped with

the OTA online upgrading technology to improve the health and comfort of air and the intelligence and convenience for operation in multiple scenes, and proactively identify environmental information to provide users with intelligent air solutions based on big data such as location, weather and user habits. Midea All-Season Second Generation Residential Central Air Conditioner, which integrates household system solutions such as central conditioner, floor heating, fresh air and humidification of the whole house, is the industry's first product that has been certified by high temperature sterilization of multi-split coil, whose sterilization rate reaches more than 99%. Relying on the Bauhaus aesthetics, COLMO Residential Central Air Conditioner integrates the five-dimensional adjustment of temperature, humidity, wind, cleanness and freshness and an intelligent expert system for the whole house, achieving "one room, one climate" and active adjustment of the whole house, and flexibly meeting requirements of all scenes such as three-bedroom units, penthouses and villas. Midea iColor Exclusive Custom Air Conditioner features "Color Panel" with innovative multi-color woven fabric. Based on the big data analysis of users' needs, it provides a variety of appearance and function modules. Users are able to order different module combinations at their options. The products are produced and distributed from the back end, tailor-made to meet the needs of differentiation and personalization. China Zun Artistic Floor-Standing Air Conditioner and Freshness Artistic Floor-Standing Air Conditioner are the masterpieces of Midea's air conditioners with combination of aesthetics, comfort, health, etc. China Zun Air Conditioner is powered by innovative technologies including S+ breezeless, new generation of dual hybrid fresh air and intelligent central voice system. Freshness Air Conditioner integrates three dimensions of technology with full domain features for breezeless, fresh air and voice system. Infused with Huawei's HarmonyOS system, the industry's first seven air conditioner models were launched by Midea in 2021, offering various experiences such as one-touch connectivity, minimal interaction and direct services. In an effort to enhance overseas market penetration of residential air conditioners, Midea has been not only committed to expanding the market of window air conditioners, dehumidifiers and portable air conditioners, but also actively leading the industry to contribute to environmental protection. Following the Outstanding Contribution Award from the United Nations Industrial Development Organization in 2020, Midea has upgraded its R290 split unit product in 2021 and won the "Der Blaue Engel" certification from Germany twice in a row. At present, the Der Blaue Engel-certified R290 split unit model has been officially launched in the EU and beyond.

The brand new Dual Flow Disrotatory Fan launched by Midea has won the 2021 "Good Design" award in South Korea, for which the aerodynamic dual-rotor turbine engine technology is brought in and the double-blade disrotatory technique is adopted for the first time in the industry, which generates disrotatory airflow through speed ratio adjustment to achieve a variety of winds and meet the needs of users in different scenes. The product not only carries the innovative technology born in the cooperation with Chongqing University to dynamically adjust the wind speed according to the ambient temperature, but also has functions of net ionic sterilization and 3D movement. Midea Washable Tower Fan adopts the patented design that allows washing the whole body, which is original in the industry, to solve the pain point that it is difficult to disassemble and wash the air duct of Tower Fan, and to achieve the air duct system washing with one key separation, providing clean air experience. Midea Microelectrolysis Washing Air Cooling Tower Fan innovatively uses microelectrolysis for sterilization, in which tap water through electrolysis is used for sterilization, whose sterilization rate is as high as 99.9%. It is equipped with the irrigation wind wheel at the air conditioner level and the wet pad waterfall washing technique to thoroughly clean air, and provide healthy and moist clean air.

Launching the Cold Boiled Water Smart Instant Water Bottle, Midea achieves rapid cooling of boiling water to quickly prepare 55°C water and effective energy saving of 60% through the self-designed plate water-cooled heat exchanger. By studying the double pump control system and optimizing the multi-sensing temperature probe and PID algorithm, six water temperature modes are available so that warm boiled water can always be ready. The sterilization rate is over 99% through the test by the third-party authority, at the leading level in the industry. COLMO Residential TURING Countertop Sparkling Water Direct Drinking Machine carries multiple industry-pioneering technologies, redefining the high-end water drinking standard, integrating water filtration, super cooling, multi-stage temperature control and adjustable sparkling water taste technology to achieve a multi-purpose machine. Equipped with the HiDrink drinking water management system, it can achieve functions such as scientific customization of water drinking, user-defined water getting through identity recognition, intelligent reminding of water drinking and water drinking report generation, creating a scientific and healthy way of water drinking for users. It breaks the industry's traditional cooling model, whose temperature decreases by 5°C and cold water volume increases by 50% compared with the general cooling technology. Meanwhile, the use of innovative four-dimensional sterilization ensures natural and pure water.

Continuously integrating the concept of "deep cleaning for the whole house" into product design, Midea has launched Eureka Smart Sterilizing Floor Scrubber that integrates vacuuming, mopping and sterilization. The advanced "deep cleaning" technology it carries can help scrub away large particles of dry and wet mixed garbage, stubborn stains and dirt at corners. This product has won multiple industry awards and carries 50 patent applications in total. Its core technologies include the industry's first integrated real-time electrolytic water sterilization, integrated rolling scrubbing and drying, integrated self-cleaning control, integrated automatic moving and the mute air duct structure. Midea Z7 Smart Wireless Vacuum Cleaner has successfully broken through the high-end market and won the AWE Award. It boasts an original smart maintenance and cleaning solution and leads the industry in suction power, battery life, etc. Carrying more than one hundred patents, its core technologies include the high-efficient BLDC motor, the high-efficient flow channel and the new-generation shock and noise reduction technology. Moreover, digital smart control technology, soft-package and high-energy storage battery technology, fast charging technology and AIoT software technology are also applied. The brand new Midea All-in-one Household Robot Vacuum Cleaner W11 integrating "sweeping, mopping, washing and drying" functions uses the automatic rolling brush lifting technology to create a one-stop automatic cleaning system. It adopts an industry-pioneering cleaning mode of mopping after sweeping, sweeping being separated from mopping, and the dry being separated from the wet, in addition to the functions such as automatic water refill, automatic back washing and automatic drying. Over 30 groups of sensors are carried and the self-developed NaviPolar3.0 algorithm is embedded in this product, to provide more efficient and intelligent use experience. It has won the 2021 CMF Design Award.

For smart balcony scenes:

Under the trend of diversified user consumption behaviors, new scenes become the necessary elements for defining new products. Gradually the balcony becomes the window of revealing the home aesthetic personality, as washing and drying packages become a new demand for balcony's shift from drying area to leisure area. Meanwhile, as more people like to "stay at home and be lazy", demand is rising for smart and One Touch services. Against this backdrop, scenes such as home dry cleaning and mixed clothes washing emerge at the right moment. Targeting the pain point that high-end clothing or special clothing cannot be washed at home, COLMO AI Light Dry Cleaning Technology disrupts the traditional washing

mode by innovatively applying the high-energy steam technology to laundry appliances. It has been granted the "Technology Innovation Award" at the 2021 (17th) China Household Appliances Innovation Award event. It uses dry, saturated and high-energy steam with excellent heat and mass transfer performance to penetrate through fibers, achieving results such as thorough wrinkle and dust removal without damaging the clothes. It also boasts 5-minute and Grade-A rapid odor removal, whose sterilization rate is 99.9%. "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 COLMO Light Dry Cleaning Technology 2.0 have also been certified as "Internationally Advanced" by the China National Light Industry Council. The Blue Oxygen Technology based on electrocatalytic coating and special electrode preparation technology is industry-pioneering, while the technologies of anti-cross color, whitening white clothing, long-term bacteriostasis of the whole machine and harmful substance degradation are made available. What's more, the cleaning effect of special stains is improved from the traditional five categories of stains to 32, and all the cleaning ratios reach Grade-A. The Light Dry Cleaning Technology and the Blue Oxygen Technology further promote the technological innovation and progress of the laundry appliance industry.

Equipped with Light Dry Cleaning Technology 2.0, COLMO Star Atlas Washer-dryer accurately controls the steam saturation, temperature and tempo speed. With the One Touch smart control, it removes dust without damaging the clothes. With the steam generator of compact design and the brand new second heating flow channel design, users' pain points are effectively resolved. Nano-level high-energy soft steam and the super smart camera system, clothing humidity, weight, water quality, weather and other big data are calculated on the cloud through Internet of Things, so as to achieve the best washing and drying effect. It has won the Red Dot Award and the IDEA Award. Little Swan True Color Series Washer-dryer, carrying the Blue Oxygen Technology, boasts the industry's thinnest platform and the largest free fetch caliber, which effectively solves a series of pain points such as cross color, special stains, occupying a large space and bending down to fetch the clothes. In addition to being certified as "Internationally Advanced" by China National Light Industry Council, this product has also won the 2021 "Red-Top Award" and the Golden Choice Award for "Blue Oxygen Sterilization Innovative Product".

Meanwhile, True Color Clothes Dryer, with the new Soft Drying Platform for Wool, is the first of its kind to receive the “Wool Hand Wash Safe” label in China, solving problems of wool being not easy to dry, shrinking and wrinkling. It also innovatively uses an integrated multi-layer filter for easy cleaning, which is able to remove as much as 98.6% dust. Toshiba XP1 Series Washer-dryer innovatively adopts both the ultra fine bubble (UFB) technology and the fine bubble technology, creating the dual-bubble washing technology to deliver more cleanness. In addition, it greatly optimizes the original heat pump system and expands the air duct, which shortens the time needed to wash 7kg of clothes to 97 minutes, increasing the efficiency by 10% and leading the industry in Japan. It has won the 2021 Good Design Award and the MonoMax Award. Toshiba T11 Series Washing Machine adopts a mortise and tenon structure and a minimalist tempered glass door. This new model is available with a variety of specifications and capacities. Also, it is equipped with the WIFI function for the first time for remote control. 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. Additionally, the Steam Care function produces high temperature steam of 80°C for sterilization and wrinkle removal.

For smart kitchen scenes:

Being customer-oriented, Midea constantly makes product innovation, technological breakthrough and smart scene expansion around the core demands of users with respect to cooking, such as deliciousness, freshness, nutrition, health, high efficiency and convenience. COLMO Turing Series Refrigerators have pioneered the industry's automatic door opening and closing technology to deliver more convenience and intelligence. It supports offline voice door opening and closing, refrigerator control and other functions. With more interactive intelligence functions and services online, it can realize the intelligent connectivity of entire home appliances through the authorization of the MSmartLife App as the voice access. Microcrystal function is upgraded again to provide the optimal preservation solution for all types of fresh food, meanwhile, effectively inhibit the purine content in fresh seafood. Space ecosystem compartment can smartly recognize and adjust the moisture level of ingredients. The blue light function will be automatically turned on upon high humidity to enhance the anthocyanins of

ingredients. TURING Nutrition Refrigerator brings users intelligently balanced nutrition management through AI-powered multi-dimensional nutrition technologies based on a deep "nutrition" perspective supported by "machine rationality" to meet the health and nutrition needs of families. Toshiba Mist Refrigerator conveys freshness with "Mist Freshness" technology. Toshiba patented technology UNIT moisture permeable film, is a moisture permeable airtight porous polymer fiber material, which allows moisture to penetrate and keeps airtight at the same time. It prevents the cold wind from blowing directly on fruits and vegetables, delivering the delicate water vapor that reaches directly to the cells of fruits and vegetables. By creating a constant moisturizing environment suitable for fruit and vegetable storage, it realizes seven days freshness of fruits and vegetables, with three quick-freezing modes - direct placement of hot items, vegetable freezing and vegetable drying. The three modes of low-temperature chilling, fast micro-freezing and original defrosting accurately match the storage environment required by the food, and maintain the best taste and nutrients. It makes ice quickly in 60 minutes, with independent space that is clean and odorless. In addition, the iTouch function allows just a tap to open the door. Midea's first American-style refrigerator is equipped with the original metal texture soft close handle. Combined with the traditional Chinese mortise and tenon technology, it achieves the perfect integration of classical aesthetics and contemporary design. PST + technology helps achieve rapid odor purification within 19 minutes with a bacteria removal rate of up to 99.9%. The panel adopts carbon ion crystal diamond process and high-temperature sintered brushed texture, reflecting rich layers with skin-friendly touch. It also offers stain and fingerprint resistance, and the internal pasta space can also effectively avoid pasta from drying out and cracking when stored via the unique microporous spoiler technology. Midea's first HarmonyOS refrigerator was fully launched in tandem with Huawei in Huawei Mall in June 2021. This refrigerator can realize non App second network access by "tapping" the cell phone on the refrigerator, and recognize the freshness of the ingredients in the compartment, which quickly generates a large number of recipes depending on the ingredients in the refrigerator. One-click appointment of post-sales service is also available.

COLMO Star Atlas SV8 Range Hood is the first of its kind with four zones for vacuuming smoke and ultra-thin design of 360mm, whose suction can be up to 26m³/min and maximum wind pressure 1,100Pa. With unique AI support, it can automatically enter the smart smoke suction status at the moment of ignition and automatically adjust the suction power according to the smoke status. The self-developed AI

Active Noise Reduction Module used in this product can reduce the noise to as low as 42dB, allowing users to concentrate on their cooking. Its innovative flat lighting system can be adjusted according to the environment, making the cooking space brighter. The innovative design of dual oil mesh and oil cup can be cleaned in a dishwasher. Silent Series Thin Range Hood improves the user experience of "easy suction, easy washing and easy control", providing healthy, clean and smart cooking experience. It continues to adopt the double suction design, in addition to innovative thin design of "A3 waist" with a 360mm frame, two perfectly designed air ducts and a 290mm body. It caters to both stewing and flash-frying scenes. The new design of double section oil cup and quick disassembly help achieve efficient cleaning, and innovative square lights help reveal the true colors of the food. Ultra-thin Gas Stove Q81U Series uses the industry-leading air-intake-from-the-top ignition technology to save space. The innovative seamless stovetop design makes it easy to clean, and the ultra-thin body of 25mm provides great space for the dishwashing and sterilization package. The ultra-thin air-intake-from-the-top design carries a number of patented technologies, which meets the expansion application to the greatest extent. Oxygen Stove Q63-M Series carries the industry-pioneering saucer mixed oxygen cabin mixed oxygen technology, with blue fire to quickly turn raw ingredients to delicious and nutritious food, greatly improving the cooking quality.

Midea F70 Dishwasher carries the patented technology of ADS smart input, providing smart solutions for the whole process of tableware wash and care. With accurate input of detergent, oil stains are scoured with 360° high-pressure washing, making it an easy job to clean oily tableware for Chinese consumers. Meanwhile, the low noise effect of 44dB is made available by using the variable frequency technology to provide quality life experience. Besides, for a small number of tableware, the stratified washing function is provided. In order to ensure safe and clean tableware, the four-star sterilization standard is reached with the help of 100°C hot air sterilization. COLMO TURING Series Dishwashers, with zircon blue as the main color and rational geometry as the overall design, embodies the essence of minimalist, high-end and grand design. It adopts an AI-powered detergent input system. The internal structure breaks through the traditional limitation, where dishes can be placed on the upper and lower layers. It also boasts the capacity of 15 sets and Water Efficiency Grade I. It has passed the four-star sterilization certification by China Household Electric Appliances Research Institute. The Week-Long Ion Freshness technology it carries is VDE-certified, with a sterilization rate of more than 99%, providing natural and high-end wash

and care. Midea 200Q11 Sterilizing Cabinet, with a height of 775mm that perfectly fits with the Chinese cabinet structure and a large capacity of 180L that redefines kitchen storage space, achieves the storage of tableware, knives and cutting board in one machine. It carries the modular bowl basket that enables separate sterilization. The ultraviolet-wave medium-temperature two-star sterilization makes it suitable for tableware of different materials. And negative ion is used to ensure odorless storage, with an AI-powered warm disk to improve user experience.

Midea has launched a series of innovative rice cooker products in 2021. Double-Valve Low-Sugar Rice Cooker, on the basis of adhering to making good rice and low sugar, through the innovation of double valve design and control technology optimization, achieves functions of 18-minute fast rice and 30-minute fast porridge. It has won the iF Award. Centering on the whole process of users' cooking rice and porridge, Fully Automatic Rice Cooker, through innovation and reconstruction, achieves new technical breakthroughs such as fully automatic water and rice input, fully automatic rice washing, fully automatic precise control of rice water ratio and fully automatic cooking with One Touch. It has been granted the Good Design Award and the IDEA Award. MiniMore Multi-functional Rice Cooker is a multi-functional product of modular combination designed for the young consumers, as it has functions such as IH rice cooker, IH constant temperature stove and IH frying pan/boiling pot, which is applicable to different cooking scenes such as home and open air. It has won multiple international design awards. Midea has launched the "Adjustable Lifting Electric Grill", carrying the industry's first stepless rod lifting technology to meet the needs of cooking different food. It also boasts an adjustable dish diameter of 0-35mm. Centering on the "holistic health" trend, Midea has launched the "Antibacterial Series Electric Grill". By adding antibacterial agents and fungicides in the coating, bacteria and the breeding environment of bacteria can be effectively destroyed, with an antibacterial rate of over 99%. Midea Smokeless Electric Grill, which is equipped with the internal circulation water-cooled smoke absorption system, can achieve cooking smoke purification without consuming any materials, which allows consumers to enjoy barbecue even in the living room. With detachable and washable structure design, it is easy to clean.

Midea MINI20 Calorie-burning Cooking Platform benefits from the leading miniaturized magnetron technology, uses the Q12 magnetron that is the smallest in volume and the highest in power in the

industry, and achieves that the plot ratio of microwave oven increases by 24%. It is suitable for small kitchens. The MIX fat burning algorithm is originally created, and three technologies including steaming, microwaving and baking are combined, so as to achieve delicious and healthy food. Equipped with Huawei's HarmonyOS system, health data is shared to create personal fat-burning solutions. Midea Roasting Series uses graphene heating tube technology to achieve instant heating in 0.2 second and high temperature radiation of 1300°C to solve the pain point of "long preheating, slow baking" of the electric oven. Midea R5 Built-in Microwave, Steamer and Oven Combo integrates four cooking methods including microwaving, steaming, baking and frying. And its high-end TFT and humanized interactive interface enables users to enjoy cooking.

COLMO I2000 High-flux Under-sink Water Purifier applies a number of innovative technologies. The industry leading two-dimensional self-purifying system, specifically slow flow stripping and deep spin purification, extends the life of the RO filter to ten years. Featuring full time zero staleness technology, it flushes the filter fully automatically to ensure that every cup of water is fresh and good; upgraded PR front filter adopts organ type structure design, with eight times higher dirt-holding capacity; the third-generation pull-out filter replacement method realizes simpler replacement in two-steps. The product won the industry and market recognition, and was granted the "Water Purifier Value Product Award" and the "Red Star Design Award".

For smart bathroom scenes:

With continuing breakthroughs in core performance based on the core scene-based requirements of users, Midea Electric Water Heater has made breakthroughs in phase change energy storage and ultra-short double tank products, achieving the smallest volume in the industry with the same volume, and putting forward the concept of no-wash electronic anode to lead the industry in terms of internal tank anticorrosion. The industry standard of level-one constant temperature and level-one mute are initiated by Midea Gas Water Heater. Midea led the formulation of the industry's grading standard on constant temperature Technical Specification for Intelligent Constant Temperature Grading Evaluation of Household Gas Rapid Water Heater Throughout the Whole Process, and jointly issued Healthy Bath White Paper with China Household Electric Appliance Research Institute, dedicating to solving the fluctuation of the bath water temperature in the household environment. At the same time, skin-friendly

technologies are developed, fine bubble and bath constant temperature curves are introduced, and millimeter wave individual recognition is introduced to expand the application scenes and provide more comfortable hot bath solutions.

Midea F6032-HW8 (HE) Electric Water Heater is the first customized bath electric water heater with intelligent temperature adjustment. Equipped with the third generation electronic constant temperature valve, it breaks through the bottleneck of the constant temperature of electric heating. The customized electric heating is plus or minus 0.5°C which can be customized according to the skin feeling. The hot water model of customized bath is provided for different users, as energy and electricity saving is achieved by automatic heating upon the learning and memorizing of the users' bath habits and patterns through the Smart Cloud Housekeeper. The long-term pain point of the industry is resolved by avoiding the impact on water quality through the wash-free electronic magnesium rod. It is fitted with magnetic net scale inhibition valve, with a scale inhibition rate of up to 90% for better water quality. Midea HL6 Constant-Temperature Gas Water Heater, the first product that has procured the level-one constant-temperature certification in the industry, applies the international leading new constant-temperature technology for the first time. It carries ADRC2.0 self-adapting constant temperature algorithm and intelligent start-stop constant temperature valve, and achieves double upgrade which includes hardware's precision control and software's actuarial, among which the start-stop constant temperature speed increases by 70%, and the outlet constant temperature increases by 37%, effectively enhancing the bath constant temperature experience by improving the start-stop, multi-point water use and water pressure fluctuation during the process. Midea has also launched a number of smart bathroom products that are original in the industry. In particular, Midea Smart Bathroom Mirror is the first smart mirror cabinet equipped with electronic chip and drying storage. It is divided into four zones including general storage zone, healthy sterilization zone, open zone and makeup dry zone. The surface possesses intelligent demisting technology with which mirror's anti-misting function is started with One Touch. The makeup dry zone uses a new generation of semiconductor dehumidification technology and 360° air duct design to keep dry. Additionally, it adopts high-intensity UV lamp and mobile storage rack with non-contact sterilization, and the sterilization rate is as high as over 99%. It is also equipped with an intelligent voice control system, enabling easy control of the household appliances. The integrated touch screen makes it easy to operate with time, weather and temperature information

available any time. Skin-caring Shower is the industry's first smart shower that can control the water heater remotely, and features a dechlorination filter for skin care. Skin-caring Faucet also adopts the skin-caring filter and can display real-time water temperature. Bubble Facial Cleanser is the industry's first intelligent temperature adjustment water heater dedicated to facial cleansing. Through the high concentration of 180 million fine bubbles per liter, oil removal rate reaches 99% to achieve deep cleansing.

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 and building of a global product platform, Midea is building “Technology Leadership”. As of the end of 2021, 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.

Midea Group is committed to investing in the research of core technologies. In 2021, more than a hundred of technologies launched by Midea were certified as "Internationally Advanced" by authorities, including "Research and Industrialization of Key Technology for New Generation R290 Room Air Conditioners", "Research and Application of Multi-sound Source Vibration and Noise Control Technology for Air-cooled Refrigerators", "Key Technology for Long-acting Plasma Deodorization and Sterilization in High Humidity Environment and Industrial Application", "Research and Application of Technology for Horizontally Opposed Magnetic Variable Frequency Centrifugal Compressors", "Research and Application of Key Technology for Roasting", "Key Technology for Power Control of High-quality IH Electric Cookwares and Industrial Application", "Research and Industrialization of Key Technology for New High-efficiency Inverter Compressors", "Research and Application of Key Kitchen Air Management Technology for Range Hood" and "Research and Application of Key Technology for Low-carbon and High-energy Efficiency Heat Exchanger for Household Appliances". On 3 November 2021, the 2020 State Science and Technology Awarding Meeting of the People's Republic of China was held at the Great Hall of the People in Beijing and Midea Air-conditioner won the National Award for Progress in Science and Technology (Second Prize) for its project of "Theory of Building Thermal Environment and Key Technology of Green Creation". Besides, Midea also won the Heilongjiang Provincial Technological Invention Award (First Prize), the China National Light Industry Council Technology Progress Award (First Prize), the China Energy Conservation Association Award for Technology Progress in Energy Conservation and Emission Reduction (First Prize), the China General Chamber of Commerce Technology Progress Award (First Prize) and other awards.

Midea has strengthened the transformation of R&D achievements while carrying out the core technology research. By the end of 2021, Midea (inclusive of TLSC) held more than 70,000 valid patents. In the year, Midea filed applications for over 10,000 patents around the globe, and was granted more than 3,000 invention patents, of which over 1,000 were granted overseas. Midea continues to improve patent quality. It won multiple awards at the 2021 22nd China Patent Awards, including a Silver Invention Award for its "Air Conditioner with a Coverable Air Outlet", Silver Design Awards for "Electric Kettle" and "Wireless Rechargeable Handheld Dust Mite Vacuum Cleaner", in addition to more than 20 Excellence Awards for

technologies such as the “Air-conditioning System with Enhanced Vapor Injection”.

In 2021, adhering to the strategic focus of “Technology Leadership”, Midea implemented the policy of “One Midea, One System, One Standard” to further promote standardization. A two-tier standardization management system has been put in place for the Group and its business divisions, in addition to a standardization management committee at the Group level. With the double drivers of “standard innovation + production innovation”, Midea shifts innovation achievements to advanced technological standards. Additionally, it plays an active part in the formulation and revision of various standards, contributing to the standardization of industrial technologies and creating more value for users, partners and industries. As of the end of 2021, Midea took part in the formulation/revision of 1,347 technological standards, including 41 international standards, 514 national standards, 277 industry standards, and 515 local and group standards. Midea also became the leading work unit of the working group on TC212/WG7 smart control technology for wireless household appliances and the working group on TC212/WG10 sensors. The Group has been recognized as an “Enterprise Standard Leader” for four consecutive years for 38 standards covering 32 products. Midea Residential Air Conditioner and Midea Kitchen Appliances both have projects that have been approved as National Standardization Pilot Projects for Consumer Goods. Smart Cloud Multi-split Air Conditioner was selected as one of the 100 group standard application demonstration projects in 2021. The two group standards of China Household Electrical Appliances Association (CHEA), namely General Requirements and Evaluation Specifications for Inner Pot of Rice Cooker, and Electric Stir-Fryers for Household and Similar Purposes, which Midea participated in formulating, were certified as “Internationally Advanced”. Midea Refrigerator won the first Anhui Standard Innovation Contribution Award.

In 2021, regarding smart home, Midea has participated in the formulation of International Standard entitled Requirements for Evaluating Intelligent Household Appliances, and National Standard entitled Technical Specification of Intelligent Power Module for Household Appliances. In respect of building technologies, Midea advocates the industry should improve the quality of multi-split models and takes the lead in formulating the first reliability improvement standard for the multi-split industry. In terms of key product performance, Midea took part in the formulation of the national standards entitled Ergonomics of Thermal Environment - Assessment of Thermal Environment in Transportation - Part 3: Human

Evaluation of Thermal Environment Comfort, Ergonomics of Thermal Environment - Assessment and Management of Human Cold and Heat Stress, Test Methods for Noise of Household and Similar Appliances: Special Requirements for Fans, Measurement Methods for Electromagnetic Fields of Household Appliances and Similar Apparatus with Respect to Human Exposure, Standard Tableware for Testing the Energy and Water Efficiency of Dishwashers, Energy Efficiency Limiting Values and Grades for Electric Ovens for Household and Similar Purposes, Safety of Household and Similar Appliances Special Requirements for Commercial Microwave Ovens, Standard Samples of Bricks for Energy Efficiency Testing of Built-in Electric Ovens for Household and Similar Purposes, Test Methods for Noise from Household and Similar Appliances: Special Requirements for Vacuum Cleaners, Surface Cleaning Apparatus Part 1: General Requirements for Test Materials and Equipment, Surface Cleaning Apparatus Part 3: Performance Test Method for Wet Carpet Cleaning Apparatus; In terms of core components, Midea participated in the formulation of the national standard entitled Special Requirements for Electric Door Locks of Electric Automatic Controllers for Household and Similar Purposes, Totally Enclosed Type Motor for Room Air Conditioner-Compressor, industry standard entitled Electric Automatic Controller Humidity Sensor, Aluminum Lining Panel Assembly for Household Refrigeration Appliances, Standard for Domestic Heat Pumps Dryers. In terms of green and healthy technologies, Midea participated in the formulation of industry or group standards including Evaluation and Technical Specifications for Green Design Products: Room Air Conditioner, Technical Specifications for Green-Design Product Assessment: Refrigerator, Technical Specifications for Green-Design Product Assessment: Electric Rice Cooker, Technical Specifications for Green-Design Product Assessment: Fan, Technical Specifications for Green-Design Product Assessment: Blender, Technical Specifications for Green-Design Product Assessment: Vacuum Cleaner, Technical Specifications for Green-Design Product Assessment: Home Microwave Oven, Technical Specifications for Green-Design Product Assessment: Multi-split Air Conditioning (Heat Pump) and Similar Units, Technical Specifications for Green-Design Product Assessment: Air-Source Heat Pump Cold and Hot Water Unit, Technical Specifications for Green-Design Product Assessment: High Temperature Heat Pump Unit, Technical Specifications for Green-Design Product Assessment: Air Conditioning for Computer and Data Processing Room, Technical Specifications for Green-Design Product Assessment: Compressor for Room Air Conditioner, Technical Specifications for Green-Design Product Assessment: Robot Vacuum, and Requirements of the Greenhouse Gas Emissions Accounting and Reporting—Household Appliance Manufacturer. With

regard to “Leader” standards, Midea played a part in the formulation of Green Product Assessment—Household Electric Appliances—Part 1: Refrigerators, Air-conditioners and Washing Machines, Minimum Allowable Values of Energy Efficiency and Energy Efficiency Grades for Electric Fans, Minimum Allowable Values of the IPLV and Energy Efficiency Grades for Multi-connected Air-condition (Heat Pump) Unit, Split Type Room Air-conditioner with the Function of Breezeless Mode, Technical Code for the Certification of the Breezeless Cooling Feature of Multi-split Air Conditioner, and “Leader” Assessment Requirements for Unitary Air Conditioners. In terms of international standards, Midea participated in the revision of IEC 60436 “Electric Dishwashers for Household Use-Methods For Measuring the Performance and IEC 60456 organized by IEC/TC59/SC59D, and the performance standard proposal of IEC/59L NP 63XXX electric rice cooker has been formally filed, while the standard proposal of IEC 60335-2-15 on electric pressure cooker has entered the formal standard manuscript inquiry (CDV) stage. The five microwave oven performance standards for IEC 60705 have also entered the Working Draft (WD) stage; the two national standards proposed by Midea, named Over-the-Air (OTA) Technical Requirements for Electric Automatic Controller for Household and Similar Purposes, and General Safety Technical Requirements for Intelligent Voice Controllers, have also been approved.

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

Midea is resolute in enhancing vertical efficiency and horizontal synergy efficiency, accelerating retail growth and retail transformation by focusing on user needs. Through the reform of direct retailing, Midea has been continuously promoting the "vertical efficiency improvement" of offline channels. More than 90% of the retailers of offline franchise system can place orders directly to Midea for procurement, achieving the shift from distributors to operators. Midea kept optimizing the inventory efficiency of all channels and reduced the inventory-to-sales ratio by 20%. The change of organizational structure has effectively supported the "horizontal synergy efficiency enhancement". Midea has strengthened its operation center to make it become the “main battlefield”, driven deep coordination among all product categories, and promoted corporate operations of the operation center, so as to realize the "One Midea" for all markets and ensure the consistency of user service and experience.

In 2021, online sales as a percentage of Midea’s total sales remained over 45%, and 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 900 smart home stores for domestic users with house decoration demands. Meanwhile, it has deepened the cooperation with top home decoration service providers. It has over 2,500 Midea flagship stores in districts and counties, as well as over 11,000 Midea multi-category stores in towns and villages. Second, in the retail link, Midea builds an immersive 3D model room 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 and promote self-operated core stores on the channels as part of its efforts to drive consistency and efficiency in operations and polish the DTC capability. 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, and efforts are made to improve the smart scenario operation capability. Fifth, post-sales service and logistics experience are well optimized, including integrated delivery and installation, two deliveries in one day, home delivery and home pickup service for returned goods. Digitalization of the supply chain and optimization of supply and demand efficiency are being pursued.

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 over 25% compared to 2020. In addition, Midea strengthens user operation in daily operation, promotes the establishment of membership system and private domain traffic, and deeply promotes the intelligence and IoT of products. By the end of 2021, the cumulative number of registered members exceeded 110 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 reconstructs the service process from the user's perspective, and redesigns the service blueprint by covering 18 core scenarios and solving 214 service pain points. Second, Midea forges ahead with the construction of intelligent interaction, that is, it launched online voice robots for responding customers' requests, H5 text robots, and IoT-based active guidance function for activation and troubleshooting, which helped to handle 4 million orders throughout the year with the first-level failure notice rate of 87%; it also launched the "text + video + voice" customer interactive service prior to peers with satisfaction rate of 98%, in order to serve customers in complex scenes. Third, Midea rolls out a cloud platform for digital operations and services to connect service outlets and cover the engineers and outlets consultation services, and drove efficiency improvement throughout the entire chains by digital transformation, solving problems over 500,000 with the average response time of 120 seconds. Fourth, we deepen the change of engineer operation mode by assigning orders online based on big data intelligence to realize the direct connection of engineers. In 2021, direct allocation of over 42 million work orders across all categories was fulfilled. Fifth, we continue to introduce new technologies and tools to empower engineers' services by comprehensively building an independent learning platform for engineers. A total of 113 online new courses have been developed and more than 20,000 engineers have gained multi-category service competence. The introduction of AI intelligent image recognition technology fully safeguards the quality of installation. Fourth generation of air conditioning intelligent variable frequency detector was also developed to help engineers to improve service efficiency. Finally,

Midea improves the service model to provide better user experience. It has fully realized the replacement of smart small home appliances with after-sales services, replacing nearly 410,000 products throughout the year with shortened replacement cycle of 3 days.

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 vertical sector, by taking the traditional real estate, industry, agriculture, commerce and construction business as the access point, it continues to expand the cooperative product categories and seize the incremental opportunities in the existing market, to achieve growth breakthroughs. In terms of organizational efficiency improvement, Midea is market oriented. By optimizing the organizational structure and reforming the salary and incentive mechanism, it delivers constant improvements with respect to organization, personnel, appraisal and incentive, etc., in order to activate organization and improve efficiency. In terms of business model reform, through comprehensive sorting of existing markets, industries and customers, it takes the initiative to adapt to the development and changing trends of each industry, allocates organizational resources based on market demand, improves professional marketability for different industries, strengthens the building of service provider system, deeply optimizes supply chain, and builds a LTC-based whole-process value chain. In terms of sales expansion, the expansion of new industries, new customers and new categories serves as a breakthrough to achieve business growth and Midea keeps enhancing the professional sales capabilities in regard with customers from different industries. The ToB business achieved nearly 50% year-on-year shipment growth in 2021. In addition, Midea continues to beef up operational risk control internally and externally to ensure the sustained, healthy development of the business.

Annto, a subsidiary of Midea Group, is a technological innovation-based logistics service provider. 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. In 2021, Annto established an integrated and smart supply chain 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 field of production logistics, with the help of four major services and products, namely intensive transportation, smart VMI, internal logistics and integration of delivery and packaging, and the development of digitalization and intelligence, Annto promotes the reform of supply chain business of Midea and the inventory is optimized and becomes visible. Preliminarily, there are fewer needs for human labors, a higher level of digitalization and more flexibility. VMI centers have been established in many production bases, providing services to thousands of suppliers at the same time. In the field of warehousing, equipped with AGV, stackers, circular shuttles and other intelligent devices, the first high-standard automatic warehouse for heavy cargo was established and went into service in 2021. Leveraging automatic code scanning, cargo-type testing, Goods-to-Person (G2P), automatic outbound and other advanced technologies, the warehouse achieves intelligent unmanned warehouse management. Meanwhile, large logistics distribution centers and thousands of pre-warehouses were established in more than 140 cities nationwide, with a total storage area of more than 6 million square meters. In the field of urban distribution, goods can be delivered from one city to another directly via the less-than-truck-load (LTL) distribution networks. Route planning helps realize optimal efficiency. Meanwhile, Annto strengthens the cultivation and expansion of end outlets, improving user experience. In the field of delivery and installation, in 2021, Annto established an integrated delivery, installation and post-sales platform and integrated online and offline businesses, and integrated sales, logistics,

after-sales and other processes as well as all links within the after-sales system. It also established a model that allowed engineers of the platform to manage and pay directly, and standardized and visualized the delivery and installation process. Currently, the delivery and installation network has more than 3,000 delivery and installation outlets and over 32,000 professional engineers, covering more than 2,700 districts and counties in China. In 2021, the number of fulfilled orders exceeded 13 million. Tens of millions of users got delivery and installation services. Annto was also the leader in the field of domestic heavy cargo delivery service.

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. By providing customers with systemic solutions ranging from logistics services from raw materials to finished products, a shared inventory system from online to offline channels, ToB/C integration, to integration services of warehouse distribution logistics and integration services of delivery and installation, Annto assist enterprises to transform channels and boost supply chain efficiency as well as help customers develop continuously. 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. In 2021, a "shared inventory system" supply chain innovation in Midea Group launched by Annto was included in the list of "Typical Cases of Deep Integration and Innovative Development of Logistics Industry and Manufacturing Industry" compiled by the Economic and Trade Department of the National Development and Reform Commission. Via "a shared inventory system" covering the whole channel, Annto further supports corporate customers in establishing a system to monitor the whole value chain operation indicators to continuously optimize costs and expenses, strengthen risk control capabilities, and provide data support for business decisions.

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. It 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. It kept improving the distribution of overseas channels, being customer-oriented and promoting the transformation of overseas channels into retail terminals. Midea added more than 43,000 overseas own brand sales outlets, with a cumulative total of over 150,000, and constantly promoted

channel flattening to improve channel data transparency. By building an overseas data platform and introducing digital decision models and algorithms, it has improved cargo turnover efficiency. Midea achieved online scene-based, video-based, and livestreaming operation, as well as improved channel operation efficiency and capability, by experimenting with full direct operation, a shared inventory system, and shared warehouses, in addition to piloting the DTC model. Multiple product suites and key single products were released for the overseas online markets, which effectively enhanced customer loyalty in the post-pandemic era. Midea has steadily increased its investment in the overseas e-commerce business. It established overseas e-commerce companies and formed special teams for the overseas e-commerce IT system, improved the e-commerce organizational structure by introducing professional talents, and developed a digital system in line with business needs. In 2021, it achieved 65% year-on-year growth in overseas e-commerce sales, with an ever-increasing proportion of e-commerce sales. More than 40 Best Seller products were available on the e-commerce platforms in the United States, the United Kingdom, Germany, Italy and Brazil, with eight sub-categories ranking as the top three sales on Amazon in the United States. Furthermore, it has also gradually improved the Asia-Pacific regional e-commerce organization and achieved year-on-year growth of 145% during the annual e-commerce promotion in Southeast Asia. With accelerated expansions of e-commerce channels, Midea has plugged into local e-commerce platforms in more than ten European and American countries in 2021. Own branding was strengthened overseas. It expedited the pace of global breakthrough of its own brand by launching a special project for branding in North America. It 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. Midea reaches millions of overseas target users through sponsorship of well-known football clubs and sporting events in Europe, North America, South America and Southeast Asia; it continuously improves brand exposure and invests in digital marketing to escalate promotion in local market and further enhance Midea's global presence through marketing campaigns on live broadcasting platforms, social media, independent websites and search engines. Overseas platform building was improved to promote overseas user growth projects. 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; the overseas

manufacturing layout was further improved. To accelerate the model of “China-Based Supply for the World + Local Supply”, Midea’s new production base for refrigerators, washing machines and water heaters in Egypt has put into operation and will cover markets in the Middle East and Africa; the new production base for air conditioners in Thailand has completed test run and will further improve the manufacturing layout in Southeast Asia. A new manufacturing base was launched 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, with an over-20% increase in manufacturing efficiency and an 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. Midea has successfully expanded the global service system to Indonesia, Malaysia, Thailand, Singapore and other key markets. The cloud call center platform was rolled out in many countries successively, and Midea Spare Parts Center has been put in place to build a global spart parts supply chain management network and drive digital and intelligent transformation, with an aim to ensure the timeliness and coverage of spart parts supply for the overseas business. The unified barcode of the whole value chain of production, logistics, sales and post-sales service has greatly improved service efficiency and user experience. Digital intelligence supported the development of overseas business, by pushing forward the online and automation of the whole business process, covering the front-end optimization of business and financial processes, and the new product launch process, as well as the back-end consolidation of the online management of inventory and post-sales, in order to better visualize the whole process. Based on the diversified channel structure and business characteristics of overseas markets, it developed an overseas channel collaborative platform to realize online business processing for customers of different channels and improve overseas channel manageability.

In 2021, 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 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 rising product costs and other factors and ensure the accomplishment of the operating objectives and profit growth. The retail sales of the Japanese home appliance market declined 3% compared to 2020, while that of TLSC bucked the trend and grew by 9%. Its market share of six major product categories combined has increased to 12.5%, 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. Online sales team is further strengthened with the proportion of online sales consistently increasing. Domestic sales, post-sale organization system and network distribution are integrated and optimized to enhance organizational efficiency and vitality. 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 the end of 2021, the business of TLSC has covered more than 70 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 the process of R&D, Midea has constantly focused on the strategy of “Technology Leadership”. In the digital and intelligent planning, aimed at data such as short-term market hotspots, mid- and long-term market trends and user research and feedback, a digital planning platform was established to achieve the integrated analysis of big data and small data in order to tap into user needs. Through digitalization, Midea quickly transformed its technology capability into popular products of high user perception. Dozens of new products have been created on the platform up to now. In the digital intelligent development, the first year of digital simulation of Midea was launched. The unified digital simulation platform and the simulation talent system of Midea were established, and intelligent laboratories were built to realize the automation of testing. The digital R&D platform was built, and industrial software platforms in R&D such as GPM and MPLM were released and gone live in all R&D units to drive the transformation of efficient collaborative R&D mode. In the process of manufacturing, Midea has stepped up the development of 5G+ Industrial Internet of Things and launched the construction of several factories with 5G fully connected. It has completed the full coverage of the 5G network in eight parks of five product divisions, boosted the large-scale application of digital technologies such as 5G + AI and 5G + AR in quality management and won the fourth China Quality Award, with an evident improvement in product quality. In green manufacturing, based on the Industrial Internet of Things Platform, Midea has promoted the networked and intelligent upgrade of the energy management system. In the production plan, it achieved multi-constraint, multi-objective and multi-version scheduling schemes by a self-developed intelligent mixed-flow scheduling algorithm, which steadily improved production efficiency, with the planning and scheduling efficiency improved by 75% and the factory resource allocation efficiency improved by 8%. In the process of warehousing and distribution, the solution scene for the overall supply chain has been supported by T+3 plan connection, direct delivery, unified warehousing and distribution as well as shared inventory, to materialize the core competitiveness of supply chain and logistics services such as national integration services of warehouse distribution logistics, online and offline BC integration, delivery and installation integration. In addition, iterative upgrading was achieved via IoT, ultra-wide bandwidth (UWB), 5G, blockchain, big data, intelligent hardware, and other technical applications to shorten delivery time, improve efficiency and provide a robust guarantee for the

implementation of Midea's strategy of "Direct to Users". In the process of marketing, Midea has driven the "Direct to Users" strategy with the "Digitization & Intelligence Driven" strategy, adhered to the customer-oriented principle and focused on building a digital, intelligent, personalized and open Midea Cloud Sales platform, which has supported the retail reform, C2M model, unified warehousing and distribution, direct-management and direct-payment services for engineers, and intelligent analysis of big data to further enhance the digital intelligent operation capability and platform operational level of all channels and the whole value chain. Meanwhile, the membership system jointly established with retail stores has attracted more users, encouraged them to take part in member activities, improved buying experience, and boosted user royalty. Specifically, offline members have covered more than 1,300 stores and the sales volume of members translated from Enterprise WeChat reached around RMB10 million. In the process of after-sales service, the after-sales service reform has been steadily implemented to intensify users' service experience. Midea has taken the lead in the industry in user reputation on third-party e-commerce platforms, with service satisfaction close to 99% and service professionalism hitting 99.2%. Besides, it has also focused on digital intelligent services, with more than 2.7 million annual work orders handled by voice robots and over 20,000 customers served by video customer services in 2021. The convenient service, package purchasing and installing, was comprehensively pushed forward to forge engineers providing multi-category service. For set work orders, the completion rate of the same engineer reached 99.3%, and sales by engineers contributed more than RMB2.3 billion, with a year-on-year increase of 130%. Midea has strengthened the transformation of direct-management and direct-payment of after-sales outlets and engineers to constantly enhance the service efficiency, with the work order direct allocation rate of more than 70%, the percentage of direct payment amount accounting for approximately 90%. During the operation and management process, in-depth exploration is made in the best digital practice of talent development, and the establishment of talent analysis models, talent label systems and the talent portrait system is accelerated to lay a solid foundation for the intelligent application of human resources. Besides, aimed at standardizing the management procedure and improving operating efficiency and service quality, we have made continuous efforts to improve the employee management system. Midea has realized digital decision support, providing efficient and rich digital services and digital self-service analysis tools by data bank to improve data support for the whole value chain. By upgrading the mobile infrastructure, mobile applications are promoted in marketing, supply chain, etc. More digital scenes are created, and

decision-making efficiency and the capability of comprehensive digitalization is enhanced. With respect to overseas operations, with the “International 632 Project” as the core, Midea continues with the digital transformation of its overseas business. The global order processing mechanism was launched to connect overseas marketing and manufacturing in an effective and automatic manner. To support the implementation of the strategy of “Global Impact”, multiple key programs have been launched, including overseas e-commerce platforms, empowerment of overseas channels and retail stores, the T+3 system for overseas operations, the global capital platform, integrated global services, etc. Further, automation was promoted in overseas marketing to as a way to increase efficiency in the whole overseas value chain, and boost global competitiveness under the new circumstances.

Additionally, in response to China’s goals with respect to “carbon emission peak” and “carbon neutrality”, Midea has beefed up energy saving and emission reduction by relying on its strategy of “Digitization & Intelligence Driven”. On one hand, M.IoT has connected each key node of energy use in manufacturing and production planning systems to enable transparent, visual and controllable energy efficiency management. Also, digital technologies have been adopted to upgrade energy management in the manufacturing process. So far, the digital transformation of energy efficiency management has been applied to nearly 20 factories, reducing energy consumption for the production of a single product by 15% as well as supporting upstream and downstream companies and external customers in carbon emission reduction. On the other hand, scene-based innovation and application extension in smart home featuring low energy consumption can help save energy and reduce emissions in the process of product use.

Midea has built a new data platform with manufacturing characteristics. By integrating large-scale offline computing, streaming computing, graph computing, data mining, machine learning, neural networks and other advanced big data technologies, it has connected the Group's research, production and sales data and integrated the Group's smart home, intelligent manufacturing, smart buildings, robots and other multi-industry, multi-terminal and multi-category data. With the integration of online and offline data in addition to product and service data, it has built core data assets with the core as B-end and C-end customers, to improve the "User One_ID" system and achieve asset-based, real-time and service-based data. In terms of asset-based data, Midea has improved the methodology of data construction and

comprehensively built core data assets such as user domain, marketing domain, IoT domain and supply chain domain, and significantly improved data access and data construction. In the aspect of real-time data, through large-scale stream computing, data delay has been reduced to a millisecond level, covering more than ten business areas. Data timeliness has been improved to materialize cost reduction and efficiency improvement, with above 20% and above 50% respectively in some areas. As for service-based data, more stable, efficient and flexible data service has been built, and the stability of data service has been increased to above 99%.

Midea has comprehensively pushed forward the implementation of IoT technology platform, integrated the advantageous IT and R&D resources, and continuously deepened the PaaS technology platform to support departments and entities such as IT, IoT, Building Technologies, Midea Cloud, and Annto, completing the deployment of domestic and overseas public and private clouds, and materialize the landscape of global multi-data centers operation and maintenance. As at the beginning of 2022, PaaS Technology Center has empowered 180 systems, with the number of service accesses increased 3 times. The total amount of API requests of PaaS components has increased tens of times, up to 6.75 billion times. The efficiency of internal system technology platform construction has increased by 10% and the server cost has reduced by 20%. Moreover, Midea has built a self-developed platform of container cloud and developed an industry-leading containerized business form, and the total number of IT systems connected to containers reached 138, with over 85% of the Group's microservice systems containerized. In the future, it will build elastic and stable container cloud architecture in order to empower the Midea Cloud Sales platform, reduce the cost and time spent on the self-developed platform, and improve system stability and reliability.

Midea has steadily enhanced its artificial intelligence (AI) technologies and further promoted the application of intelligent technologies. In 2021, Midea AI Innovation Center, with an R&D team of over 200 people, established AI technology R&D networks covering China and the United States to achieve continuous innovation in AI core technologies and implemented the applications in four major fields respectively, including home service robots, smart home AI empowerment, AI home brain, and edge intelligence, driving the application of products of AI technology in smart home. Among them, the voice full-chain technology has gradually been materialized in the voice front-end, speech recognition, natural

language comprehension, speech synthesis and other fields. Besides, industry-leading innovative technology combinations such as the mix of dialects, intelligent wake-up, people discrimination by the voice, and proactive recommendations were also built. The independently-developed technologies related to voice/language have been applied to five formats of products, 11 product categories and 34 SKUs, and accumulatively serviced 1.1 billion user requests. Midea has achieved technological breakthroughs in computer vision. In virtual human technology, the full online real-time synthesis from two-dimensional images to three-dimensional images of the person has been materialized and the industry-leading 2D camera-based technology which is driven by live action and automatically generates emoticons has been developed. In the scene of smart home, a centimeter-level semantic map has been achieved and the low-cost standardized visual recognition hardware module has been successfully developed. Furthermore, the Midea team won second place in Track 2 at ICCV 2021 DeeperAction Challenge in the world.

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

In 2021, Midea upgraded the users’ smart life, established a C2M digital platform for whole-house intelligent solutions, completed the platforms of Midea Cloud Sales, Midea Home Delivery and Midea Cloud Shelves as well as developed personalized whole-house solutions, which were available for users to place orders with one click and select SKU or product mix for different scenes at will. The whole-house intelligent terminal of Midea covered nearly 700 stores in China, and meanwhile, 100 stores rolled out the project of experience pavilion for whole-house smart home remodel to provide one-stop whole-house intelligent solutions for users. The sales of the solution for the whole-house space scene reached 180,000 orders in 2021, achieving a trading volume of more than RMB14 billion. As at the end of 2021, the MSmartLife App has cumulatively launched over 300 smart scenes, of which the execution exceeded 280 million times during the year. The number of connected Midea smart devices has increased by over 96% year on year, with 20% of families connected to multiple devices. In addition, the international version of the MSmartLife App now supports Thai and Vietnamese languages to back up the intelligence-based development of key overseas countries.

M.IoT has built a business value chain of Midea Smart Home, which is based on the life cycle of user experience and is customer-oriented, to provide users with whole-scene experience services and more quality ecosystem value-added services to create a pan-MSmartLife App ecosystem that focuses on “Customize a Smarter Midea Life for You”. It continues to turn a new page to meet the needs of customers. Midea has furthered in-depth cooperation with Huawei. With more than 230 types or 25 categories of HarmonyOS-based household appliances, it has made a leap from SKU cooperation to whole-house intelligence. In addition, it has reached strategic cooperation with Tencent Xiaowei in Smart Home. It can make the AI voice control to mainstream intelligent household appliances of Midea a reality through Tencent Xiaowei assistant. Moreover, Midea also has carried out strategic cooperation with China Electric Power Research Institute (“CEPRI”) and rolled out household appliances equipped with the energy-saving program of CEPRI to achieve the online regulation of load resources and two-way interaction with the power grid, which promoted the efficiency improvement in addition to the safe and stable operation of the power grid, and proactively fuel the national strategy of “carbon emission peak” and “carbon neutrality”. Additionally, it has further deepened cooperation with overseas companies such as Google, Amazon and Apple, and continued to optimize the voice reciprocal experience of products to achieve multi-equipment, cross-brand, cross-platform and diversified service linkage. M.IoT open platform launched “Scene Configuration Platform” to further improve the development and access efficiency of scene linkage capabilities of scenes of all categories, with 78% of smart devices supporting scene linkage capabilities as at the end of 2021. Based on the health research results and big data analysis capability accumulated by Midea for many years, Midea has been able to provide users with personalized and comprehensive solutions for healthy sleep, diet and other scenes with Midea products as the core.

Based on users, environment and equipment data, Midea has created the “Air Cloud Housekeeper” intelligent algorithm function covering multiple products, which can achieve “cloud management” of devices for users through intelligent algorithms, meeting the needs of users in different scenes. Also, Smart Refrigerator AI Fresh-keeping Cloud Housekeeper has been launched to further iterate the algorithm of keeping food storage fresh, and to make adjustments in view of the users' preferences and ambient temperature, thus realizing precise temperature and humidity control. Smart Cloud Housekeeper points to the four frequent theme scenes of “air”, “water”, “diet” and “cleaning”, steadily

optimizes user experience and achieves the energy-saving goal. It adds the reminder function for appliance failure and service status updates, as well as generates reports with appliance operation based on data analysis to facilitate energy-saving control. In 2021, the monthly active users of Midea Smart Cloud Housekeeper grew more than 450% year on year. The APP has provided more than 6 million Midea users with more energy-saving, more comfortable, more convenient, safer and healthier digital family lives. Dozens of patent applications for innovative technologies have been submitted. Meanwhile, the “Electric Heating Cloud Housekeeper” has also been accredited with the first VDE energy-saving certification in the industry, saving up to 40% of electricity for users.

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 early 2021, M.IoT cloud platform and the MSmartLife App passed the assessment for classified protection of information system security. In October 2021, China Cybersecurity Review Technology and Certification Center issued the industry's first “IT Product Information Security Certification (EAL4+)” certificate for the Smart Home Communication Module of Midea. In the same period, Midea successfully passed the system certification of the Cross Border Privacy Rules (“CBPR”) of Asia-Pacific Economic Cooperation (“APEC”) and was accredited with the certificate issued by the Infocomm Media Development Authority (“IMDA”) of Singapore. Besides, Midea was also accredited with the security certificate of Cloud Security Alliance (“CSA”) issued by the British Standards Institute (“BSI”) and the international standard certificate for Compliance Management in Relation to Antitrust and Data Protection ISO37301:2021. As such, M-Smart is considered industry-leading in terms of data security.

Midea redefines the intelligent standard of the industry and boosts the improvement of user connection experience through technological innovation. In May 2021, M.IoT issued the White Paper on Distribution Network Technology of "One Touch Smart Link" Appliance which redefines the standard of "link". Midea's household appliances are equipped with the "Automatic Discovery" and "One Touch Smart Link" functions, which realizes user insensitive distribution network and improves user experience. At the same time, Midea's products can be interconnected with OPPO cell phones to achieve the underlying communication protocols, increasing the success rate of network connection by 35%. The MSmartLife

App has launched the network connection function “household appliances find friends”, which refers that household appliances connected with a network can materialize a one-key network connection for household appliances yet to be connected, to avoid repeated operations and improve the experience of network connection. Furthermore, the international version of the MSmartLife App also supports one-key authorization in Alexa and users can control smart devices through the Alexa account with one key connection. Midea has released the industry’s first whole-scene home IoT operating system developed based on OpenHarmony 2.0, which can provide new solutions for cross-brand and cross-category products in terms of interconnection, autonomous collaborations between devices, cloud-terminal integration, AI interaction empowerment and other issues, reduce the connection cost of ecosystem products, optimize collaborative innovation between industry chains, and provide developers and partners with a more convenient development environment and a more powerful application ecosystem. Midea has participated in the formulation of the international standard—Standard for General Requirements of Evaluating Intelligent Performance of Household and Similar Electrical Appliances—by the Institute of Electrical and Electronics Engineers (“IEEE”), and proposed a more instructive grading standard for intelligent household appliances L0-L4, which provides a grading of the level of household appliance intelligence with user-side and product-side and fuels the standardized development of the household appliance intelligence industry. In October 2021, Midea also innovatively proposed the concept of “meta-home” which combined physical space, Internet space and virtual space. Based on basic technologies such as perception, communication, AI, big data and virtual reality, it could achieve the digital home twins, provide a new IoT application as well as interaction experience and allow users to enjoy more in-depth intelligent services.

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 2021, up 300% year on year. In terms of products, after three years of development, COLMO’s high-end smart products have covered air conditioners, refrigerators, laundry appliances, kitchen appliances, water heaters, microwave-steamer-oven combos and other categories, and formed the four

product suites of BLANC, TURING, EVOLUTION and AVANT, preliminarily establishing a leading high-end smart life solution in the global home appliance market. In 2021, COLMO launched the TURING Whole-house suite, the EVO Interstellar suite, the AVANT My Treasure suite and the Star Atlas suite to satisfy the pursuit of high-end smart scenes and pioneering designs by high-end users, further enriching and improving scene solutions. 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 in 2021, took the lead in proposing high-end intelligent control services centered on "Villa Intelligence Expert", and initially sketched a higher-end "intelligent control of the whole house" era. The COLMO products have won 14 international awards including the iF Award, the Red Dot Award, the IDEA Award and the PIN UP Award, covering air conditioners, refrigerators, washing machines, kitchen appliances and other products. In terms of the brand, as the promoter and leader of the COLMO Lifestyle, COLMO continues to cooperate with IPs in the fields of culture, film and art to inspire high-end lifestyles with brand culture, and to present insights and thought on minimalist aesthetics and the COLMO Lifestyle in a multidimensional manner. The brand has cooperated with Ma Qingyun and his father Ma Boqian to film the micro documentary Less is More, launched the second season of Life Evolution, and worked together with director Jia Zhangke to create Behind China: Meeting the 1%, constantly leading the high-end lifestyle with "rational aesthetics". In terms of the market, COLMO has served more than 330,000 high-net-worth customers around the world, of which more than 16,000 have purchased 5 or more items. According to the data from AVC, the proportion of COLMO products in the high-end market has increased significantly in 2021, with floor-standing air-conditioners constituting about 36% of the market, wall-mounted air conditioners and water purification products above 20%, and front-loading washing machines close to 15%. In terms of sales channels, COLMO has been providing better whole-house smart experiences for high-end users. In 2021, COLMO further expanded the whole-house channel by setting up more than 300 experience halls and 40 experience pavilions. At present, nearly 7,000 stores and outlets have been arranged in the domestic market.

In 2021, 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. Centered on product

innovation, WAHIN deepened the brand marketing towards the young generation and spread the brand in different cultural circles with the virtual character "WAHIN Girl" being the spokesperson and a slogan of "It's your turn, young man!" Through innovative designs with a more youthful vibe, combined with a more intelligent user experience, the brand has made full efforts to promote various categories such as air conditioners, washing machines, refrigerators, kitchen appliances and small household appliances. WAHIN reported revenue of more than RMB5.5 billion, an increase of over 200% year on year. During the "618" promotion, WAHIN ranked among the top ten in the Tmall home appliance industry, and ranked fifth in sales on JD.com. WAHIN upgraded the digital remote controller and turned a new page of digital remote control in the air conditioning industry. During the "618" promotion, "WAHIN Girl" same series of air conditioners was launched, the brand exposure exceeded 120 million UV, and nearly 200,000 sets of this series were sold. Sales of WAHIN HA Series Wall-Mounted Air Conditioner exceeded 50,000 units in both the "618" promotion and the "Double 11" sale. Sales of the WAHIN 35HE1 product exceeded RMB100 million in the "618" promotion. During the "Double11" sale, sales of the WAHIN air conditioning products ranked among the top five on Taobao and its related platforms. WAHIN launched an ultra-thin washing machine during the "618" promotion, which became a hot-selling item. Thanks to marketing models such as exposure through livestreaming among youngsters, the product sold 3,000 units in the whole network on the same day and RMB10 million for the whole month. During the "Double 11" sale, the sales of WAHIN washing machines reached over RMB50 million. The brand also launched the Dazzling Blue refrigerator collection, which enabled it to unify the visual design language, achieve rapid growth and improve the overall sales structure. During the "Double 11" sale, the sales of the products reached over 4,700 units, thanks to new marketing methods such as cross-field interactive livestreaming and scene-based content recommendation. During the "618" promotion, the short video of WAHIN refrigerator flagship store entered the Top-5 list of T-mall brand short videos. WAHIN Kitchen Appliance launched the WAHIN-dimension smart appliance suite, covering kitchen and bathroom appliances such as electric water heater, gas water heater, range hood stove, dishwasher and water purifier. With the fashionable color matching of orange and blue as well as the new experience of smart interaction, WAHIN kitchen appliance led the trend of household appliances by catering to customer needs for diversified scene experience. Sales of various categories were outstanding during the "618" promotion. In addition, WAHIN Vie6 8-set Dishwasher ranked first in the network sales of SKU. WAHIN's built-in products have also given a striking performance in 2021, with sales increasing by 100% year on year. In

2021, WAHIN continued exploring sales channels for its small domestic appliances on platforms such as JD.com, Tmall and Douyin, and promoted the development of products such as the foldable Little Sun which enables artistic space usage, and the circulation fans for both table and floor use.

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 Business Group will sprint for the revenue target of RMB100 billion within five years. It has established the Industrial Technology Research Institute and a strategic development organization 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 2021, the unit sales of residential air conditioner compressors surpassed 100 million units, up 20% year-on-year and accounted for 42% of the global sales, representing the largest market share across the world. The unit sales of refrigerator compressor increased by 13% and represented 13% of the global sales, thus ranking at the forefront of the industry. The unit sales of motor for residential air conditioner and washing machine accounted for 40% and 20% of the global figures respectively. The domestic market share of in-car air conditioner compressor has doubled to 25%. 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. Hitachi Compressor (Thailand) Ltd. (HCTL) was acquired and the integration work was steadily improved. It has significantly increased the production capacity of refrigerator compressor and improved the global supply of core components. In terms of product technology innovation, the three R&D projects of "Research and Industrialization of Key Technology for New High-efficiency Inverter Compressors", "Research and Application of Pressure Difference Start Technology for Rotary Compressors" and "Research and Industrialization of Key Technology for New Generation Variable Frequency Motor System for Household Appliances" of the Industrial Technology Business Group passed science and technology appraisal held by China National Light Industry Council and was recognized as "Internationally Advanced". The Industrial Technology Business Group puts more resources to core components of new energy vehicles, and develops core components of two-wheeled electric vehicles. In May 2021, the three major product lines of drive system, thermal management system and auxiliary/automatic driving system were put into operation, and the five auto parts, i.e. drive motor, electric water pump, electric oil pump, electric compressor and EPS motor, were officially released. It has also developed the groundbreaking rotor electric compressor innovatively adopting natural refrigerant CO₂ which has the features of high efficiency, low noise, and light weight, and achieved the high-efficiency refrigeration and low-temperature heating, increasing the service life of heat pumps by 20% compared with traditional ones. These products have raised extensive attention and are recognized by the market. The Business Group has defined the development path of "industry marketing & technology sales & regions" in the field of industrial automation, proactively promoted the transformation of its marketing model, and released a series of new products and applications. Among them, the linear drive CDLB compact linear module has achieved a localization rate of more than 50% of the parts, and led the race between peers in performance with the positioning accuracy from 10 μ m to 2 μ m and the steady acceleration from 0.3g to 1g. The BDHDE rotating servo system has realized the pre-entry function of electronic nameplate parameter and EC function which simplify the operation and management of the product for customers. The R-series servo motor has advantages of 8000rpm rotate speed and short motor length, which has a wide range of technical applications. The Business Group has also introduced the Codesys Controller Programming Platform, which is the world's leading IDE

platform applying open programming language in PLCopen standard and can seamlessly switch between controllers of notable brands. In addition, SERVOTRONIX has been awarded the title of "CDDIA Annual Influential Linear Driver Brand" by China Direct Drive Industrial Alliance (CDDIA) for three consecutive years. In the field of new energy, the Industrial Technology Business Group provides customers with low-carbon, digital, customized one-stop energy solutions based on its industry-leading high-voltage variable frequency drive products in intelligent micro-grid, energy storage, and SVG, which can be applied to centralized scenarios such as power plants, as well as distributed scenarios such as factories, schools and hospitals. Meanwhile, inspired by the concept of green and sustainable development, it actively implements the national dual-carbon strategy, and lays out products and businesses related to new energy storage in the field of power generation, grid, load and storage by virtue of nearly 20 years of power and electronics technology as well as the continuous talent introduction. 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 2021, it produced more than 10 million chips, and gradually expanded its chips business into the industrial control and automobile industry.

As a leading manufacturer of core components, the 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. The project of "New Sliding Vane High Efficiency Compressor Technology Research, Performance Evaluation and Application" won the "2020 China National Light Industry Council Technology Progress Award (First Prize)". "Ultra-efficient Variable Frequency Rotary Compressors" and "New Generation of BLDC Motor and its Smart Controller for Front-loading Washing Machines" were both awarded the 2021 AWE Core Chip Award. "New Generation of BLDC Motor for Ultra-efficient Air Conditioners" and "Rotary Compressors with Pressure Difference Start Technology" won the Gold Spike Award of China Household Electrical Appliance Industry Chain Conference. "Rotary Compressors with Pressure Difference Start Technology", "40 High-efficient and Wide-range Variable Frequency Scroll Compressor" and "BLDC Motor for Ultra-efficient Commercial Air Conditioners" respectively won the Innovative Product Awards of 2021 China Refrigeration Expo. And "R410A Jet Inverter Heat Pump Compressors" was awarded the Innovative Product Award of 2021 China Heat Pump Exhibition. In addition, "8HP Variable Frequency Enhanced Vapor Injection (EVI) Rotary Compressors" won HAPE 2021 Innovation Award. Besides, the project "Research and Industrialization

of Key Technologies of New-structure Compressor for Low-temperature Super-heating" won the first prize of Science and Technology Progress Award of Guangdong Light Industry Council; the five products in series of air conditioner compressors, refrigerator compressors and air conditioner motors obtained the "Low-carbon Energy" certificate at the 2021 Development Conference of Eco-friendly Low Carbon Technology; the home appliance parts brand GMCC was granted the title of "Leader Brand of 2021-2022 Air Conditioner Compressor Industry" at the China Air Conditioner Industry Symposium; GMCC and Welling also won the "Golden Wisdom Award" and the "Top Ten Supply Chain Product" at the 2021 Development Summit of China HVAC Industry for the first time.

In 2021, Midea HVAC & Building Technologies has been reformed into Midea Building Technologies. After the upgrade, Midea Building Technologies has been dedicated to the construction of a digital platform, and supporting plentiful, changeable scene groups as well as flexible, personalized digital experience by "building facilities + digital technology + industrial ecosystem", by which it will facilitate the logistics, information, feeling and energy flows to provide an overall building solution of SMART IN ONE. In terms of market performance, Midea Commercial Air Conditioner has continued to rank first with respect to domestic market share according to the data monitored by Industry Online and the Electromechanical Information of Commercial Air Conditioner Market in 2021. In terms of marketing, Midea Building Technologies provides industry-specific integrated solutions to customers in various fields. For example, at the first China Architectural Science Conference and Green Smart Building Expo, it presented comprehensive solutions for buildings in typical scenes such as smart rail transit, smart hospital, business complex, data center and smart plant; at the 22nd National Hospital Construction Congress and China International Hospital Construction, Equipment and Management Exhibition, it presented the "Solution of Midea Smart Hospital LIFE Flow". At the 61st National Pharmaceutical Machinery Expo (Fall 2021) and China International Pharmaceutical Machinery Expo (Fall 2021), it released the comprehensive solutions for the pharmaceutical industry. In terms of product breakthroughs, MeiKong, which is under Midea Building Technologies, has released the new brand "KONG", Building a Brand-new LIFE: China Building Automation White Paper, the strategy of KONG C3 SI, and other core products in Shanghai during 2021, which injected burgeoning power into China's building automation industry. In the same year, Midea Building Technologies produced thousands of centrifuges with a total cooling capacity of more than 1.2 million tons, marking the core technological capabilities of Midea and

that domestic centrifuges have broken through the foreign technical barriers. "Air C+ Duct Type Air Conditioner Indoor Units", "Sinan Series Magnetic Variable Frequency Centrifugal Chillers" and "Three Pipe Heat Recovery Multi-split System" won the Innovative Product Award at 2021 China Refrigeration Expo. In the year, Midea Building Technologies also released the digital elevator strategy- starting the digital and intelligent era of elevators in all aspects by digital operation, independent electronic control platform, electronic security and intelligent technology. Meanwhile, it has launched the new elevator brand LINVOL with the positioning of the "expert in full life cycle management of elevators". In reliance upon the advanced industrial system of Midea Group, Winone independently designed and built the 32-meter heavy-duty escalators test tower for public transport. The project now has been put into use. The escalator in this project has a maximum height of 25m and an inclination angle of 30 degrees. It has a proven, safe and reliable technology and fully complies with Chinese rail transportation standards, with numerous technical parameters higher than European standard. As a heavy-duty escalator, it can perfectly handle extremely dense passenger traffic. In terms of technological innovation, Midea Building Technologies set up Midea Building Technologies Research Institute in 2021 to achieve the fully combination of human and architecture with digital technology and to build thoughtful smart buildings. Also, it has jointly established the Research Center of Building Carbon Neutrality Technology with Shanghai Jiao Tong University. Many awards were won for the relevant technological achievements. For example, Midea's project of "Research and Industrialized Application of High-efficient and Energy-saving Key Technology for Wide-temperature-range Heat Recovery Multi-split Systems" (jointly applied with SJTU) won the second prize of Science and Technology Award of the 10th China Refrigeration Society, the first prize of Science and Technology Award of Guangdong Mechanical Engineering Society, and the first prize of Science and Technology Award Guangdong Machinery Industry Association. The project "Technology and Industrialization of Ultra-low-temperature High-efficient Energy-saving Air Source Heat Pump" (jointly developed with SJTU) won the Industry-University-Research Cooperation Innovation Achievement Award of China Industry-University-Research Collaboration Association. The independently developed project "Heat Recovery Multiple-unit and Intelligent Control System" won the Silver Award at the 72nd Nuremberg International Invention Exhibition in Germany. At the 2021 China HVAC Industry Development Summit, Midea Building Technologies won the "Golden Wisdom Award for Cooling & Heating Intelligent Manufacturing" in the fifth consecutive year, and the self-developed "Sinan-series Maglev Centrifuge" won the "Top Ten Product Award". Additionally, the relevant patented

product technologies won six Excellence Awards at the 22nd China Patent Awards. GD Midea Heating & Ventilating Equipment Co., Ltd. and WINONE Elevator Company Limited were recognized as Guangdong Industrial Design Center. These honors and awards attest to Midea's technological R&D strength in building technologies. In terms of product services, Midea Building Technologies has also been committed to improving the standards toward the offerings of products and services. The first VRF, MDVS, multi-split reliability improvement standard proposed by Midea was fully affirmed by experts. Midea is committed to providing customers with overall solutions. For instance, in the "miracle of human engineering" Sichuan-Tibet Railway project, Midea built an overall solution covering HVAC, elevator and automatic control system for Lalin section which provides efficient, reliable and intelligent technology and equipment guarantee for the construction of important national transportation hubs. Midea Building Technologies provided an overall solution of "old machine replacement & load partition & multi-type equipment matching" for the national stadium "Bird's Nest" as the main venue of the opening and closing ceremony in Beijing Winter Olympics and Winter Paralympics to create an intelligent and low-carbon stadium. At the Dubai World Expo, it provided indoor air integrated solutions for high-quality temperature and air experience to Italy, Poland, Germany, Pakistan and Czech pavilions. In the 14th National Games, it made overall solutions to create an eco-friendly and intelligent environment for 11 venues and supporting buildings, covering advanced equipment such as centrifuges, screw machines, and multi-split air-conditioners, which fully presented the technological capacity as an industry leader. In the project of Suzhou Metro Line 6, it provided a perfect solution of "efficient computer room & intelligent terminal & intelligent control system" for 31 stations of the line, helping Suzhou Metro achieve energy conservation and efficiency improvement.

With its leading product technology and perfect solutions, Midea Building Technologies is highly recognized by partners in various fields. For example, 16 of its projects have won the 2020-2021 China Construction Engineering Luban Prize (National Prime-quality Project). It has also won the "2021 Innovative Solution Award of China IDC Industry" at the China IDC Industry Annual Ceremony, and the title of "Top Ten Construction Equipment Suppliers of China Hospital Construction" at the 9th China Hospital Construction Award Ceremony. In addition, MeiKong has won the "2021 Top Ten Building Automation Brand Award" at the 2021 Intelligent Building Brand Awards Ceremony. In addition, Midea Building Technologies won the Long-term Cooperation Award for 10 Years of Vanke Group, the

Innovative Product Award and the Industry Influential Brand Award at 2021 China Heat Pump Cogeneration Summit.

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 the first robotic manufacturer in the world to introduce sensitive lightweight robots into the production plant, as well as the first manufacturer with a product range covering collaborative robots, mobile robots and industrial heavy-duty robots. In 2021, KUKA launched a series of new products. In terms of digitalization, KUKA presented its new operating system iiQKA.OS at Hannover Fair. With this system, robot use will be greatly simplified and be as easy as cellphone use. The iiQKA.OS system is intended to serve as the basis for an entire ecosystem which provides access to robot accessories, programs and apps, etc. At the end of 2021, taking advantages of Industrial Internet of Things (IIoT), the new KUKA iiQoT platform can collect and provide the data of working condition of different robots in real time, covering aspects such as hardware, software and controller. Since it was regarded as Cloud Solutions, the remote monitoring of robot system has become more effective, and the condition data can be visited by users anytime anywhere. For the food and medical industry, KUKA released the "KR DELTA robot" -- the first delta robotics-- with a parallel kinematics. The new robot obtains excellent performance at a much lower cost. Its arms can reach up to 1,200mm and the robot has a payload capacity of 6kg. As the latest product in KUKA lightweight robot portfolio, this robot is made entirely of stainless steel and can perform pick-and-place applications towards food and medicine. In respect of digital simulation, KUKA made public a new version of smart simulation software KUKA.Sim 4.0. The software is featured by a new level of simplicity, planning reliability and cost efficiency. It not only streamlines the workflow and saves time for customers, but also demonstrates its functions in multiple scenes. With regard to medical care, a Munich therapy center uses a medical product with an integrated KUKA robot, that is, The CyberKnife system of Accuray, as a high-precision instrument in tumor treatment. This product is an alternative to conventional radiotherapy and a breakthrough of KUKA robot in the medical field. In general industry area, the speed of KUKA KMP 600-S diffDrive can reach two meters per second. It not only possesses capacities of laser scanning and 3D object recognition but possesses a load capacity of up to 600kg, which also opens up new ways and increases flexibility for

internal production's goods flow while providing support for production. In spite of welding large workpieces, the brand new KUKA Friction Stir Welding Cell known as cell4_FSW can procure higher weld strength. As it does not cause welding deformation easily, it is very flexible at the same time, historically solving the pain point of the industry. Quality Test Equipment developed by Germany Berghof, consisting of a KUKA KR CYBERTECH robot and a 3D scanner, won the "2021 Germany Innovation Award", which is used for checking the components and parts at the end of the assembly lines. Compared to the congeneric quality and safety test equipment for the components and parts of automobiles, the equipment has edges in cost and flexibility. In construction area, KUKA KR QUANTEC Machine will assist Belgium BESIX Group in reforming the traditional construction methods, printing concrete columns, sculptures and facade elements by 3D with the help of KUKA robot to have a quick and environmental effect. "KUKA NOX" Construction Robot, winning 2021 Red Dot Design Concept Award, is similar to a mobile 2D printer, which can enhance the efficiency of construction by printing identification information based on the digital modeling of architectural design, and achieve that customers and architects can check the construction site anytime anywhere in a virtual scene by applying the digital twinning technology in construction site. As for new businesses, KUKA's Swisslog creates automation systems that bring scalability, flexibility and lower costs to vertical farming, allowing them to be installed and maintained in a wide range of pre-existing and purpose-built spaces. These systems help broaden the applicability of growing crops and bring food production closer to urban consumers.

During 2021, in the automotive field, KUKA entered into a new cooperation framework agreement with the Daimler Group to extend the long-term partnership. The orders cover robots, production lines, KUKA robot controllers and other products, such as KR FORTEC heavy-duty robots and the new KR QUANTEC generation. KUKA also received orders from another global automobile manufacturer, with a total of tens of millions of euros. In the future, KUKA will join the body components of a premium SUV using a patented process of pierce riveting technology. By early 2022, KUKA has supplied BMW's Dingolfing factory with KR C5 Intelligent Robot Controllers of approximately 250 units for applying to manufacturing car doors and valves, and the power consumption can be reduced by up to 15% compared with the previous generation controller. In September 2021, KUKA received an order from MAGNA who is the supplier of G-class Mercedes cars and will build a fully automatic ladder production

line for electric car models in Austria, where the heavy-load six-axis robot KR 1000 Titan will be used on the production line system, and will integrate KUKA's innovative welding technology that can meet the needs of electric vehicle production. KUKA also procured assembly lines of body base for Audi's midsize and luxury cars, and the order amounts to several million euros, where approximately 200 KUKA robots will be used on the line, covering manufacturing stages such as spot welding and bonding. At the beginning of 2022, KUKA even procured a project order from Ford Otosan who is the biggest commercial vehicle suppliers of Ford Motor in Europe, for which over 700 robots will be provided to produce Ford next-generation electric automobiles. In the general industrial field, the new order KUKA received from BACA System involved 100 KR 210 QUANTEC robots. For seven consecutive years, KUKA has been supporting BACA System with innovative robot solutions in the stone cutting industry and a total number of over 450 KUKA robots. In terms of logistics automation, in May 2021, Swisslog announced that the ZKW Group, the specialist for innovative, premium lighting systems and electronics, will use Swisslog automation to help increase manufacturing. With centerpiece of the installation being Tornado miniload cranes, Swisslog is expected to provide automation systems which cover QuickMove conveyor systems and SynQ management software. Throughout the pandemic, Swisslog has continued to support businesses with project realization for critical supply chains. It won 21 AutoStore orders with a total value of over EUR60 million in the first half of the year. These orders came from customers in different industries including Norwegian logistics provider Bring, Italian importer Andreas STIHL SpA, and German toy retailer ROFU. In December 2021, Swisslog procured a project order of millions of euros from European seafood e-commerce Rohlik who develops rapidly, and will provide automatic logistics solutions in Prague and Vienna in Europe that will involve multiple solutions and software systems such as CycloneCarrier Shuttle solution, QuickMove conveyor system, and SynQ Software. Modern high-rack storage technology and warehouse management software system will be provided to Swiss Federal Railway (SFR) by Swisslog. In catering area, Ratio, a catering company located in Singapore orders 20 robots from KUKA again for mixing wines and making coffee, in order to expand the business. Besides, in June 2021, KUKA won the 2020 Stellantis First Supplier Awards for its timely, efficient and high-quality products and services provided. Stellantis was formed in January by the merger of Fiat Chrysler Automobiles (FCA) and Peugeot Citroen Group (PSA).

KUKA further accelerated integration and expansion of the robotics business in China, promoted

transformation of the domestic marketing, and centered on applications and key customers. In 2021, KUKA China has launched 24 new products and applications, further enriching the domestic product offering. It provides customers with value-added services through digital applications, including six products such as KMP 600-S diffDrive Mobile Robot, KR 6 R600 Z200 CS Robot, Rail Logistics Transport System of ETV TransGuard System and Arc welding six-axis robot of KR6 R1440-2 Arc HW E, and 12 digital applications such as Smart Gateway External Beta of KUKA.Smart Gateway MV, KUKA Connect EasyPro 1.0, KUKA Center Spare Parts Service System and KUKA Digital Dashboard. KUKA China regarded Mobile Robot as an independent business to operate, established professional technical teams on noumenon, navigation and motion control of Mobile Robot, and issued the new product -- KMP 600I Automatic Mobile Robot that successfully participated in the 2021 Asia International Logistics Technology and Transportation System Exhibition (CeMAT ASIA). In order to improve customer service efficiency, expand service content and enhance customer stickiness, KUKA Center system was upgraded and developed by KUKA China, who comprehensively utilized all innovative technologies of mobile internet and information to establish a one-stop service platform for customers that crosses different terminals such as mobile phone, PC and phone and pulls through all business flows within industrial services. In order to ensure and accelerate the implementation of research and development projects, KUKA China established the first digital laboratory of Midea Group, which is also the largest laboratory in China's robot industry, covering an area of more than 10,000 square meters, while it can achieve experiments such as drive system validation, motor validation, reducer validation, controller development, development and validation of the operating system platform, MADA, robot system, development and validation of the logistics vehicle, application software development and development and validation of the digital cloud platform, fully covering all validation demands including core components and parts, noumenon of robot and system application layer. What's more, KUKA China was recognized as "Guangdong ToB Technology Research Center" and "Guangdong Intellectual Property Demonstration Enterprise".

The customer structure of KUKA China kept improving in 2021, and sales in other industries accounted for a higher proportion of its total sales than sales in the traditional auto industry. In particular, the sales in industries such as electric vehicles, engineering machinery, new energy and consumer electronics increased significantly as a percentage of the total sales, and the sales to new customers accounted for

more than 10%. In automobile area, domestic automobile customers increased by more than 100% year on year. KUKA China procured the first business in the truck industry, with an order of more than RMB100 million in total, involving KUKA's many products including automatic transportation system and modular manufacturing unit. In electric vehicle area, due to the rapid increase in sales of new energy automobiles, which drove the expansion of the components and parts of the upstream automobiles, KUKA strove to expand customers of this area such as Gestamp, Magna, Changchun Engley, Kunshan Xinjie and Wuxi Wanhua, and succeeded; it also won the order of Arc Welding Robot from the manufacturer of new energy transportation vehicles -- Jiangsu Jinpeng Group, successfully breaking through the competition pattern of the area. In new energy area, the lithium-ion business surged by over 350% year on year, and the lithium-ion and photovoltaic industries achieved the sales performance with over 1,000 units in a single industry, becoming the leader of these two industries. In consumer electronic area, a growth of 300% year on year was achieved and an important breakthrough was made in Apple's major contract manufacturers, which was highly recognized by customers. In general industrial area, the sales of Palletizing Robot broke through a thousand units, which was nearly a three-time increase year on year, and broke through among the head customers of the industries including the dairy industry, furniture and chemical industry; additionally, it procured orders from customers in glass industry and will supply hundreds of robots. In ToB machinery area, thanks to the "One Belt, One Road" development strategy, KUKA has successively obtained multiple orders of centralized procurement projects from Zoomlion, Shandong Shantui and Sany. In logistics area, Swisslog successfully won FILA's all-channel central warehouse project, with orders of tens of millions euros in total. As a benchmark of automatic three-dimensional warehouses in China's shoe and clothing industry, the project has a total floor area of 171,000 square meters, where the automatic logistics equipment such as light-load stackers, multi-storey shuttles and robots will be applied, and the leading technology - radio frequency identification (RFID) will be integrated to achieve the integration of multiple operating methods such as B2B and B2C. It can not only meet customers' various online and offline business processes and cover all direct stores in China, but also increase the efficiency by 200% upon completion. In addition, KUKA has been playing an active part in raising Midea Group's intelligent manufacturing level. By early 2022, the robot density of Midea is over 370 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 2021, 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 eight stock option incentive schemes, five restricted share incentive schemes, seven global partner stock ownership schemes and four 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 (including that of 2021) 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. Subsequent to a share repurchase of RMB4 billion in 2018, 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. For the year ended 31 December 2021, Midea has used approximately RMB13.6 billion for share repurchases.

3. Core Competitiveness Analysis

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

As a 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. Global R&D resource integration capabilities, adherence to the strategy of “Technology Leadership”, 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 competitive, multi-layered global R&D system. It has established a three-tier technical committee system and a four-tier R&D system responsible for the formulation and implementation of technology strategies, 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 RMB12 billion in 2021. In order to deepen its global technology ecosystem, the Group has set up a total of 35 research centers in 12 countries to gradually build up a “2+4+N” global R&D network and gain the advantage of scale in this respect. 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 these facilities into complementary regional R&D centers. Following the strategy of “Technology Leadership”, it attracts more professional talent and builds an organic global R&D network. It has over 18,000 R&D personnel and over 500 foreign senior experts. While establishing its own research centers around the world, Midea also works on constructing an open platform of innovative ecosystems through integration of superior resources. On one hand, a global innovation ecosystem has been put in place to integrate resources of large companies, SMEs, universities, research institutes and consulting agencies. This R&D ecosystem has access to enormous resources. On the other hand, a scientist system has been

established with eight academician workstations/workshops and 19 academicians with strategic cooperation on more than 100 R&D projects. 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 University, Purdue University, University of Maryland, The University of Sheffield, Polytechnic University of Milan, 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 carries out strategic cooperation with tech giants such as BASF and Honeywell to build a global innovation ecosystem. The Group'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 technical superiority across the globe.

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's domestic sales

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 100,000. Midea has created a network layout of comprehensive household appliance stores, co-branded stores of home decoration business, 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 15,000 outlets, where various needs of users from new decoration to updates can be met in home decoration stores, flagship stores, multi-category stores and community stores. In 2021, Midea set up business entities for pre-decoration operations, which have been faithfully driving the implementation of the intelligent transformation strategy and retail reform. It also focuses on "smart home" and "whole-house decoration solutions", as well as promotes deep cooperation with decoration, furnishing, building materials, design and other channels. Midea has built more than 880 smart home experience centers. Centering on three major capabilities of "whole-house home appliances & whole-house intelligence/ecology & hardware/software", Midea has realized one-stop service for users and created a diversified smart lifestyle by the construction of smart home experience centers for decoration. In the same year, Midea completed the construction of Midea Cloud Sales and related operating platform, providing offline stores with professional digital platform supports such as capacity enhancement, purchasing guarantee, and user operation; it introduced ecological products of house decoration and household service to extend business categories for offline stores, and improved actuarial rate, order review timeliness and logistics efficiency to ensure store supply experience; additionally, it also forged online channels for offline stores by the Midea Home Delivery app, stimulated offline retail by trade-in service, group purchase and other new models, and optimized customer

operation with member rights and Member's Day promotion. In 2021, Midea remained the best-selling household appliance manufacturer on major e-commerce channels such as JD and T-mall for nine consecutive years. 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.

Making full use of the digital technology, Annto Logistics Technology Co., Ltd. (Annto), a subsidiary of Midea, refines its nationwide logistics network through the big data technology to build a smart and digital distribution 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 77% of) towns and villages within 24 hours and to 36,955 (or 93% of) towns and villages within 48 hours in the country. Additionally, Annto focuses on a shared inventory system for online and offline channels and the competitive edge of integrated delivery for the ToB/C 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 been working for Midea on average for more than 15 years, all with rich professional and industrial experience, deep understanding and insights of the relevant industries with respect to ToC and ToB, and accurate understanding of the industry environment and corporate operations 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 eight Stock Option Incentive Schemes, five Restricted Share Incentive Schemes, seven Global Partner Stock Ownership Schemes and five Business Partner Stock Ownership Schemes for key managerial and technical personnel, in addition to the exploration and practices with respect to diversified stock ownership schemes of key innovative subordinates. As such, a governance structure has been put in place that aligns the interests of senior management and core business backbones with that of all shareholders, as well as comprises long and short-term incentives and restrains.

4. Analysis of Main Business

4.1 Overview

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

4.2 Revenues and Costs

4.2.1 Breakdown of operating revenue

Unit: RMB'000

	2021		2020		YoY Change (%)
	Amount	As a percentage of total operating revenue (%)	Amount	As a percentage of total operating revenue (%)	
Total	341,233,208	100%	284,221,249	100%	20.06%
By business segment					
Manufacturing	301,026,573	88.22%	256,694,589	90.32%	17.27%
By product category					
HVAC	141,879,146	41.58%	121,215,043	42.65%	17.05%
Consumer appliances	131,866,099	38.64%	113,890,764	40.07%	15.78%
Robotics & automation systems	27,281,328	7.99%	21,588,782	7.60%	26.37%
By geographical segment					
PRC	203,579,380	59.66%	163,139,841	57.40%	24.79%
Outside PRC	137,653,828	40.34%	121,081,408	42.60%	13.69%
By sales model					
Online	62,103,887	18.20%	58,244,327	20.49%	6.63%
Offline	279,129,321	81.80%	225,976,922	79.51%	23.52%

Note: Consumer appliances in the table above primarily include refrigerators, laundry appliances, kitchen appliances and small domestic appliances.

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 RMB234.9 billion (up 13% year-on-year), RMB20.1 billion (up 44% year-on-year), RMB19.7 billion (up 55% year-on-year), RMB25.3 billion (up 23% year-on-year), and RMB8.3 billion (up 51% year-on-year) respectively during the Reporting Period.

4.2.2 Business segments, products, geographical segments or sales models 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	301,026,573	228,641,881	24.05%	17.27%	18.90%	-1.04%
By product category						
HVAC	141,879,146	112,012,603	21.05%	17.05%	19.85%	-1.85%
Consumer appliances	131,866,099	95,279,340	27.75%	15.78%	16.85%	-0.66%
Robotics & automation systems	27,281,328	21,349,939	21.74%	26.37%	23.43%	1.87%
By geographical segment						
PRC	203,579,380	156,825,853	22.97%	24.79%	24.73%	0.04%
Outside PRC	137,653,828	107,700,146	21.76%	13.69%	18.27%	-3.03%
By sales model						
Online	62,103,887	44,995,271	27.55%	6.63%	5.65%	0.67%
Offline	279,129,321	219,530,728	21.35%	23.52%	26.01%	-1.56%

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

Applicable N/A

4.2.3 Whether revenue from physical sales is higher than service revenue

Yes No

Business segment	Item	Unit	2021	2020	YoY Change (%)
Home appliances	Sales	In thousand units/sets	562,677.2	507,591.4	10.85%
	Output	Ditto	585,074.7	510,986.9	14.50%
	Inventory	Ditto	87,636.3	62,511.8	40.19%

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

Applicable N/A

The inventory of home appliances went up 40.19%, primarily driven by the increased sales and the pre-stocking.

4.2.4 Execution of significant sales and purchase contracts in the Reporting Period

Applicable N/A

4.2.5 Breakdown of cost of sales

Unit: RMB'000

Business segment	Item	2021		2020		YoY Change (%)
		Amount	As a percentage of total cost of sales (%)	Amount	As a percentage of total cost of sales (%)	
Home appliances	Raw materials	175,102,256	84.47%	144,479,295	82.56%	21.20%
	Labor costs	12,186,025	5.88%	11,066,122	6.32%	10.12%
	Depreciation	3,203,362	1.55%	3,009,985	1.72%	6.42%
	Energy	2,846,166	1.37%	2,567,340	1.47%	10.86%

4.2.6 Changes in the scope of the consolidated financial statements for the Reporting Period

Yes No

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 Beijing Wandong Medical Technology Co., Ltd. and its subsidiaries and Hitachi Compressor (Thailand) Ltd. (please refer to Note 5(1)(a)), 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).

4.2.7 Major changes in the business, products or services in the Reporting Period

Applicable N/A

4.2.8 Main customers and suppliers

Major customers of the Company

Total sales to top five customers (RMB'000)	36,258,505
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Total sales to top five customers as a percentage of the total sales for the year (%)	10.63%
Total sales to related parties among top five customers as a percentage of the total sales for the year (%)	0

Information about top five customers

No.	Customer	Sales revenue (RMB'000)	As a percentage of the total sales revenue (%)
1	Customer A	22,103,723	6.48%
2	Customer B	5,424,006	1.59%
3	Customer C	3,802,787	1.11%
4	Customer D	2,607,532	0.76%
5	Customer E	2,320,457	0.68%
Total	--	36,258,505	10.63%

Other information about top five customers

Applicable N/A

Major suppliers of the Company

Total purchases from top five suppliers (RMB'000)	16,286,134
Total purchases from top five suppliers as a percentage of the total purchases for the year (%)	6.26%
Total purchases from related parties among top five suppliers as a percentage of the total purchases for the year (%)	0

Information about top five suppliers of the Company

No.	Supplier	Purchase (RMB'000)	As a percentage of the total purchases (%)
1	Supplier A	5,515,903	2.12%
2	Supplier B	3,588,607	1.38%
3	Supplier C	2,495,177	0.96%
4	Supplier D	2,356,026	0.91%
5	Supplier E	2,330,421	0.90%
Total	--	16,286,134	6.26%

Other information about top five suppliers

Applicable N/A

4.3 Expense

Unit: RMB'000

	2021	2020	YoY Change (%)	Reason for any significant change
Selling and distribution expenses	28,647,344	23,563,455	21.58%	
General and administrative expenses	10,266,283	9,264,148	10.82%	
Finance costs	4,386,111	2,638,032	66.26%	Increased interest income and exchange gains
Research and development expenses	12,014,907	10,118,667	18.74%	

4.4 R&D investment

√Applicable □N/A

Information about R&D personnel

	2021	2020	YoY Change (%)
Number of R&D personnel	18,105	15,265	18.60%
R&D personnel as a percentage of total employees	10.92%	10.23%	0.69%
Educational background of R&D personnel	—	—	—
Bachelor's degree	10,881	9,259	17.51%
Master's degree	3,934	3,182	23.66%
Doctoral degree	427	309	38.07%
Other	2,863	2,515	13.84%
Age structure of R&D personnel	—	—	—
Below 30	5,956	5,317	12.02%
30~40	9,532	7,831	21.72%
Over 40	2,617	2,117	23.60%

Information about R&D investment

	2021	2020	YoY Change (%)
R&D investment (RMB'000)	12,014,907	10,118,667	18.74%
R&D investment as a percentage of operating	3.52%	3.56%	-0.04%

revenue			
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Reasons for any significant change in the composition of R&D personnel and the impact

Applicable N/A

Reasons for any significant YoY change in the percentage of R&D investment in operating revenue

Applicable N/A

Reasons for any significant change in the percentage of capitalized R&D investment and rationale

Applicable N/A

4.5 Cash flow

Unit: RMB'000

Item	2021	2020	YoY Change (%)
Subtotal of cash inflows from operating activities	330,415,497	252,985,046	30.61%
Subtotal of cash outflows due to operating activities	295,323,793	223,427,929	32.18%
Net cash flows from operating activities	35,091,704	29,557,117	18.73%
Subtotal of cash inflows from investing activities	127,801,101	147,012,656	-13.07%
Subtotal of cash outflows due to investing activities	114,201,515	182,323,319	-37.36%
Net cash flows from investing activities	13,599,586	-35,310,663	138.51%
Subtotal of cash inflows from financing activities	21,145,221	54,749,413	-61.38%
Subtotal of cash outflows due to financing activities	52,349,760	55,505,708	-5.69%
Net cash flows from financing activities	-31,204,539	-756,295	-4025.97%
Net increase in cash and cash equivalents	17,001,531	-6,893,252	346.64%

Explanation of why the data above varied significantly

Applicable N/A

a. Primarily driven by a decrease in cash paid to acquire investments, net cash flows from investing activities increased 138.51% from last year.

b. Primarily driven by an increase in cash payments relating to other financing activities, net cash flows

from financing activities decreased 4025.97% from last year.

c. Primarily driven by an increase in net cash flows from investing activities, net increase in cash and cash equivalents increased 346.64% from last year.

Explanation of main reasons leading to the material difference between net cash flows from operating activities during the Reporting Period and net profit for the year

Applicable N/A

5. Analysis of Non-Core Business

Applicable N/A

6. Assets and Liabilities

6.1 Material changes of asset items

Unit: RMB'000

	31 December 2021		1 January 2021		Change in percentage (%)	Explanation about any material change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Cash at bank and on hand	71,875,556	18.53%	81,210,482	22.40%	-3.87%	
Accounts receivable	24,636,440	6.35%	22,978,363	6.34%	0.01%	
Contract assets	3,823,476	0.99%	3,236,848	0.89%	0.10%	
Inventories	45,924,439	11.84%	31,076,529	8.57%	3.27%	
Investment properties	859,195	0.22%	405,559	0.11%	0.11%	
Long-term equity investments	3,796,705	0.98%	2,901,337	0.80%	0.18%	
Fixed assets	22,852,848	5.89%	22,239,214	6.13%	-0.24%	
Construction in progress	2,690,930	0.69%	1,477,302	0.41%	0.28%	
Right-of-use assets	2,297,354	0.59%	2,155,516	0.59%	0.00%	
Short-term	5,381,623	1.39%	9,943,929	2.74%	-1.35%	

borrowings						
Long-term borrowings	19,734,020	5.09%	42,827,287	11.81%	-6.72%	
Contract liabilities	23,916,595	6.16%	18,400,922	5.08%	1.08%	
Lease liabilities	1,533,552	0.40%	1,513,426	0.42%	-0.02%	

Indicate whether overseas assets account for a larger proportion in total assets.

Applicable N/A

6.2 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
Financial assets								
1. Financial assets held for trading (excluding derivative financial assets)	28,239,601	-1,228,358	-		9,328,293	30,422,512	-37,822	5,879,202
2. Derivative financial assets	1,188,428	127,345	22,579		6,072	44,681	-928	1,298,815
3. Receivables financing	13,901,856					3,628,304		10,273,552
4. Other debt investments and other	21,456,155				5,832,000	14,156	210,323	27,484,322
5. Investments in other equity instruments	46,651		2,238			2,907	-235	45,747
6. Other non-current financial assets	3,360,849	932,704			2,008,271	342,329	-46,622	5,912,873
Sub-total of financial assets	68,193,540	-168,309	24,817		17,174,636	34,454,889	124,716	50,894,511
Investment properties								
Productive living assets								
Others								

Sub-total of the above	68,193,540	-168,309	24,817		17,174,636	34,454,889	124,716	50,894,511
Financial liabilities	180,736	-22,350	11,025				-2,762	166,649

Contents of other changes

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

Yes No

6.3 Restricted asset rights as of the end of this Reporting Period

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

7. Investment made

7.1 Total investment amount

Applicable N/A

Total investment amount of the Reporting Period (RMB'000)	Total investment amount of last year (RMB'000)	YoY Change (%)
114,201,515	182,323,319	-37.36%

7.2 Significant equity investment made in the Reporting Period

Applicable N/A

7.3 Significant non-equity investments ongoing in the Reporting Period

Applicable N/A

7.4 Financial investments

7.4.1 Securities investments

Applicable N/A

Unit: RMB'000

Type of securities	Code of securities	Abbreviation of securities	Initial investment cost	Measurement	Opening carrying amount	Profit or loss from change in fair value	Cumulative fair value change	Purchased in the period	Sold in the period	Profit or loss in the period	Closing carrying amount	Accounting title	Funding source
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				met hod		value during the period	charged to equity								
Over seas listed stock	1810	XIAOM I-W	769,972	Fair valu e met hod	1,676,54 7	-711,567	-37,822			-	-711,567	927,158	Financial assets held for trading	Own fund s	
Over seas listed stock	DNK	Danke	172,190	Fair valu e met hod	35,126	-34,709	-417			-	-34,709	-	Financial assets held for trading	Own fund s	
Dom estica lly listed stock	688018	Espre sif System s	13,998	Fair valu e met hod	128,032	-114,034	-			-163,34 8	35,316	-	Financial assets held for trading	Own fund s	
Dom estica lly listed stock	688165	EFORT	178,534	Fair valu e met hod	475,260	-82,948	-			-	-82,948	392,312	Financial assets held for trading	Own fund s	
Total			1,134,694	--	2,314,96 5	-943,258	-38,239			-	-163,34 8	-793,908	1,319,47 0	-	--

7.4.2 Derivatives investments

√Applicable □N/A

Unit: RMB'000

Opera ting party	Rela tioni sh p with the Co mpa ny	Rel ated tran sact ion	Type of deriva tive	Initial investme nt amount	Starting date	Ending date	Opening investment amount	Purch ased in Repo rting Period	Sold in Reporti ng Period	Amou nt provid ed for impair ment (if any)	Closing investm ent amount	Closing investme nt amount as a percenta ge of the Compan y's closing net	Actual gain/loss in Reporting Period
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												assets		
Futures company	No	No	Futures contracts	105	01/01/2021	31/12/2021	105					71,790	0.0575%	241,206
Bank	No	No	FX derivatives	1,007,587	01/01/2021	31/12/2021	1,007,587	6,072	44,681			902,875	0.7231%	2,138,811
Total				1,007,692	--	--	1,007,692	6,072	44,681			974,665	0.7806%	2,380,017
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)	30/04/2021													
Disclosure date of the announcement about the general meeting's consent for the derivative investment (if any)	22/05/2021													
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</p>													

	<p>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 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 & operations, and the stop-loss mechanism has been implemented. Besides, to determine the prepared margin amount which may be required to be supplemented, the futures risk measuring system has been established to measure and calculate the margin amount occupied, floating gains and losses, margin amount available and margin amount required for intended positions. As for forex funds business, a hierarchical management mechanism has been implemented, whereby the operating unit which has submitted application for funds business should conduct risk analysis on the conditions and environment affecting operating profit and loss, evaluate the possible greatest revenue and loss, and report the greatest acceptable margin ratio or total margin amount, so that the Company can update operating status of the funds business on a timely basis to ensure proper funds arrangement before the expiry dates.</p>
<p>Changes in market prices or fair value of derivative products during the Reporting Period, specific methods used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives</p>	<ol style="list-style-type: none"> 1. Gain from futures contracts during the Reporting Period was RMB241.206 million. 2. Gain from FX derivatives during the Reporting Period was RMB2,138.811 million. 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.
<p>Explanation of significant changes in</p>	<p>No change</p>

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

7.5 Use of funds raised

Applicable N/A

No such cases in the Reporting Period.

8. Sale of Major Assets and Equity Interests

8.1 Sale of major assets

Applicable N/A

No such cases in the Reporting Period.

8.2 Sale of major equity interests

Applicable N/A

9. Analysis of Major Subsidiaries

Applicable N/A

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

Company name	Company type	Business scope	Registered capital	Total assets (in RMB)	Net assets (in RMB)	Operating revenue (in RMB)	Operating profit (in RMB)	Net profit (in RMB)
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				million)	million)	million)	million)	million)
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD158.58 million	20,073.58	8,079.99	16,603.86	2,175.90	1,937.06
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Subsidiary	Manufacturing of home appliances	USD42 million	17,599.61	8,783.49	10,310.02	1,362.43	1,170.70
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	Subsidiary	Manufacturing of water heaters	RMB60 million	16,905.10	1,762.28	13,640.60	1,723.49	1,490.93
Wuxi Little Swan Electric Co., Ltd.	Subsidiary	Manufacturing of laundry appliances	RMB732,487,764	18,524.64	5,883.50	23,104.22	2,169.17	2,013.01

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 Beijing Wandong Medical Technology Co., Ltd. and its subsidiaries (hereinafter, "WDM") and Hitachi Compressor (Thailand) Ltd. (please refer to Note 5(1)(a)), 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).

10. Structured Bodies Controlled by the Company

Applicable N/A

11. Outlook for the Future Development of the Company

Development strategies of the Company

Midea adheres to the strategic focus of "Technology Leadership, Direct to Users, Digitization & Intelligence Driven, and Global Impact", focuses on "Comprehensive Digitalization and Comprehensive Intellectualization", and drives 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, encouraging entrepreneurship and boosting 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 needs to reflect on and challenge themselves, endeavoring to achieve all-round growth both spiritually and intellectually. Meanwhile, Midea will continue to improve the talent structure and build diverse teams that are inclusive and collaborative. 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 2022:

In 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 carry out transformation in both the domestic and overseas operations. Midea will upgrade its existing operations and drive high-quality development through increasing added value of products, optimizing product structure, improving market layout, and adjusting the proportion of channels. It must be fully prepared to respond, decide and act swiftly to deal with possible problems and challenges in the future. Midea innovates and changes for greater growth. It

will adhere to the core strategy of "Technology Leadership" and the business philosophy of "Implement New Strategies to Boost New Growth Areas". It will continually upgrade existing operations and achieve further growth by enhancing perspective and breaking down established mindsets, and promote business growth by making full use of new technologies, new products, new structures, new markets, new channels, new pathways, new methods and new business models. With the dual-circulation and dual-carbon strategies at home and abroad, while upgrading the "Number One Engine" of the existing ToC business, Midea will seize the opportunities of domestic replacement and industrial upgrading to embrace ToB transformation to create new businesses and ignite the "Number Two Engine". Midea should focus on developing not only the core ToB businesses such as robotics and automation, building technologies, energy management, and smart travel, but also the transformation and upgrading of digital innovation businesses such as Annto, Midea Cloud, WDM and Midea Intelligent Lighting & Controls. 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 the three-tier technical committee and the four-tier R&D system, Midea will lead technological innovation according to product demand, and create the brand advantage for Midea in energy saving, health and intelligence; it will actively support the dual-carbon strategy and the "Green Strategy" of the Group, 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 environment conservation standards to obtain the national green product certification of all categories of products; to promote the rapid application of scientific innovation by standard, it will implement the "3+1" strategy for standardization, 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, in order to build up an R&D-centric innovation-driven model and maintain technology leadership in a comprehensive manner, it will continuously optimize the R&D network and scientist system, improve the "2+4+N" R&D framework based on regional technology advantages, adapt the R&D structure, introduce high-end talents, build R&D centers of new industries, expand the open-end innovative ecology, and explore the incubation mechanism.

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 and major appliances, in addition to the promotion of products catering to new consumption trends. Newly established business entities will explore corporation-based development, actively carry out innovation and embrace new models and approaches, as well as strengthen breakthroughs with respect to new models, business, product categories and application areas. 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. For channel transformation, Midea will take the operation center as the "main battlefield", continuously empower and fully authorize the operation center. At the same time, Midea will optimize the platform of Midea Cloud Sales to improve the use experience of retailers in all aspects, and to ensure the enhancement of the operation center's capabilities. It will improve the efficiency of transformation from "Midea Home Delivery" to Midea offline microstore through the digital transformation of store responsibility system, data visualization, and online business moves. Meanwhile, it will establish the cloud warehouse network, enable terminal stores to focus on retail trade, and strengthen the scene display function for products in stores, to realize the whole-scene sales and goods delivery by cloud warehouse. Also, it will improve sales capability of product suites and scene-based display through the intelligent scene-based display in terminal stores, the 3D display in app of Midea Cloud Sales and "Midea Home Delivery", and the introduction of C2M professional customized tools for terminal shopping guidance to provide users with professional one-stop solutions. For the product marketing, Midea will accelerate the layout of product structure and the breakthrough of product suites, improve the product layout of new brands by enhancing the matching efficiency of potential customers and driving sales growth with new marketing and playing methods, and build emerging categories in advance by user insight; moreover, it will accelerate the online marketing transformation, promote business consistency, build integrated marketing capabilities online, and press ahead with mid-office capability building of users, content, live broadcasting, and data to continuously improve business efficiency. With regard to user operation, Midea will continue to uphold the principle of "Create Value for Users" and optimize product iteration, purchase experience and service experience based on user experience. Moreover, it will attract more members and provide more member privilege services as well as accelerate the operation of private domain traffic. In addition, Midea will invest more in intelligent devices to optimize user experience and improve user loyalty, and strengthen the support of data platforms and business intelligence. For the user service, in combination with the transformation of front-end business model, Midea will proactively promote the whole-house scene-based services and

the construction of ecological chain in pre-installation scene, and create an integrated solution for whole-house package purchasing and installing services. Meanwhile, it will deepen the building of engineers' service capacity, upgrade the system of service engineer operation, tie the service quality, engineer income to operation rules and promote the digital management on engineers, the intelligent dispatching by big data, and digital transformation of service providers to realize the leapfrogging breakthrough of service efficiency and quality.

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 2022, TLSC will continue to be customer-oriented, respond faster to market changes, and achieve reasonable revenue growth under the premise of continuous improvement of operating quality. Due to the impact of COVID-19, risks such as rising shipping costs, shortage of transportation capacity, rising raw material costs, and exchange fluctuation will persist. TLSC will proactively make response in these situation by strengthening communication with key customers and collaboration in all parts of value

chain, and accelerate self-reform. It will proactively experiment with new methods and models to improve management effectiveness, optimize organizational system and invigorate teams, enhance retail capability to increase market share, and continuously make progress in product structure to increase product added value and ensure profitability.

e. In 2022, in light of different needs from different consumer groups, Midea will carry out long-term planning, improve its multi-brand matrix, and refine its high-end brand portfolio. The cultivation of COLMO, the brand targeting high-end consumers, is an important strategy of the Group. It will continue to explore new approaches in R&D and marketing, refine its product mix, and keep innovating. It is to enhance whole-house smart products, expand its channel network, and upgrade the scene-based and smart experience at the retail end to boost sales. WAHIN will cater to the new trends of young people, and constantly innovate in product and marketing side to cultivate young users and deepen the brand image. Therefore, WAHIN will launch flagship product suites in all categories to provide young users with the experience in personalized whole-house intelligent scene. Furthermore, WAHIN will carry out promotional activities around different circles of young people at major marketing nodes such as Spring Festival, "618" and "Double 11", in which various trending cultures and innovative forms like college music festival, entertainment and sports, and anime will be included.

f. Midea will boost its competitiveness in the digital era by implementing the strategy of "Digitization & Intelligence Driven". It will strengthen the building of Midea as a digitalized enterprise, improve the digital operational methods and systems, support the integration of every link of Midea's value chain by digital means, and create value by optimizing key operating indicators such as cost, efficiency and revenue through digitalization. Effort will also be made to refine the Midea Cloud Sales platform and promote digital reform in marketing to support the "Technology Leadership" and "Direct to Users" strategies. Midea will further build and optimize digitalized Industrial Internet factories and promote green, intelligent manufacturing. And it will strengthen digital support for the "Global Impact" strategy. Measures to be taken include enhancing the data platform and data governance to promote data-driven improvement in operations.

Being customer-oriented, Midea will build the capability for making whole-house intelligent solution in whole process and the capability for whole-house intelligent business in a closed loop, improve sales

ability in whole-house intelligent scene by convenient business links, continuously iterate and release whole-house intelligent solutions to support different terminal business forms, establish Midea whole-house intelligent open-end platform, and fully support the ecological cross-industry cooperation with home decoration and household products to provide customers and partners with efficient digital tools. Through promoting high-performance operations in the whole value chain with data, Midea will provide plentiful intelligent life experience to customers with cooperative partners. Based on Midea's years of research results on health mechanism, and functions of big data and AI, Midea will provide users with more personalized and all-round solutions for healthy life. Combined with users' habits and big data, the intelligent scenes will be recommended for users to promote the creation and enjoyment of intelligent scenes. By introducing ecology-based entry, Midea will create cases for the MSmartLife App under the self-built ecological benchmark and explore new experience and new mode of smart home appliances. In addition, Midea will optimize the MSmartLife App to realize intelligent devices' closed-loop capability of network connection and device control, and, in order to further enhance user experience, Midea will provide users with functions to link online or offline. Centering on key technology breakthroughs, Midea will promote the development of smart home appliances in the direction of active service and robotization. It will develop a home-service robot with the functions of whole-house linkage, safety protection and life assistant in 2022.

Midea will build a model platform in the IoT industry and a business platform of meta-home to realize the concept of digital twin, and invent a multi-modal perception algorithm to support intelligent original applications. In the next stage, it will upgrade the M.IoT operating system, support the M-Smart 4.0 protocol, provide execution capabilities for device localization, and realize the decoupling of device system from applications to support the new software developing mode of "Home Appliance Plus Computer". Also, Midea will deepen the cooperation between schools and enterprises to explore the next generation of IoT architecture in smart home appliances, and lay out multiple data centers worldwide to build an integrated global IoT cloud platform. Furthermore, Midea will realize the productization of open interface on platform and data open capabilities to empower industry solutions and improve the efficiency of intelligent scenes development. On data management, Midea will consolidate data technology and promote business digitalization to establish a stable, efficient and user-friendly group data common layer through advanced big data technologies including large-scale

offline computing, streaming computing, graphics computing, machine learning, and hyper-scale graphics neural network. It will also upgrade core data assets, construct the "User One_ID" 2.0, and provide all-round data support service for each business system on the grounds of asset-based data, real-time data, and service-based data. Additionally, it will promote digital and intelligent transformation in each business, strive to create the benchmark of "manufacturing data platform", focus on digital product planning and digital product operation, improve channel efficiency by digital automatic stocking and replenishment, and upgrade internal data monitoring and decision support platform.

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 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, main driver, auxiliary/intelligent driving) 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 to help the product of central motor in E-bike rapidly enter into the European and American markets. In the field of industrial automation, Midea will further improve the motion control solutions in robot, semiconductor and consumer electronics. In the field of green energy, Midea will drive a full offering of energy storage products and solutions. With respect to consumer appliances, Midea will promote the mass production of valve products and chips, and make breakthroughs in sales.

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.

12. Visits Paid to the Company for Purposes of Research, Communication, Interview, etc. in the Reporting Period

√Applicable □N/A

Date	Place	Way of visit	Type of visitor	Visitor	Discussions	Index to main inquiry information
18 March 2021	Midea Group HQ	By phone	Institution	BOCIM, New China Fund, Taiping Asset Management, Ping An Annuity Insurance, SWS MU Fund Management, Kaiyuan Securities, Fullgoal Fund, and CICC Securities	1. Midea's new business structure and strategic focus? 2. Midea's planning and strategy for overseas sales in the near future? 3. KUKA's latest condition and future development? 4. What are the positions for WINONE Elevator and WDM, which were acquired in the past year, in Midea's business landscape in the future?	Log Sheet of Investor Relations Activities for 18 March 2021 disclosed on www.cninfo.com.cn
17 May 2021	Midea Group HQ	By phone	Institution	The Company's investors	1. What major risks will the Company be exposed to in its future development? 2. Since intelligent home appliance products are the market trend, what are the Company's plans for its development in this section? 3. What are the Company's current arrangements for its overseas capacity? What products will Midea make with its new overseas capacity in the future? 4. Against the backdrop of a hike in the price of raw materials, how is the increase in the prices of overseas orders of Midea going? Will the price increase affect the profit margin? 5. What about the current overall performance and progress of the internal channel reform of Midea? 6. What are the Company's priorities when it continuously expands its diversified ToB business? What are the expectations for miscellaneous ToB business? 7. Is the overall KUKA business exposed to the risk of goodwill impairment? 8. Given that the development of small domestic appliance products in the Company's overseas OBM business is weak, will	Log Sheet of Midea Group Investor Relations Activities 20210517 disclosed on www.cninfo.com.cn

					the Company expand its global small domestic appliance business via cross-border e-commerce?	
11 June 2021	Midea Group HQ	By phone	Institution	Shanghai Kuandu Asset Management Co., Ltd., China Securities Co., Ltd., China Life Asset Management Co., Ltd., Boc International (China) Co., Ltd., Bank of China Investment Management Co., Ltd., Bank of Communications Schroder Fund Management Co., Ltd.	1. What about the synergy of WINONE Elevator in the aspect of intelligent buildings? 2. What about the current status and future outlooks of the Electromechanical Business Group? 3. What about the business plans of KUKA China? 4. Though the pandemic in the last year has contributed to a leap forward in the small domestic appliance sector in China, the development of Midea's small domestic appliances is still weak. Is there any solution?	Log Sheet of Investor Relations Activities for 11 June 2021 disclosed on www.cninfo.com.cn
29 June 2021	Midea Group HQ	By phone	Institution	AIA Life Insurance Co., Ltd., Huatai Securities Co., Ltd., Maxwealth Fund Management Co., Ltd., Boc Samsung Life Insurance Co. Ltd., Ping An Annuity Insurance Company of China, Ltd., and Zhong Ou Asset Management Co., Ltd.	1. Given that the pandemic in the last year has offered many small domestic appliance companies development opportunities, how will Midea develop its small domestic appliance business? 2. Given that more and more companies have announced their plans in the sector of alternative fuel vehicles recently, what are Midea's plans for this sector? 3. Is Midea affected by the current global microchip shortage? What are the solutions? 4. What do you think of the competitive landscape and market performance of residential air conditioners? 5. What about the Company's performance at the 6.18 Shopping Festival?	Log Sheet of Investor Relations Activities for 29 June 2021 disclosed on www.cninfo.com.cn
20 July 2021	Midea Group HQ	By phone	Institution	ABC-CA Fund Management, New China Asset Management, Gfund Management, Dacheng Fund,	1. What were the Company's expectations for COLMO in 2021? 2. Given multitudinous players in the small domestic appliance market, how will Midea catch up in products with weak competitiveness? 3. As the	Log Sheet of Investor Relations Activities for 20 July 2021 disclosed on www.cninfo.com.cn

				Horizon Asset, Ningquan·Investment, Xingyin Fund Management, Pengyang AMC, CICC Asset Management, Invesco Great Wall Fund Management, Anxin Asset Management, and Huatai Securities·Self-operated	global pandemic is gradually under control, how will Midea overcome the influence exerted by the operational resumption of rivals? 4. What about the current status and strategies for the future development of KUKA? 5. How is the export of Industrial Internet of Things (IIOT) and digital solutions going?	n
30 July 2021	Midea Group HQ	By phone	Institution	E Fund, GF Securities, China Asset Management, China Universal, China Southern Asset Management, Yinhua Fund, Bosera Funds, Harvest Fund, ICBC Credit Suisse Asset Management, Invesco Great Wall Fund Management, and CITIC Securities	1. What about the market performance of the Electromechanical Business Group? 2. Why does Midea begin to incorporate medical services into its diversified business? 3. What measures has Midea taken to increase the percentage of the OBM business? 4. What about the current business picture and profitability of TLSC? 5. What about the business development of the HVAC & Building Technologies Division?	Midea Group: Log Sheet of Investor Relations Activities for 30 July 2021 disclosed on www.cninfo.com.cn
26 September 2021	Midea Group HQ	By phone	Institution	CITIC Securities, CICC Securities, BOCOM Schroders, Penghua Fund, China Galaxy Securities, CITIC Asset Management, China Asset Management, UBS SDIC, First State Cinda Fund, HuaAn Fund, Caitong Securities, and Qianhai Alliance Asset Management	1. What about the channel reform of Midea? 2. What about Midea's progress in the ToB sector? 3. What about the performance of TLSC in the first half of the year? 4. Why does Midea change the HVAC & Building Technologies Division into the Building Technologies Division? 5. Concerning the "carbon emission peak" and "carbon neutrality" goals released by the state in September last year, what are the arrangements of Midea for the home appliances sector?	000333 Midea Group Research Communication Information 20210926 disclosed on www.cninfo.com.cn

16 November 2021	Midea Group HQ	By phone	Institution	3w Fund Management Llc, ApaH Capital Management Limited, Apg Investments Asia Limited, Baring Asset management (Asia) Limited, etc.	1. What are the arrangements of Midea for the medical sector? 2. Could you please introduce the new criteria for intelligent home appliance grading released by Midea? 3. What about the progress that Midea has achieved in the Internet of Things ("IoT")? 4. What is the "meta-Home" concept put forward by Midea?	Log Sheet of Investor Relations Activities for 16 November 2021 disclosed on www.cninfo.com.c n
29 November 2021	Midea Group HQ	By phone	Institution	Hao Advisors Management Limited, LMR Master Fund Limited, Millennium Capital Management (Hong Kong) Limited, etc.	1. Could you please introduce Midea's understanding of the whole-house appliance scenario? 2. What about the cooperation between M.IoT and its ecological partners? 3. Could you please introduce the Green Strategy released by Midea in the technology month of this year?	Log Sheet of Investor Relations Activities for 29 November 2021 disclosed on www.cninfo.com.c n
16 December 2021	Midea Group HQ	By phone	Institution	Huashang Fund, Mirae Asset Huachen Fund Management, China Southern Asset Management, Guosen Securities, Guotai Junan International, Essence Securities, Ping An Fund Management, Fullgoal Fund, and Yinhua Fund	1. What about the progress in the application of Midea's building technologies to different application scenarios? 2. What about the development of Annto at present? 3. As the global shipping status is still not positive due to the impacts of the COVID-19, what measures has the Company taken to ensure that the export business is carried out as usual? 4. Concerning the new brand of building control introduced by the Building Technologies Division of the Company, what is its positioning?	Log Sheet of Investor Relations Activities for 16 December 2021 disclosed on www.cninfo.com.c n

Section IV Corporate Governance

1. Basic Situation of Corporate Governance

The Company is constantly improving its corporate governance in strict accordance with the Company Law, the Securities Law and the relevant regulations of the China Securities Regulatory Commission. There are four special committees under the Board, namely the Strategy Committee, the Auditing Committee, the Nomination Committee as well as the Remuneration and Appraisal Committee. They were designed to provide consultation and advice to the Board and validate the professionalization and efficiency of discussions and decision-making. The Company has established clear rules of procedure for its shareholders' meeting, board of directors, Supervisory Committee and special committees under the board, as well as the *Work Rules for Company Secretary*. It has also established a set of standard documents including *Information Disclosure Management System, Funds Raising Management System, Connected Transaction Management System, Wealth Management Entrustment Management System, Insider Registration System, External Guaranty Decision-making System, Foreign Investment Management System, and Management System for Finance Flow with Connected Parties, Internal Auditing System*. The shareholders' meeting, the Board of Directors, the Supervisory Committee and operations management departments have clear authority and responsibility. Each performs its own functions and maintains its stability effectively. Their scientific decision-making and coordinated operations have laid a firm foundation for the sustained, healthy and steady development of the Company.

The Company has also launched core management team shareholding plans and equity incentive plans for core research, quality control, technical, production and management staff, which helps to develop a sound shareholding structure for the future growth of the Company.

In 2021, the Company won the following honors:

No. 288 of "Fortune Global 500"; No. 183 of "The World's 2000 Largest Public Companies" released by the Forbes; No. 33 of the "BrandZ™ 2021 Top 100 Most Valuable Chinese Brands" jointly

released by WPP and Kantar Millward Brown; No. 186 of the “2022 Brand Finance Global 500”; and the Round Table Award at the Seventeenth “Gold Prize of Round Table” of Chinese Boards of Listed Company organized by the *Directors & Boards* magazine.

Any incompliance with the applicable laws, administrative regulations, and regulations issued by the CSRC governing the governance of listed companies

Yes No

No such cases in the Reporting Period.

2. Independence of assets, personnel, finance, organizations and businesses which are separate from the controlling shareholder and the actual controller

The Company is totally autonomous with respect to business, personnel, assets, organizations, and finance from Midea Holding Co., Ltd., the controlling shareholder of the Company, therefore maintaining integrity and independency in both business and operations.

2.1 Business independence:

The Company has a complete industrial chain for its manufacturing business, a completely distinct purchase and sales system, and an independent and comprehensive business operation capability.

2.2 Personnel independence:

The Company is completely autonomous from the controlling shareholder regarding its personnel. The labor, personnel and remuneration management of the company are totally unrelated. All senior management members received remuneration from the Company except those that hold only a director’s position in the controlling shareholder.

2.3 Asset integrity:

The Company has its own independent production system as well as ancillary production systems and facilities. Intangible assets such as industrial rights, trademark ownership and non-patent technology are held by the Company.

2.4 Organization independence:

The Company has set up an independent organizational structure which maintains its independent operation. The Company has the right to appoint or remove any personnel so there is no overlapping with the controlling shareholder.

2.5 Financial independence:

The Company's financial management is independent from the controlling shareholder. The Company has its own accounting department, accounting system, financial management system, and bank accounts and independently makes financial decisions and pays its own taxes according to relevant laws.

3. Horizontal Competition

Applicable N/A

4. Annual Meeting of Shareholders and Special Meetings of Shareholders Convened during the Reporting Period**4.1 Meetings of shareholders convened during the Reporting Period**

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Disclosure index
2021 First Special Meeting of Shareholders	Special meeting of shareholders	55.5957%	25 January 2021	26 January 2021	Announcement No. 2021-007, disclosed on www.cninfo.com.cn
2020 Annual Meeting of Shareholders	Annual meeting of shareholders	53.4445%	21 May 2021	22 May 2021	Announcement No. 2021-045, disclosed on www.cninfo.com.cn
2021 Second Special Meeting of Shareholders	Special meeting of shareholders	57.7457%	25 June 2021	26 June 2021	Announcement No. 2021-076, disclosed on www.cninfo.com.cn
2021 Third Special Meeting of Shareholders	Special meeting of shareholders	60.3476%	17 September 2021	18 September 2021	Announcement No. 2021-104, disclosed on www.cninfo.com.cn

4.2 Special meetings of shareholders convened at the request of preference shareholders with resumed voting rights

Applicable N/A

5. Directors, Supervisors and Senior Management

5.1 General information

Name	Office title	Incumbent/ Former	Gender	Age	Starting date of tenure	Ending date of tenure	Shares held at the year-begin (share)	Shares increased at the Reporting Period (share)	Shares decreased at the Reporting Period (share)	Other increase/decrease (share)	Shares held at the period-end (share)	Reason for share changes
Fang Hongbo	Chairman of the Board and CEO	Incumbent	Male	54	2012-8-25	2024-9-16	116,990,492			0	116,990,492	
He Jianfeng	Director	Incumbent	Male	54	2012-8-25	2024-9-16	0			0	0	
Yin Bitong	Director and Vice President	Incumbent	Male	53	2016-12-16	2024-9-16	2,109,655			0	2,109,655	
Gu Yanmin	Director and Vice President	Incumbent	Male	58	2014-4-21	2024-9-16	0			0	0	
Wang Jianguo	Director and Vice President	Incumbent	Male	45	2021-9-17	2024-9-16	0			0	0	
Yu Gang	Director	Incumbent	Male	62	2018-9-26	2024-9-16	0			0	0	
Xue Yunkui	Independent Director	Incumbent	Male	57	2018-9-26	2024-9-16	179,914			0	179,914	
Guan Qingyou	Independent Director	Incumbent	Male	44	2018-9-26	2024-9-16	0			0	0	

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Han Jian	Independent Director	Incumbent	Female	49	2018-9-26	2024-9-16	0			0	0	
Dong Wentao	Chairman of the Supervisory Committee	Incumbent	Male	36	2020-10-16	2024-9-16	0			0	0	
Zhao Jun	Supervisor	Incumbent	Male	46	2014-4-21	2024-9-16	0			0	0	
Liang Huiming	Employee Supervisor	Incumbent	Female	38	2017-3-30	2024-9-16	0			0	0	
Zhang Xiaoyi	Vice President	Incumbent	Male	48	2018-4-23	2024-9-16	516,575			0	516,575	
Hu Ziqiang	Vice President	Incumbent	Male	64	2014-8-18	2024-9-16	400,000			0	400,000	
Wang Jinliang	Vice President	Incumbent	Male	54	2014-8-18	2024-9-16	240,000			100,000	340,000	100,000 restricted shares were granted
Li Guolin	Vice President	Incumbent	Male	45	2020-7-3	2024-9-16	265,000	35,700		100,000	400,700	100,000 restricted shares were granted and 35,700 shares were purchased by way of centralized bidding
Fu Yongjun	Vice President	Incumbent	Male	53	2021-9-17	2024-9-16	200,000			0	200,000	
Guan Jinwei	Vice President	Incumbent	Male	42	2021-9-17	2024-9-16	535,000			0	535,000	
Zhong Zheng	CFO and Director of Finance	Incumbent	Female	40	2022-2-22 2019-3-22	2024-9-16	211,152			65,000	276,152	65,000 shares of equity incentives were exercised
Jiang Peng	Board Secretary	Incumbent	Male	48	2013-10-30	2024-9-16	358,600			80,000	438,600	80,000 restricted shares were granted

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Cai Weiding	CFO	Former	Male	40	2021-4-19	2022-1-29	0			0	0	
Xiao Mingguang	Vice President	Former	Male	51	2019-3-22	2021-4-30	460,000			185,000	645,000	80,000 restricted shares were granted and 105,000 share options were exercised
Liu Min	Vice President	Former	Female	44	2020-10-16	2021-6-1	0			0	0	
Helmut Zodl	CFO	Former	Male	49	2019-10-22	2021-1-25	0			0	0	

Indicate whether any director, supervisor or senior management resigned before the expiry of their tenures during the Reporting Period.

Yes No

Changes in directors, supervisors and senior management

Applicable N/A

Name	Office title	Type of change	Date	Reason
Helmut Zodi	CFO	Former	2021-1-25	Personal reason
Cai Weiding	CFO	Appointed	2021-4-19	Personal reason
Xiao Mingguang	Vice President	Former	2021-4-30	Personal reason
Liu Min	Vice President	Former	2021-6-1	Personal reason
Wang Jianguo	Director	Elected	2021-9-17	-
Fu Yongjun	Vice President	Appointed	2021-9-17	-
Guan Jinwei	Vice President	Appointed	2021-9-17	-

5.2 Brief biographies

Professional backgrounds, main work experience and current responsibilities in the Company of the incumbent directors, supervisors and senior management

Mr. Fang Hongbo, male, holder of a Master's degree, is the Chairman and CEO of Midea Group. He joined Midea in 1992 and previously served as the General Manager of Midea Air-Conditioning Business Unit, CEO of Midea Refrigeration Electric Appliances Group, Chairman and CEO of GD Midea Holding Co., Ltd.

Mr. He Jianfeng, male, holder of a Bachelor's degree, is a Director of Midea Group. He is also the Chairman of the Board and President of Infore Group Co., Ltd.

Mr. Yin Bitong, male, a Master's graduate, joined Midea in 1999 and served as GM Assistant and Marketing Director of the Residential Air Conditioning Division as well as GM and Director of Wuxi Little Swan Co. Ltd. He is now a Director and Vice President of Midea Group, a Co-President of the Smart Home Business Group, and the President of Midea China.

Mr. Gu Yanmin, male, holder of a Doctoral degree, joined Midea in 2000 and has functioned as the

Head of Planning & Investment, Head of Overseas Strategy & Development, Vice President and Head of Overseas Business Development of Midea Air-Conditioning & Refrigeration Group, Head of Overseas Strategy of Midea Group. Currently he is a Director and Vice President of Midea Group, the President of the Robotics & Automation Division, as well as the Chairman of the Supervisory Committee of KUKA.

Mr. Wang Jianguo, male, a Master's degree holder, joined Midea in 1999. He was once the Director of the Supply Chain Management Department of Midea Group's Residential Air Conditioner Division, the Director of the Administration and Human Resources Department of Midea Group, and the General Manager of Midea Group's Refrigeration Division. Currently, he is a Director and Vice President of Midea Group, a Co-President of the Smart Home Business Group, and the President of Midea International Business, in addition to being in charge of the TLSC Division, the international logistics platform and legal affairs.

Mr. Yu Gang, male, holder of a Doctoral degree given by the Wharton School of the University of Pennsylvania, is the Honorary Chairman and a co-founder of YHD.COM. He once served as the Global Supply Chain Vice President of Amazon and the Global Procurement Vice President of Dell. He is now the Executive Chairman of the Board of Directors and a co-founder of 111, Inc., as well as a Director of Midea Group.

Mr. Xue Yunkui, male, is a holder of a Doctoral degree given by the Southwest University and a holder of a Post-Doctoral degree given by the Shanghai University of Finance and Economics. He used to be the associate dean and a doctoral supervisor at the School of Accountancy of Shanghai University of Finance and Economics, a Founding Vice President of Shanghai National Accounting Institute and Cheung Kong Graduate School of Business, the Secretary-General of China Association of Accounting Professors, a Vice Chairman of the Steering Committee of the National Accounting Institute under the Ministry of Finance, etc. He is now an accounting professor of Cheung Kong Graduate School of Business, and an Independent Director of Midea Group.

Mr. Guan Qingyou, male, obtained a PhD degree in economics from Chinese Academy of Social Sciences ("CASS") and Post-doctoral degree from Tsinghua University. He previously worked as Program Director at the Institute for Contemporary China Studies, Tsinghua University, Division Chief of

the main office of China National Offshore Oil Corporation, Vice President of Minsheng Securities Co., Ltd., and Head of Minsheng Securities Research Institute. Other positions currently held by him include Dean of Reality Institute of Advanced Finance, professor at School of Economics, Hainan University, Chairman of China Institute of Private Sector, Director of China Society of Economic Reform, member of APEC China Business Council Digital Economy Committee, Chief Economic Advisor of China Fortune Securities, independent director of Midea Group Co. Ltd., Nanhua Futures Co., Ltd., Beijing Yingpu Technology Co., Ltd., Hangzhou Hikvision DIGITAL Technology Co., Ltd., Shandong High-speed Road & Bridge Group Co., Ltd., and Shaanxi International Trust Co., Ltd., and member of the Fiscal Reform and Development Think Tank under the Ministry of Finance, Academic Committee of China Center for Urban Development under the National Development and Reform Commission, and Expert Advisory Committee on Industrial Economic Operation under the Ministry of Industry and Information Technology ("MIIT").

Ms. Han Jian, female, holder of a Doctoral degree given by the Cornell University, is a professor of management in China Europe International Business School, a specialist of the World Economic Forum, as well as an Independent Director of Midea Group.

Mr. Dong Wentao, male, a Master's degree graduate, joined Midea in 2016. He used to work in CIMC and ZTE. And he once served in the Legal Affairs Department, the Investor Relations Department, etc. of Midea Group, with over 10 years of experience in legal affairs, risk control, market value management, capital operation, etc.

Mr. Zhao Jun, male, a Master's degree graduate, joined Midea in 2000 and has functioned as the Director and the CFO of GD Midea Holding Co., Ltd. He is now a Supervisor of Midea Group, the Executive President in Midea Holding Co., Ltd., as well as a Non-Executive Director of Midea Real Estate Holding Limited.

Ms. Liang Huiming, female, is a holder of a Bachelor's degree. Joining Midea in 2007, she used to serve as the Chief Business Administration Commissioner in Midea Group's Administration and Human Resources Department. She is now the Employee Supervisor of Midea Group.

Mr. Zhang Xiaoyi, male, is a holder of a Master's degree. Joining Midea Group in 2010, he used to serve as the head of the overseas process IT system, the head of the supply chain system, and the IT Director of Midea Group, etc. He is now a Vice President and the Chief Information Officer of Midea Group.

Mr. Hu Ziqiang, male, holder of a Doctoral degree, joined Midea in 2012, and has formerly worked for GE and Samsung and as a Vice GM in Wuxi Little Swan Co., Ltd. At present he is a Vice President and the CTO of Midea Group, in addition to being the Chairman of the Board of Beijing Wandong Medical Technology Co., Ltd., a listed company subordinate to Midea Group.

Mr. Wang Jinliang, male, holder of a Master's degree, joined Midea in 1995 and previously worked as the Vice President of China Marketing in Midea Group, and was GD Midea Holding's Vice President and Marketing Head. He is now a Vice President of Midea Group.

Mr. Li Guolin, male, holder of a Master's degree, joined Midea in 1998 and previously worked as a Vice President of the Residential Air Conditioner Division, and the President of the Small Domestic Appliance Division of Midea Group. He is now a Vice President and the Director of Quality and Intelligent Manufacturing of Midea Group.

Mr. Fu Yongjun, male, holder of a Master's degree, joined Midea in 1999 and previously worked as the General Manager of Midea Environment Appliances Division, the General Manager of Midea Component Division, and the President of Midea Electromechanical Division. He is now a Vice President, and the President of the Industrial Technology Business Group, of Midea Group.

Mr. Guan Jinwei, male, holder of a Master's degree, joined Midea in 2002 and previously worked as the Deputy General Manager of the Commercial Air Conditioner Division and the General Manager of an overseas marketing company of Midea Group, as well as an Assistant to the President of Midea International and the General Manager for the ASEAN region, among others. He is now a Vice President, and the President of the Building Technologies Division, of Midea Group.

Ms. Zhong Zheng, female, a holder of a Master's degree, joined Midea in 2002. She once was the Director of Finance of the Financial Center and the Component Division, as well as the Audit Director of

Midea Group, etc. She is now the CFO and Director of Finance of Midea Group.

Mr. Jiang Peng, male, holder of a Master's degree, joined Midea in 2007 and used to be the Representative for Securities Affairs and Board Secretary for GD Midea Holding Co., Ltd. He is now the Board Secretary and Director of Investor Relations of Midea Group.

Posts held in shareholding entities

Applicable N/A

Name	Shareholding entity	Position	Beginning date of office term	Ending date of office term	Allowance from the shareholding entity
He Jianfeng	Midea Holding Co., Ltd.	President	2016-01	-	No
Zhao Jun	Midea Holding Co., Ltd.	Executive President	2020-03	-	Yes
Note	N/A				

Posts held in other entities

Applicable N/A

Name	Other entity	Position	Beginning date of office term	Ending date of office term	Allowance from the entity
He Jianfeng	Infore Group Co., Ltd.	Chairman of the Board and President	1995-06	-	Yes
Gu Yanmin	KUKA	Chairman of the Supervisory Committee	2017-01	2024-06	Yes
Yu Gang	111, Inc.	Executive Chairman of the Board	2011-04	-	Yes
Xue Yunkui	Ouyeel Co., Ltd.	Independent Director	2019-08	2022-08	Yes
	Zhuhai Wanda Commercial Management Group Co., Ltd.	Independent Director	2021-03	2024-03	Yes
	Bank of Shanghai Co., Ltd.	Independent Director	2021-01	2024-01	Yes
	Hinova Pharmaceuticals Inc.	Independent Director	2020-09	2023-09	Yes
Guan Qingyou	Beijing Rushi Research Information Consulting Service Co., Ltd.	Chairman of the Board	2017-12	-	Yes

	Shaanxi International Trust Co., Ltd.	Independent Director	2019-07	2022-07	Yes
	Nanhua Futures Co., Ltd.	Independent Director	2019-02	2025-02	Yes
	Shandong Hi-Speed Road&Bridge Co., Ltd.	Independent Director	2020-06	2023-06	Yes
	Hangzhou Hikvision Digital Technology Co., Ltd.	Independent Director	2021-03	2024-03	Yes
Note	N/A				

Punishments imposed in the recent three years by the securities regulators on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period

Applicable N/A

5.3 Remuneration of directors, supervisors and senior management

The following describes the decision-making procedures, grounds on which decisions are made and actual remuneration payment of directors, supervisors and senior management.

The decision-making remuneration procedure for directors, supervisors and senior management: The remuneration is proposed by the Board Remuneration Committee and approved by the Board. Decisions are made finally after the deliberation of shareholders' meeting.

The remuneration of directors, supervisors and senior management consist of basic annual payments and performance-related annual payments according to the Salary Management System for the Directors, Supervisors and Senior Management which has been approved by the Company. Basic payment is determined based on the responsibility, risk and pressure of directors, supervisors and senior management. The basic annual payment remains stable. Performance-related annual payment is related to the completion rate of corporate profit, the assessment result of target responsibility system and the performance evaluation structure of their own department. The remuneration system for directors, supervisors and senior management serves the Company's strategy, and shall be adjusted with the Company's operating conditions in order to meet the Company's development requirements. The basis for adjusting the remuneration of directors, supervisors and senior management are as follows:

- a. Wage growth in the industry
- b. Inflation
- c. Corporate earnings
- d. Organizational structure adjustment
- e. Individual adjustment due to a change in position

Remuneration of directors, supervisors and senior management during the Reporting Period

Unit: RMB'000

Name	Position	Gender	Age	Incumbent/ Former	Total before-tax remuneration from the Company	Remuneration from related parties of the Company
Fang Hongbo	Chairman of the Board and CEO	Male	54	Incumbent	11,060	
He Jianfeng	Director	Male	54	Incumbent		Yes
Yin Bitong	Director and Vice President	Male	53	Incumbent	7,280	
Gu Yanmin	Director and Vice President	Male	58	Incumbent	5,640	
Wang Jianguo	Director and Vice President	Male	45	Incumbent	4,640	
Yu Gang	Director	Male	62	Incumbent	450	
Xue Yunkui	Independent Director	Male	57	Incumbent	450	
Guan Qingyou	Independent Director	Male	44	Incumbent	450	
Han Jian	Independent Director	Female	49	Incumbent	450	
Dong Wentao	Chairman of the Supervisory Committee	Male	36	Incumbent	800	
Zhao Jun	Supervisor	Male	46	Incumbent		Yes
Liang Huiming	Employee Supervisor	Female	38	Incumbent	260	
Zhang Xiaoyi	Vice President	Male	48	Incumbent	5,810	
Hu Ziqiang	Vice President	Male	64	Incumbent	3,710	
Wang Jinliang	Vice President	Male	54	Incumbent	3,810	

Li Guolin	Vice President	Male	45	Incumbent	3,940	
Fu Yongjun	Vice President	Male	53	Incumbent	6,780	
Guan Jinwei	Vice President	Male	42	Incumbent	6,260	
Zhong Zheng	CFO and Director of Finance	Female	40	Incumbent	3,610	
Jiang Peng	Board Secretary	Male	48	Incumbent	2,380	
Cai Weiding	CFO	Male	40	Former	7,550	
Xiao Mingguang	Vice President	Male	51	Former	3,900	
Liu Min	Vice President	Female	44	Former	3,760	
Helmut Zodi	CFO	Male	49	Former	540	
Total	--	--	--	--	83,530	--

6. Activities of Directors during the Reporting Period

6.1 Board meetings convened during the Reporting Period

Meeting	Convened date	Disclosure date	Resolutions
The 28 th Meeting of the Third Board of Directors	5 January 2021	6 January 2021	See the Announcement on Resolutions of the 28 th Meeting of the Third Board of Directors (Announcement No. 2021-001), which has been disclosed on http://www.cninfo.com.cn , China Securities Journal, Securities Times, and Shanghai Securities News dated 6 January 2021
The 29 th Meeting of the Third Board of Directors	23 February 2021	24 February 2021	See the Announcement on Resolutions of the 29 th Meeting of the Third Board of Directors (Announcement No. 2021-010), which has been disclosed on http://www.cninfo.com.cn , China Securities Journal, Securities Times, and Shanghai Securities News dated 24 February 2021
The 30 th Meeting of the Third Board of Directors	29 March 2021	30 March 2021	See the Announcement on Resolutions of the 30 th Meeting of the Third Board of Directors (Announcement No. 2021-017), which has been disclosed on http://www.cninfo.com.cn , China Securities Journal, Securities Times, and Shanghai Securities News dated 30 March 2021
The 31 st Meeting of the Third Board of Directors	19 April 2021	20 April 2021	See the Announcement on Resolutions of the 31 st Meeting of the Third Board of Directors (Announcement No. 2021-021), which has been disclosed on http://www.cninfo.com.cn , China Securities Journal, Securities Times, and Shanghai

			Securities News dated 20 April 2021
The 32 nd Meeting of the Third Board of Directors	23 April 2021	30 April 2021	See the Announcement on Resolutions of the 32 nd Meeting of the Third Board of Directors (Announcement No. 2021-033), which has been disclosed on http://www.cninfo.com.cn , China Securities Journal, Securities Times, and Shanghai Securities News dated 30 April 2021
The 33 rd Meeting of the Third Board of Directors	9 May 2021	10 May 2021	See the Announcement on Resolutions of the 33 rd Meeting of the Third Board of Directors (Announcement No. 2021-039), which has been disclosed on http://www.cninfo.com.cn , China Securities Journal, Securities Times, and Shanghai Securities News dated 10 May 2021
The 34 th Meeting of the Third Board of Directors	4 June 2021	5 June 2021	See the Announcement on Resolutions of the 34 th Meeting of the Third Board of Directors (Announcement No. 2021-056), which has been disclosed on http://www.cninfo.com.cn , China Securities Journal, Securities Times, and Shanghai Securities News dated 5 June 2021
The 35 th Meeting of the Third Board of Directors	30 August 2021	31 August 2021	See the Announcement on Resolutions of the 35 th Meeting of the Third Board of Directors (Announcement No. 2021-096), which has been disclosed on http://www.cninfo.com.cn , China Securities Journal, Securities Times, and Shanghai Securities News dated 31 August 2021
The First Meeting of the Fourth Board of Directors	17 September 2021	18 September 2021	See the Announcement on Resolutions of the First Meeting of the Fourth Board of Directors (Announcement No. 2021-105), which has been disclosed on http://www.cninfo.com.cn , China Securities Journal, Securities Times, and Shanghai Securities News dated 18 September 2021
The Second Meeting of the Fourth Board of Directors	29 October 2021	-	The Interim Report for the Third Quarter 2021 was approved with eight affirmative votes, 0 negative notes and 0 abstentions.
The Third Meeting of the Fourth Board of Directors	24 December 2021	27 December 2021	See the Announcement on Resolutions of the Third Meeting of the Fourth Board of Directors (Announcement No. 2021-113), which has been disclosed on http://www.cninfo.com.cn , China Securities Journal, Securities Times, and Shanghai Securities News dated 27 December 2021
The Fourth Meeting of the Fourth Board of	29 December 2021	30 December 2021	See the Announcement on Resolutions of the Fourth Meeting of the Fourth Board of Directors

Directors			(Announcement No. 2021-118), which has been disclosed on http://www.cninfo.com.cn , China Securities Journal, Securities Times, and Shanghai Securities News dated 30 December 2021
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6.2 Attendance of directors in Board meetings and meetings of shareholders

Attendance of directors in Board meetings and meetings of shareholders							
Director	Presence due at Board meetings in the Reporting Period (times)	Presence at Board meetings on site (times)	Presence at Board meetings by telecommunication (times)	Presence at Board meetings through a proxy (times)	Absence from Board meetings (times)	Absence from Board meetings for two consecutive times	Presence at meetings of shareholders (times)
Fang Hongbo	12	1	11	0	0	No	3
He Jianfeng	12	1	11	0	0	No	0
Yin Bitong	12	0	12	0	0	No	0
Gu Yanmin	12	1	11	0	0	No	1
Wang Jianguo	4	0	4	0	0	No	0
Yu Gang	12	1	11	0	0	No	0
Xue Yunkui	12	1	11	0	0	No	0
Guan Qingyou	12	1	11	0	0	No	0
Han Jian	12	1	11	0	0	No	0

6.3 Objections from directors on related issues of the Company

Were there any objections on related issues of the Company from directors

Yes No

6.4 Other information about the activities of directors

Were there any suggestions from directors adopted by the Company

Yes No

During the Reporting Period, in line with the *Company Law*, the *Securities Law*, the *Rules for Stock Listing of Shenzhen Stock Exchange*, and other relevant laws and regulations, as well as the *Articles of Association*, and the *Rules of Procedure of the Board of Directors*, directors of the Company actively paid attention to the Company's production, operation, financial position, and the effects resulting from

the changes in the economic status on the Company, vetted miscellaneous information reports provided by the Company in a timely manner, and voiced opinions and exercised their power at the Board of Directors. In addition, they supervised and checked the information disclosure of the Company and fulfilled the duties of directors faithfully and conscientiously. Based on the Company's reality, they put forward relevant opinions and suggestions about corporate governance and operating decisions, as well as supervised and promoted the execution and implementation of the resolutions of the Board of Directors to ensure scientific, timely, and efficient decision-making and safeguard the legitimate rights and interests of the Company and all shareholders.

7. Activities of Special Committees under the Board of Directors during the Reporting Period

Committee	Members	Number of meetings convened	Convened date	Topics	Substantial opinion and recommendations	Other information
Audit Committee	Xue Yunkui, Guan Qingyou, Han Jian, and Yu Gang	3	2021-4-27	The following proposals were approved: <i>The 2020 Final Account Report, The Summary Report of the Audit Committee on the 2020 Annual Audit, The 2020 Annual Report and Its Summary, The Interim Report for the First Quarter 2021, The Proposal on Re-appointment of Independent Auditor for Internal Control for 2020, and The Proposal on Re-appointment of CPA Firm.</i>	-	-
			2021-8-30	<i>The Semi-Annual Report 2021 and Its Summary</i> was approved.	-	-
			2021-10-29	<i>The Interim Report for the Third Quarter 2021</i> was approved.	-	-
Nomination Committee	Guan Qingyou, Yu Gang, Xue Yunkui, and Han Jian	3	2021-4-18	<i>The Proposal on Appointment of CFO</i> was approved.	-	-
			2021-8-30	The following proposals were approved: <i>The Proposal on Re-election of the Board of Directors and Nomination of Non-independent Director Candidates, and The Proposal on Re-election of the</i>	-	-

				<i>Board of Directors and Nomination of Independent Director Candidates.</i>		
			2021-9-17	The following proposals were approved: <i>The Proposal on Election of Chairman for the Fourth Board of Directors, The Proposal on Election of Members for Special Committees under the Fourth Board of Directors, The Proposal on Appointment of President, The Proposal on Appointment of Vice President, The Proposal on Appointment of CFO, The Proposal on Appointment of Director of Finance, The Proposal on Appointment of Board Secretary, and The Proposal on Appointment of Representative for Securities Affairs.</i>	-	-
Remuneration and Appraisal Committee	Han Jian, Yu Gang, Xue Yunkui, and Guan Qingyou	5	2021-1-5	The following proposals were approved: <i>The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2017 Restricted Share Incentive Scheme, The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme, The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme, The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2020 Restricted Share Incentive Scheme, and The Proposal on the Satisfaction of Unlocking Conditions for the Third Unlocking Period for Reserved Restricted Shares under the 2017 Restricted Share Incentive Scheme.</i>	-	-
			2021-4-27	The following proposals were approved: <i>The Remuneration Payment Standards for Directors,</i>	-	-

			<p><i>Supervisors and Senior Management for 2020, The Proposal on the Eighth Stock Option Incentive Scheme (Draft) and Its Summary, The Proposal on the 2021 Restricted Share Incentive Scheme (Draft) and Its Summary, The Seventh Core Management and Global Partner Stock Ownership Scheme of Midea Group Co., Ltd. (Draft) and Its Summary, The Fourth Core Management and Business Partner Stock Ownership Scheme of Midea Group Co., Ltd. (Draft) and Its Summary, The Proposal on Matters Related to the Stock Option Exercise for the First Exercise Period for Reserved Stock Options of the Fifth Stock Option Incentive Scheme, and The Proposal on the Satisfaction of Unlocking Conditions for the First Unlocking Period for Reserved Restricted Shares under the 2018 Restricted Share Incentive Scheme.</i></p>		
	2021-6-4		<p>The following proposals were approved: <i>The Proposal on Matters Related to the Stock Option Exercise for the Second Exercise Period for the First Grant of the Fifth Stock Option Incentive Scheme, The Proposal on Matters Related to the Stock Option Exercise for the First Exercise Period of the Sixth Stock Option Incentive Scheme, The Proposal on Matters Related to the Stock Option Exercise for the First Exercise Period of the Seventh Stock Option Incentive Scheme, The Proposal on the Satisfaction of Unlocking Conditions for the Second Unlocking Period for the First Grant under the 2018 Restricted Share Incentive Scheme, The Proposal on the Satisfaction of Unlocking</i></p>	-	-

				<p><i>Conditions for the First Unlocking Period of the 2019 Restricted Share Incentive Scheme, and The Proposal on the Satisfaction of Unlocking Conditions for the First Unlocking Period of the 2020 Restricted Share Incentive Scheme.</i></p>		
			2021-8-30	<p>The following proposals were approved: <i>The Proposal on the Plan of Diversified Employee Stock Ownership Schemes for Annto Logistics Supply Chain Technology Co., Ltd., The Proposal on the Plan of Diversified Employee Stock Ownership Schemes for Maytech Technology Co., LTD., and The Proposal on the Remuneration Standards for Independent Directors and External Directors.</i></p>	-	-
			2021-12-24	<p>The following proposals were approved: <i>The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme, The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme, The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2020 Restricted Share Incentive Scheme, and The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2021 Restricted Share Incentive Scheme.</i></p>	-	-
Strategy Committee	Fang Hongbo, Gu Yanmin, Yu Gang, and Guan Qingyou	0	-	-	-	-

8. Activities of the Supervisory Committee

Were there any risks to the Company identified by the Supervisory Committee when performing its duties during the Reporting Period

Yes No

The Supervisory Committee of the Company had no objection to the matters of supervision during the Reporting Period.

9. Employees

9.1 Number, functions and educational backgrounds of employees

Number of in-service employees of the Company	2,351
Number of in-service employees of main subsidiaries	163,448
Total number of in-service employees	165,799
Total number of paid employees in the period	165,799
Number of retirees to whom the Company or its main subsidiaries need to pay retirement pension	1,301
Functions	
Function	Number of employees
Production	134,274
Sales	8,561
Technical	19,150
Financial	2,116
Administrative	1,698
Total	165,799
Educational backgrounds	
Educational background	Number of employees
Master's and doctoral degrees	5,508
Bachelor's degree	26,976
Junior college and technical secondary school	69,839
Others	63,476
Total	165,799

9.2 Remuneration policy

Remunerations for employees are paid on time according to the remuneration system of the Company.

The Company decides the regular salaries of the employees according to the position's value and evaluation performances and decides the variable salary according to the Company's and employee's performance. The remuneration distribution shows more consideration for strategic talent and ensures the market competitiveness in the salary of core talent. The Company shall make dynamic adjustments to the staff remuneration policy according to regional differences, number of employees, staff turnover, environment changes in the industry and paying ability of the Company.

9.3 Employee training

Midea Academy has six empowerment centers, namely the Leadership Empowerment Center, the Digital and Intelligent Innovation Empowerment Center, the Intelligent Manufacturing Empowerment Center, the Globalization Empowerment Center, the Newcomer Empowerment Center, and the General Empowerment Center, in addition to a professional online learning platform—M-Learning, which empowers all Midea employees and ecosystem partners through special learning courses and practical learning functions.

In Midea, new employees will receive orientation and job-specific skill training or tutoring, while in-service ones will be given irregular trainings inside or outside the Company to help improve their professional and universal skills. In this way, Midea people enjoy better development opportunities.

Midea has also put in place a multi-tier talent development system, including a mature leadership development program comprising the Sailor Project, the Voyager Project and the Pilot Project to cultivate reserve talent for mid-level key personnel, heads for the primary structure of business units/business entities, and presidents for business divisions, respectively.

The attendances at internal training sessions were 995,693 in 2021, of which 3,494 were management personnel, 568,784 technical and marketing personnel and 423,415 operational personnel.

a. Building Leadership Development Programs such as the Sailor-Voyager-Pilot program and a High-Potential Leaders Training system to facilitate talent management and training. 55 talent training programs were carried out.

b. Building a professionalism promotion system. 3,611 such programs were carried out, where 667,977 staff were trained for a total of 1,108,874 man-hours.

c. Providing channels for common skill improvement. 706 such programs such as the Lecture for Staff were launched, where 145,147 staff were trained for a total of 341,666 man-hours.

d. Improving individual comprehensive ability. 173 external trainings for individuals at junior, middle and senior levels were organized, where 62,592 staff were trained for a total of 137,924 man-hours.

e. In order to help new graduates develop themselves fast and foster a new power for the Company, 121 relevant programs such as the Re-Education of New Graduates, the Training Camp for New Graduates, and the Orientation Training Camp for New Graduates were organized, where 8,288 new graduates were trained for a total of 19,078 man-hours.

f. Facilitating organizational learning. 9,985 internal sharing sessions were held, where 710,398 employees were trained for 1,049,859 man-hours. With the addition of 1,235 new internal trainers, annual teaching time reached 8,184 hours in total. And a total of 1,185 courses were designed in the year.

g. 97,203 key technical staff and working team leaders were trained for a total of 349,169.43 hours.

h. 141,037 staff visited M-Learning, a mobile app developed by Midea for online training, for a total of 763,359 times in 2021.

9.4 Labor outsourcing

Applicable N/A

10. Profit Distribution and Converting Capital Surplus into Share Capital

The Company has strictly implemented the *Shareholder Return Plan for the Next Three Years (2019-2021)*, which specifies the decision-making process for dividend standards, dividend ratios and profit distribution policies, ensures a continual and consistent profit distribution policy from the mechanism perspective, and fully protects the legitimate rights and interests of minority investors. In

addition, the Company carried out share repurchases by way of centralized bidding in 2015, 2018 and 2021. As per *the Company Law, the Stock Listing Rules of the Shenzhen Stock Exchange, and Guideline No. 9 of the Shenzhen Stock Exchange for the Self-regulation of Listed Companies—Share Repurchases*, the amount used to repurchase shares in a year shall be deemed as cash dividends and included in the total cash dividends for the year when it comes to calculation.

Formulation, execution or adjustments of profit distribution policy, especially cash dividend policy, in the Reporting Period

Applicable N/A

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and resolution of meeting of shareholders	Yes
Specific and clear dividend standards and ratios	Yes
Complete decision-making process and mechanism	Yes
Independent directors faithfully performed their duties and played their due role	Yes
Minority shareholders are able to fully express their opinion and desire and their legitimate rights and interests are fully protected	Yes
In case of adjusting or altering the cash dividend policy, the conditions and process involved are in compliance with applicable regulations and transparent	No adjustment was made to the cash dividend policy.

The Company made a profit in the Reporting Period and the profit distributable to shareholders of the Company (without subsidiaries) was positive, but it did not put forward a preliminary plan for cash dividend distribution

Applicable N/A

Preliminary plan for profit distribution and converting capital surplus into share capital for the Reporting Period

Applicable N/A

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax included)	17
Additional shares converted from capital surplus for every 10 shares (share)	0

Total shares as the basis for the preliminary plan for profit distribution (share)	6,869,123,038
Cash dividends (RMB) (tax inclusive)	11,677,509,164.60
Cash dividends in other forms (such as share repurchase) (RMB)	13,664,103,513.72
Total cash dividends (inclusive of those in other forms) (RMB) (tax inclusive)	25,341,612,678.32
Distributable profits (RMB)	28,094,420,000
Percentage of total cash dividends (inclusive of those in other forms) in the total distributed profit (%)	100%

Cash dividend policy adopted

Where the Company is at a mature stage of development and has significant expenditure arrangements, cash dividends shall account for at least 40% of the total distributed profit when carrying out profit distribution.

Details about the preliminary plan for profit distribution and converting capital surplus into share capital

According to the Auditor's Report PwC ZT Shen Zi (2022) No. 10017 issued by PricewaterhouseCoopers Zhong Tian LLP, the parent company realized a net profit of RMB14,835,388,000 for 2021. Pursuant to the relevant provisions under the Articles of Association, it provided 10% as statutory surplus reserve, namely RMB1,483,539,000. Plus undistributed profits at the beginning of the year of RMB25,795,300,000 and minus the profit distributed in the year of RMB11,052,729,000, the actual distributable profit would be RMB28,094,420,000.

Note: Up to the disclosure date of this Report, the total share capital of the Company stood at 6,997,053,441 shares and there were 127,930,403 shares in the repurchased share account. Therefore, the total shares entitled to the dividend are 6,869,123,038 shares.

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

Applicable N/A

11.1 Equity incentive schemes

A. Overview of the Third Stock Option Incentive Scheme

a. The Company convened the 34th Meeting of the 3rd Board of Directors on 4 June 2021, at which the Proposal for the Adjustment to the Exercise Price for the Third Stock Option Incentive Scheme was approved. As the 2020 Annual Profit Distribution had been carried out, the exercise price for the Third Stock Option Incentive Scheme was revised from RMB16.26 to RMB14.69 per share.

During the Reporting Period, 10,522,746 shares were exercised under the Third Stock Option Incentive

Scheme.

B. Overview of the Fourth Stock Option Incentive Scheme

During the Reporting Period, 7,516,624 shares were exercised under the Fourth Stock Option Incentive Scheme.

C. Overview of the Fifth Stock Option Incentive Scheme

a. The Company convened the 32nd Meeting of the 3rd Board of Directors on 28 April 2021, at which the Proposal for the Adjustments to the Incentive Recipients and Their Exercisable Stock Options for the Fifth Stock Option Incentive Scheme was approved. It was agreed to adjust the incentive recipients and their exercisable stock options with respect to the reserved stock options under the Fifth Stock Option Incentive Scheme due to the resignation, low individual or business division performance appraisals or other factors of some incentive recipients. Upon the adjustments, the number of locked-up reserved stock options granted to them was reduced from 5,340,000 to 4,270,250.

The Proposal for Matters Related to the Stock Option Exercise for the First Exercise Period for the Reserved Stock Options of the Fifth Stock Option Incentive Scheme was also approved. A total of 74 incentive recipients who are eligible for the Fifth Stock Option Incentive Scheme have been allowed to exercise 1,000,250 stock options in the first exercise period (ended 10 March 2022).

b. The Company convened the 34th Meeting of the 3rd Board of Directors, 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 the first exercise period for the first grant under the Fifth Stock Option Incentive Scheme expired on 6 May 2021, the Board of Directors of the Company agreed to retire the 5,000 stock options that had been previously granted to Votadoro Giusepp but were unexercised upon expiry.

c. The Proposal for the Adjustment to the Exercise Price for the Fifth Stock Option Incentive Scheme was also approved. As the 2020 Annual Profit Distribution had been carried out, the exercise price for the first grant was revised from RMB53.45 to RMB51.88 per share, and the exercise price for the reserved

stock options from RMB44.28 to RMB42.71 per share.

d. The Proposal for the Adjustments to the Incentive Recipients and Their Exercisable Stock Options for the First Grant of the Fifth Stock Option Incentive Scheme was also approved. It was agreed to adjust the incentive recipients and their exercisable stock options under the Fifth Stock Option Incentive Scheme due to the resignation, being reassigned, low individual or business division performance appraisals or other factors of some incentive recipients. Upon the adjustments, the number of locked-up stock options granted to them in the first grant of the Fifth Stock Option Incentive Scheme was reduced from 31,860,000 to 29,267,000.

e. The Proposal for Matters Related to the Stock Option Exercise for the Second Exercise Period of the First Grant of the Fifth Stock Option Incentive Scheme was also approved. A total of 1,015 incentive recipients who are eligible for the Fifth Stock Option Incentive Scheme have been allowed to exercise 8,931,000 stock options in the second exercise period (ended 6 May 2022).

During the Reporting Period, 5,775,512 shares were exercised with respect to the first grant under the Fifth Stock Option Incentive Scheme.

During the Reporting Period, 335,450 shares were exercised with respect to the reserved stock options under the Fifth Stock Option Incentive Scheme.

D. Overview of the Sixth Stock Option Incentive Scheme

a. The Company convened the 34th Meeting of the 3rd Board of Directors, at which the Proposal for the Adjustment to the Exercise Price for the Sixth Stock Option Incentive Scheme was approved. As the 2020 Annual Profit Distribution had been carried out, the exercise price for the Sixth Stock Option Incentive Scheme was revised from RMB51.28 to RMB49.71 per share.

b. The Proposal for the Adjustments to the Incentive Recipients and Their Exercisable Stock Options for the Sixth Stock Option Incentive Scheme was also approved. It was agreed to adjust the incentive recipients and their exercisable stock options under the Sixth Stock Option Incentive Scheme due to the resignation, low business division performance appraisals, low individual performance appraisals, being

reassigned or other factors of some incentive recipients. Upon the adjustments, the number of locked-up stock options granted to them was reduced from 46,540,000 to 38,963,250.

c. The Proposal for Matters Related to the Stock Option Exercise for the First Exercise Period of the Sixth Stock Option Incentive Scheme was also approved. A total of 965 incentive recipients who are eligible for the Sixth Stock Option Incentive Scheme have been allowed to exercise 8,708,250 stock options in the first exercise period (ended 27 May 2022).

During the Reporting Period, 4,848,541 shares were exercised under the Sixth Stock Option Incentive Scheme.

E. Overview of the Seventh Stock Option Incentive Scheme

a. The Company convened the 34th Meeting of the 3rd Board of Directors, at which the Proposal for the Adjustment to the Exercise Price for the Seventh Stock Option Incentive Scheme was approved. As the 2020 Annual Profit Distribution had been carried out, the exercise price for the Seventh Stock Option Incentive Scheme was revised from RMB50.43 to RMB48.86 per share.

b. The Proposal for the Adjustments to the Incentive Recipients and Their Exercisable Stock Options for the Seventh Stock Option Incentive Scheme was also approved. It was agreed to adjust the incentive recipients and their exercisable stock options under the Seventh Stock Option Incentive Scheme due to the resignation, low business division performance appraisals, low individual performance appraisals, being reassigned or other factors of some incentive recipients. Upon the adjustments, the number of locked-up stock options granted to them was reduced from 65,020,000 to 59,663,000.

c. The Proposal for Matters Related to the Stock Option Exercise for the First Exercise Period of the Seventh Stock Option Incentive Scheme was also approved. A total of 1,309 incentive recipients who are eligible for the Seventh Stock Option Incentive Scheme have been allowed to exercise 10,223,000 stock options in the first exercise period (ended 3 June 2022).

During the Reporting Period, 5,488,178 shares were exercised under the Seventh Stock Option Incentive Scheme.

F. Overview of the Eighth Stock Option Incentive Scheme

- a. The Proposal on the Eighth Stock Option Incentive Scheme (Draft) and its Abstract was approved at the 32rd Meeting of the 3rd Board of Directors and the 2020 Annual General Meeting of Shareholders, and the incentive recipient list for the Eighth Stock Option Incentive Scheme (Draft) was reviewed at the 21st Meeting of the 3rd Supervisory Committee.
- b. On 14 July 2021, the Company granted 81,740,000 stock options to 1,885 incentive recipients with the exercise price being RMB81.41 per share.

G. Overview of the 2017 Restricted Share Incentive Scheme

- a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2017 Restricted Share Incentive Scheme was approved at the 28th Meeting of the 3rd Board of Directors. As such, it was agreed to repurchase and retire 32,917 restricted shares that had been granted to 2 personnel but were still in lockup, for the reasons of their resignation, being reassigned or other factors. The said retirement of shares was completed on 24 May 2021.
- b. The Proposal on the Satisfaction of the Conditions for the Third Unlocking Period for the Reserved Restricted Shares of the 2017 Restricted Share Incentive Scheme was also approved. A total of 39 personnel were eligible for this unlocking, with 1,292,083 restricted shares (0.02% of the Company's total existing share capital) unlocked and allowed for public trading on 8 February 2021, of which senior management Xiao Mingguang unlocked 50,000 shares.

H. Overview of the 2018 Restricted Share Incentive Scheme

- a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme was approved at the 28th Meeting of the 3rd Board of Directors. As such, it was agreed to repurchase and retire 1,009,501 restricted shares that had been granted to 22 personnel but were still in lockup, for the reasons of their resignation, being reassigned, violation of the "Red Lines" of the Company or other factors. The said retirement of shares was completed on 24 May 2021.

b. The Company convened the 32nd Meeting of the 3rd Board of Directors, at which the Proposal on the Satisfaction of the Conditions for the First Unlocking Period for the Reserved Restricted Shares of the 2018 Restricted Share Incentive Scheme was approved. A total of 24 personnel were eligible for this unlocking, with 403,249 restricted shares (0.0057% of the Company's total existing share capital) unlocked and allowed for public trading on 4 June 2021.

c. The Company convened the 34th Meeting of the 3rd Board of Directors, at which the Proposal for the Adjustment to the Repurchase Price for the 2018 Restricted Share Incentive Scheme was approved. As the 2020 Annual Profit Distribution had been carried out, the repurchase price for the first grant was revised from RMB24.68 to RMB23.11 per share, and the repurchase price for the reserved restricted shares from RMB20.70 to RMB19.13 per share.

d. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2018 Restricted Share Incentive Scheme was also approved. As such, it was agreed to repurchase and retire 761,121 restricted shares that had been granted to 67 personnel but were still in lockup, for the reasons of their resignation, being reassigned, low individual or business division performance appraisals for 2020 or other factors. The Company has completed the retirement of the aforesaid shares on 30 November 2021.

e. The Proposal on the Satisfaction of the Conditions for the Second Unlocking Period for the First Grant of the 2018 Restricted Share Incentive Scheme was also approved. A total of 209 personnel were eligible for this unlocking, with 3,043,254 restricted shares (0.0432% of the Company's total existing share capital) unlocked and allowed for public trading on 30 June 2021, of which senior management Hu Ziqiang, Zhang Xiaoyi and Zhong Zheng unlocked 25,000 shares, 25,000 shares and 20,000 shares, respectively.

I. Overview of the 2019 Restricted Share Incentive Scheme

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme was approved at the 28th Meeting of the 3rd Board of Directors. As such, it was agreed to repurchase and retire 1,043,958 restricted shares that had been granted to 15

personnel but were still in lockup, for the reasons of their resignation, being reassigned, violation of the “Red Lines” of the Company or other factors. The said retirement of shares was completed on 24 May 2021.

b. The Company convened the 34th Meeting of the 3rd Board of Directors, at which the Proposal for the Adjustment to the Repurchase Price for the 2019 Restricted Share Incentive Scheme was approved. As the 2020 Annual Profit Distribution had been carried out, the repurchase price was revised from RMB24.20 to RMB22.63 per share.

c. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2019 Restricted Share Incentive Scheme was also approved. As such, it was agreed to repurchase and retire 941,788 restricted shares that had been granted to 92 personnel but were still in lockup, for the reasons of their resignation, being reassigned, low individual or business division performance appraisals for 2020, violation of the “Red Lines” of the Company or other factors. The Company has completed the retirement of the aforesaid shares on 30 November 2021.

d. The Proposal on the Satisfaction of the Conditions for the First Unlocking Period of the 2019 Restricted Share Incentive Scheme was also approved. A total of 363 personnel were eligible for this unlocking, with 5,654,629 restricted shares (0.0802% of the Company’s total existing share capital) unlocked and allowed for public trading on 13 July 2021, of which senior management Wang Jinliang unlocked 30,000 shares.

J. Overview of the 2020 Restricted Share Incentive Scheme

a. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2020 Restricted Share Incentive Scheme was approved at the 28th Meeting of the 3rd Board of Directors. As such, it was agreed to repurchase and retire 440,374 restricted shares that had been granted to 11 personnel but were still in lockup, for the reasons of their resignation, being reassigned, violation of the “Red Lines” of the Company or other factors. The said retirement of shares was completed on 24 May 2021.

b. The Company convened the 34th Meeting of the 3rd Board of Directors, at which the Proposal for the

Adjustment to the Repurchase Price for the 2020 Restricted Share Incentive Scheme was approved. As the 2020 Annual Profit Distribution had been carried out, the repurchase price was revised from RMB24.42 to RMB22.85 per share.

c. The Proposal on the Repurchase and Retirement of Certain Incentive Shares under the 2020 Restricted Share Incentive Scheme was also approved. As such, it was agreed to repurchase and retire 1,643,164 restricted shares that had been granted to 263 personnel but were still in lockup, for the reasons of their resignation, being reassigned, low individual or business division performance appraisals for 2020, violation of the “Red Lines” of the Company or other factors. The Company has completed the retirement of the aforesaid shares on 30 November 2021.

d. The Proposal on the Satisfaction of the Conditions for the First Unlocking Period of the 2020 Restricted Share Incentive Scheme was also approved. A total of 487 personnel were eligible for this unlocking, with 5,488,962 restricted shares (0.0778% of the Company’s total existing share capital) unlocked and allowed for public trading on 20 July 2021, of which senior management Wang Jinliang and Li Guolin unlocked 24,000 and 20,000 shares, respectively.

K. Overview of the 2021 Restricted Share Incentive Scheme

a. The Proposal on the 2021 Restricted Share Incentive Scheme (Draft) and its Abstract was approved at the 32rd Meeting of the 3rd Board of Directors and the 2020 Annual General Meeting of Shareholders, and the incentive recipient list for the 2021 Restricted Share Incentive Scheme (Draft) was reviewed at the 21st Meeting of the 3rd Supervisory Committee.

b. On 16 July 2021, the Company granted 9,940,000 restricted shares to 139 incentive recipients with the grant price being RMB39.92 per share, of which senior management Wang Jinliang, Li Guolin and Jiang Peng were granted 100,000 shares, 100,000 shares and 80,000 shares, respectively.

Equity incentives for directors and senior management

√Applicable □N/A

Name	Office title	Stock options	Stock options granted	Exercisable	Exercised	Exercise price for	Stock options	Market price at	Restricted	Unlocked shares	Restricted shares	Grant price of	Restricted

		held at the beginning of the Reporting Period	in the Reporting Period	share options for the Reporting Period	share options in the Reporting Period	exercised share options in the Reporting Period (RMB / share)	held at the end of the Reporting Period	the end of the Reporting Period (RMB / share)	shares held at the beginning of the Reporting Period	in the Reporting Period	granted in the Reporting Period	the restricted shares (RMB/share)	shares held at the end of the Reporting Period
Zhang Xiaoyi	Vice President								75,000	25,000			50,000
Hu Ziqiang	Vice President								75,000	25,000			50,000
Wang Jinliang	Vice President								240,000	54,000	100,000	39.92	286,000
Li Guolin	Vice President								100,000	20,000	100,000	39.92	180,000
Guan Jinwei	Vice President								175,000	50,000			125,000
Zhong Zheng	CFO and Director of Finance	65,000		65,000	65,000	16.26	0	73.81	60,000	20,000			40,000
Jiang Peng	Board Secretary								-		80,000	39.92	80,000
Xiao Mingguang	Vice President	105,000		105,000	105,000	16.26	0	73.81	125,000	75,000	80,000	39.92	130,000
Total	--	170,000		170,000	170,000	--	0	--	850,000	269,000	360,000	--	941,000
Remark (if any)	1. A total of 1,292,083 shares were allowed for public trading in the Third Unlocking Period for the Reserved Restricted Shares of the 2017 Restricted Share Incentive Scheme on 8 February 2021, of												

	<p>which senior management Xiao Mingguang unlocked 50,000 shares.</p> <p>2. A total of 3,043,254 shares were allowed for public trading in the Second Unlocking Period for the First Grant of the 2018 Restricted Share Incentive Scheme on 30 June 2021, of which senior management Hu Ziqiang, Zhang Xiaoyi and Zhong Zheng unlocked 25,000 shares, 25,000 shares and 20,000 shares, respectively.</p> <p>3. A total of 5,654,629 shares were allowed for public trading in the First Unlocking Period of the 2019 Restricted Share Incentive Scheme on 13 July 2021, of which senior management Wang Jinliang unlocked 30,000 shares.</p> <p>4. A total of 5,488,962 shares were allowed for public trading in the First Unlocking Period of the 2020 Restricted Share Incentive Scheme on 20 July 2021, of which senior management Wang Jinliang and Li Guolin unlocked 24,000 and 20,000 shares, respectively.</p> <p>5. A total of 9,940,000 shares were granted under the 2021 Restricted Share Incentive Scheme on 16 July 2021, of which senior management Wang Jinliang, Li Guolin and Jiang Peng were granted 100,000 shares, 100,000 shares and 80,000 shares, respectively.</p>
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Appraisal mechanism and incentives for senior management

With respect to remunerations for directors and supervisors, the Remuneration and Appraisal Committee under the Board of Directors formulates the relevant plan, which is submitted to the Board of Directors for approval and then to the meeting of shareholders for final approval. As for remunerations for senior management, the Remuneration and Appraisal Committee formulates the relevant plan, which is submitted to the Board of Directors for final approval.

11.2 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 Third Global Partner Stock Ownership Scheme	15	2,846,445	N/A	0.0407%	Special fund for the scheme
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	16	3,732,075	N/A	0.0533%	Special fund for the

Global Partner Stock Ownership Scheme					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, Zhong Zheng, and Jiang Peng	Certain directors and senior management of the Company	8,461,254	8,625,838	0.1233%

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

During the Reporting Period, a total of 2,846,445 shares (or 0.0407% of the Company's total share

capital) under the Third Global Partner Stock Ownership Scheme were sold, upon the expiry of the lockup period, by way of centralized bidding on 31 December 2021. As per the Third Global Partner Stock Ownership Scheme (Draft), the implementation of the scheme has been completed and the relevant asset clearing and distribution will be carried out subsequently. The benefits for the holders under the scheme will be distributed in proportion to the shares invested in them after deducting the relevant taxes and expenses.

Exercise of shareholder rights during the Reporting Period

During the Reporting Period, holders under employee stock ownership schemes exercised the shareholder rights to receive the cash dividends for 2020. Other than that, they did not exercise other shareholder rights such as voting in a meeting of shareholders.

Other information about employee stock ownership schemes during the Reporting Period

Applicable N/A

Changes in members of the management committees for employee stock ownership schemes

Applicable N/A

Financial impact of employee stock ownership schemes on the Company during the Reporting Period and the relevant accounting treatments

Applicable N/A

As per the Accounting Standard No. 11 for Business Enterprises—Share-based Payments, for equity-settled share-based payments in exchange for services from employee that are exercisable when services in the vesting period are completed or specified performance conditions are met, at every balance sheet date during the vesting period, the services obtained in the current period are included in the relevant costs/expenses and capital surplus at the fair value of the equity instruments at the grant date based on the best estimate of the number of exercisable equity instruments. The expense amortization of the Company's share-based payment incentive schemes stood at RMB198.46 million for 2021, which was included in the relevant expense items and capital surplus.

Termination of employee stock ownership schemes during the Reporting Period

Applicable N/A

During the Reporting Period, the implementation of the Third Global Partner Stock Ownership Scheme was completed, along with the relevant asset clearing and distribution. The benefits for the holders under

the scheme have be distributed in proportion to the shares invested in them after deducting the relevant taxes and expenses.

Other information

11.3 Other incentive measures for employees

Applicable N/A

12. Establishment and Implementation of the Internal Control System during the Reporting Period

12.1 Establishment and implementation of the internal control system

During the Reporting Period, in line with the *Basic Code for Internal Control of Enterprises* and other related regulations, the Company updated and improved the internal control system timely and established a set of internal control systems which was designed scientifically and operated effectively. Besides, an organization system for internal risk control and management comprising the Audit Committee and the internal audit department was set up to supervise and assess the Company's internal control management. Through the operation, analysis, and assessment of the internal control system, the Company effectively prevented the risks in operations management and promoted the realization of internal control objectives.

12.2 Serious internal control defects found in the Reporting Period

Yes No

13. The Company's Management and Control of Subsidiaries during the Reporting Period

Company name	Consolidation plan	Consolidation progress	Problems arising in consolidation	Solutions taken	Solution implementation progress	Subsequent solutions
N/A	N/A	N/A	N/A	N/A	N/A	N/A

14. Self-evaluation Report and Auditor's Report on Internal Control

14.1 Self-evaluation report on internal control

Disclosure date of the internal control self-evaluation report	30 April 2022	
Index to the disclosed internal control self-evaluation report	For details, please refer to the 2021 Self-Evaluation Report on Internal Control, which has been disclosed on www.cninfo.com.cn	
Ratio of the total assets of the appraised entities to the consolidated total assets	70%	
Ratio of the operating revenue of the appraised entities to the consolidated operating revenue	70%	
Defect identification standards		
Type	Financial-report related	Non-financial-report related
Nature standard	For details, please refer to “(c) Basis for internal control evaluation and identification standards for internal control defects” under Section III of The 2021 Self-Evaluation Report on Internal Control disclosed on www.cninfo.com.cn dated 30 April 2022.	For details, please refer to “(c) Basis for internal control evaluation and identification standards for internal control defects” under Section III of The 2021 Self-Evaluation Report on Internal Control disclosed on www.cninfo.com.cn dated 30 April 2022.
Quantitative standard	For details, please refer to “(c) Basis for internal control evaluation and identification standards for internal control defects” under Section III of The 2021 Self-Evaluation Report on Internal Control disclosed on www.cninfo.com.cn dated 30 April 2022.	For details, please refer to “(c) Basis for internal control evaluation and identification standards for internal control defects” under Section III of The 2021 Self-Evaluation Report on Internal Control disclosed on www.cninfo.com.cn dated 30 April 2022.
Number of serious financial-report-related defects	0	
Number of serious non-financial-report-related defects	0	
Number of important financial-report-related defects	0	
Number of important non-financial-report-related defects	0	

14.2 Auditor's report on internal control

√Applicable □N/A

Opinion paragraph in the auditor's report on internal control	
The internal control auditor holds the view that on 31 December 2021, Midea Group maintained an effective internal control of a financial report in all significant aspects based on the General Specifications of Company Internal Control and relevant specifications.	
Auditor's report on internal control disclosed or not	Disclosed on www.cninfo.com.cn
Date of disclosing the full text of the auditor's report on internal control	30 April 2022
Index to the disclosed full text of the auditor's report on internal control	For details, please refer to the 2021 Auditor's Report on Internal Control, which has been disclosed on www.cninfo.com.cn
Type of the auditor's opinion	Standard & unqualified
Serious non-financial-report-related defects	No

Whether any modified opinions are expressed by the accounting firm in its auditor's report on the Company's internal control

Yes No

Whether the auditor's report on the Company's internal control issued by the accounting firm is consistent with the self-evaluation report of the Board

Yes No

15. Remediation of Problems Identified by Self-inspection in the Special Action on the Governance of Listed Companies

In accordance with the requirements of regulatory authorities, the Company launched a special self-inspection of the governance of listed companies that would last four months on 17 December 2020, which would review the corporate governance comprehensively from seven perspectives, namely the basic information of the listed companies, the operation and decision-making of the organization, controlling shareholder/Actual Controller and related parties, the establishment of the system for standardizing the internal control, information disclosure and transparency, and institutional/overseas investors. In addition, it identified problems and deficiencies by referring to regulations, *Articles of Association*, and other normative documents, and saw the special self-inspection as an opportunity to improve the governance and protect the gains of investors.

This self-inspection found that the Company had no matters that had violated the national and CSRC regulations, and the corporate governance was in compliance with the laws and regulations, such as the *Company Law*, the *Securities Law*, the *Guidelines on Standardized Operation of Listed Companies on Shenzhen Stock Exchange*, and the *Guidelines for Articles of Association of Listed Companies*. Besides, the structure of the corporate governance was well-developed, and the operation was standard.

The Company will inspect and update the internal control system it has released in a timely manner in accordance with the existing laws and regulations and continuously establish and improve the internal control systems so that the systems can function effectively.

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
GD Midea Air-Conditioning Equipment Co., Ltd.	COD	Discharge after being treated by wastewater treatment station	1	The southeastern side of 4# plant	85 mg/L	The <i>Discharge Standard of Water Pollutants for Electroplating</i> (DB441597- 2015) Chart 2 PRD standard	6.89	9.59	No
	Ammonia-nitrogen				2.15 mg/L		1.41	1.510	No
	SS				24 mg/L		3.64	/	No
	Petroleum				4.21 mg/L		0.8	/	No
	COD	Discharge after being treated by wastewater treatment station	1	The eastern side of 2# plan	70 mg/L	The <i>Discharge Limits of Water Pollutants</i> (DB44/26-2001)	2.6	9.59	No
	SS				55 mg/L		2.01	/	No
	Ammonia-nitrogen				3.4 mg/L		2.53	/	No
	Petroleum				7.14 mg/L		4.22	/	No

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	VOCs (dusting)	15m high altitude discharge after being treated by spray tower + activated carbon	3	4# plant	21.23 mg/m ³	<i>Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010) the second time period</i>	2.26		
	VOCs (Screen Printing)	15m high altitude discharge after being treated by environmental protection equipment	4	1#, 5#, 9#, 11# plants	1.92 mg/m ³	<i>Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)</i>	0.244	/	No
	VOCs (electronic)	15m high altitude discharge after being treated by environmental protection equipment	2	10# plants	25.21 mg/m ³	<i>Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)</i>	2.16		
	NMHC (evaporator & condenser)	15m high altitude discharge after being treated by environmental protection equipment	6	2#, 5# plants	25 mg/m ³	<i>Emission Limits of Air Pollutants (DB44/27-2001) the second time period</i>	13.8	/	No
Wuhu Maty Air-Conditioning Equipment Co., Ltd	COD	Discharge after being treated by wastewater treatment station	1	The northern side of the park	42 mg/L	<i>Integrated Wastewater Discharge Standard (GB8978-1996) chart 4 Level 3</i>	24.3	/	No
	SS				55 mg/L		25.7	/	No
	BOD				9 mg/L		4.3	/	No
	Ammonia-nitrogen				37 mg/L		21.2	/	No
	Petroleum				0.5 mg/L		0.3	/	No

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	Particles	15m high altitude discharge after being treated by environmental protection equipment	5	2# plant	< 20 mg/m ³	<i>Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)</i>	3.15	/	No
	VOCs		8	2#, 3# plants	17 mg/m ³	<i>Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB13-2322- 2016)</i>	24.6	/	No
	NOX		3	3# plant	19 mg/m ³	<i>Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)</i>	2.52	/	No
	SO ₂		3	3# plant	8 mg/m ³		0.98	/	No
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	PH value	Discharge after being treated by wastewater treatment system and reaching the standard	1	West Gate 2 of 4# plant on the west side of plant areas	7-9	<i>Integrated Wastewater Discharge Standard GB8978-1996</i>	/	/	No
	Suspended solids				45 mg/L		/	/	No
	Five-day COD				42.8 mg/L		/	/	No
	COD				192 mg/L		16.54	19.60	No
	Petroleum				3.45 mg/L		/	/	No
	Ammonia-nitrogen				0.313 mg/L		0.021	1.764	No
	Fluoride				4.98 mg/L		/	/	No
	Total zinc				0.96 mg/L		/	/	No
	Particles	1. Water spraying +	4	Northwest corner of 1#	3.1 mg/m ³	<i>Integrated Emission</i>	5.91	6.09	No

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	Sulfur dioxide	low-temperature plasma; direct-fired TO furnace	3	plant; central 1# plan; northeast corner of 3# plan	< 3 mg/m ³	<i>Standards for Atmospheric Pollutants (GB16297-1996)</i>	1.32	1.56	No
	Nitrogen oxide	2. Frame filtration + activated carbon	1		< 3 mg/m ³		2.98	5.9	No
	VOCs	3. Frame filtration + Level 2 spraying + UV photolysis + carbon absorption 4. Activated carbon 5. RTO regenerative combustion	2		6.94 mg/m ³		3.17	11.44	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	59 mg/L	<i>Discharge Standard of Water Pollutants for Electroplating (DB44/1597-2015)</i>	8.24	15.304	No
	Petroleum				0.075 mg/L		0.01	/	No
	Ammonia-nitrogen				9.57 mg/L		1.339	1.913	No
	Toluene and xylene	High altitude discharge after being treated by waste gas treatment station	7	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	0.68 mg/m ³	Table 1 of the <i>Emission Standard of Volatile Organic Compounds for Furniture Manufacturing (DB44/814-2010)</i> : Discharge Limits for VOCs through Exhaust Funnel/for Time Period II	2.177	/	No
	VOCs	High altitude discharge after being treated by waste gas treatment station			5.42 mg/m ³		12.17	22.72	No

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	NMHC	High altitude discharge after being treated by waste gas treatment station	2	Outlet of injection molding waste gas in the south side of 1# plant, outlet of injection molding waste gas in the south side of 9# plant	1.8 mg/m ³	Table 4 of the <i>Emission Standards of Industrial Pollutants in the Synthetic Resin Industry</i> (GB 31572- 2015): Emission Limits of Air Pollutants	1.5125	/	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	6.4 mg/m ³	Table 2 of the <i>Emission Limits of Air Pollutants</i> (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2	2.015	/	No
	Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	2	Oxidation wire roof of 3# plant	< 3 mg/m ³	<i>Emission Standard of Air Pollutants for Boiler</i> (DB44/765-2019)	0.0152	3.8231	No
	Nitrogen oxide			Drying furnace of 3# plan	< 3 mg/m ³		0.0532	13.132	No
	Cooking fume	Discharge after being treated by waste gas treatment station	2	South and north section canteens	1.25 mg/m ³	<i>Emission Standard of Cooking Fume (Trial)</i> (GB 18483-2001)	0.419	/	No
Guangdong Midea Consumer Electric Manufac	CODcr	Discharge after being treated by wastewater treatment system and reaching the standard	1	Sewage treatment station	46.25 mg/L	<i>Discharge Standard of Water Pollutants for Electroplating</i> (DB44/1597-2015)	3.7349	4.8	No
	Petroleum				0.06 mg/L		0.0048	/	No
	SS				13.25 mg/L		1.0817	/	No
	Ammonia-nitrogen				6.73 mg/L		0.5378	0.96	No
	Benzene	High altitude discharge after	1	Spraying waste gas	0.025 mg/m ³	Table 1 of the <i>Emission</i>	0.0019	/	No

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Midea Group Co., Ltd.	Toluene	being treated by waste gas treatment station		outlet at 1# plant	0.2625 mg/m ³	<i>Standard of Volatile Organic Compounds for Furniture Manufacturing</i> (DB44/814-2010): Discharge Limits for VOCs through Exhaust Funnel/for Time Period II	0.0213	/	No
	Xylene				2.8975 mg/m ³		0.2697	/	No
	Toluene and xylene				3.165 mg/m ³		0.2911	/	No
	VOCs				16.08 mg/m ³		0.5617	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	1.64 mg/m ³	Table 4 of the <i>Emission Standards of Industrial Pollutants in the Synthetic Resin Industry</i> (GB 31572- 2015): Emission Limits of Air Pollutants	0.198	/	No
	Particles	High altitude discharge of furnace and welding fume after being collecting	7	Furnace and welding waste gas outlet at 1# plant (5) Spraying waste gas outlet at 1# plant (1) Discharging dust & waste gas outlet (1)	5.32 mg/m ³	Table 2 of the <i>Emission Limits of Air Pollutants</i> (DB44/27-2001): Emission Limits of Industrial Waste Gas (Time Period 2), Level 2	0.01915	/	No
Sulfur dioxide	High altitude discharge after being treated by waste gas treatment station	1	Spraying waste gas outlet at 1# plant	< 3 mg/m ³	<i>Emission Standard of Air Pollutants for Boiler</i> (DB44/765-2019)	0.02719	0.028	No	
Nitrogen oxide	High altitude discharge after being treated by waste gas treatment station			< 3 mg/m ³		0.08583	0.131	No	

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	Cooking fume	Discharge after being treated by waste gas treatment station	1	Canteen of 1# plan	0.425 mg/m ³	<i>Emission Standard of Cooking Fume (GB 18483-2001)</i>	0.0166	/	No
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	0.94 mg/m ³	<i>Emission Standard of Volatile Organic Compounds for Printing Industry (DB44/815-2010)</i>	0.1986	/	No
		Dry filtering + UV + activated carbon + catalytic combustion + 15m high altitude discharge	2	Outlet for waste gas from dip coating, drying and hardening	24.73 mg/m ³	<i>Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB12/ 524-2020)</i>	1.5276	3.42	No
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	1	During the manual welding process	10.67 mg/m ³	<i>Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2 Emission Standards for Odor Pollutants (GB14554- 93)</i>	0.2964	/	No
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	3	During the wave soldering process (paste printing and wave reflow)	6.735 mg/m ³	<i>Emission Limits of Air Pollutants (DB44/27-2001): Time Period 2, Level 2 Emission Standards for Odor Pollutants (GB14554- 93)</i>	0.9079	/	No

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	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	2.85 mg/m ³	<i>Emission Standards of Industrial Pollutants in the Synthetic Resin Industry</i> (GB 31572-2015)	1.7595	/	No
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	2	Outlet for organic waste gas from dusting, baking and hardening	2.35 mg/m ³	<i>Emission Limits of Air Pollutants</i> (DB44/27-2001): Time Period 2, Level 2	0.2495	/	No
		Gas trap hood + water spraying + dry filtering + UV + activated carbon + 15m high altitude discharge	1	Outlet for waste gas from electrophoresis and hardening	13.6 mg/m ³	<i>Emission Limits of Air Pollutants</i> (DB44/27-2001): Time Period 2, Level 2	0.3390	/	No
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	3	During the wave soldering process (paste printing and wave reflow)	8.77 mg/m ³	<i>Emission Limits of Air Pollutants</i> (DB44/27-2001): Time Period 2, Level 2	1.8773	/	No
	Particles	Gas trap hood + water spraying + dry filtering + UV + activated carbon + 15m high altitude discharge	1	Outlet for waste gas from electrophoresis and hardening	22 mg/m ³	<i>Emission Limits of Air Pollutants</i> (DB44/27-2001): Time Period 2, Level 2	3.17239	/	No
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	3	During the wave soldering process (paste printing and wave reflow)	13.43 mg/m ³	<i>Emission Limits of Air Pollutants</i> (DB44/27-2001): Time Period 2, Level 2	2.3241	/	No
		Gas trap hood + dry filtering + UV + activated carbon + 15m high altitude discharge	2	Outlet for organic waste gas from dusting, baking and hardening	0.51 mg/m ³	<i>Emission Limits of Air Pollutants</i> (DB44/27-2001): Time Period 2, Level 2	0.0419	/	No

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	Cooking fume	Fume hood + electrostatic range hood + 15m high altitude discharge	7	Cooking fume outlet at canteen	0.492 mg/m ³	<i>Emission Standard of Cooking Fume (GB 18483-2001)</i>	0.1276	/	No
	SS	Oil separation and slugging - hydrolysis and acidification - contact oxidation - MRB	1	Domestic wastewater treatment station	21 mg/L	<i>Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)</i>	0.0378	/	No
	COD				35 mg/L		5.103	/	No
	Animal and vegetable oil				0.18 mg/L		0.0241	/	No
	Ammonia-nitrogen				1.08 mg/L		0.145	2.16	No
	PH value				7.26		/	/	No
	BOD				28 mg/L		4.032	/	No
	Total zinc	Coagulation and sedimentation + hydrolysis and acidification + aeration + biological tank + MBR + 50% water reuse	1	Domestic wastewater treatment station	0.000744 mg/L	<i>Discharge Standard of Water Pollutants for Electroplating DB 44/1597-2015</i>	0.0004	/	No
	COD				18.68 mg/L		4.215	/	No
	SS				9mg/L		0.015	/	No
	PH value				7.22		/	/	No
	Total phosphorus (in P)				0.02 mg/L		0.040	/	No
	Total aluminum				0.0194 mg/L		0.022	/	No
	Ammonia-nitrogen				0.28 mg/L		0.53	1.724	No
	Total ferrum				0.00144 mg/L		0.0014	/	No
	Petroleum				0.06 mg/L		0.007	/	No

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Chongqing Midea General Refrigeration Equipment Co., Ltd.	Anionic surfactants	Discharge to municipal wastewater treatment plant after being treated by the wastewater treatment system	1	General sewage discharge exit of plant areas	0.404 mg/L	GB/T4754-2011 Discharge standards of chemical park water pollutants DB50/457-2012	0.031	0.4936	No
	COD				117.75 mg/L		4.125	12.3809	No
	Suspended solids				7.5 mg/L		0.344	9.8857	No
	PH value				7.645		/	/	No
	Ammonia-nitrogen (NH3-N)				5.02 mg/L		0.263	/	No
	Five-day BOD				28.2mg/L		2.105	7.4389	No
	Toluene	High altitude discharge after being treated by waste gas treatment station	4	1#4# workshop paint waste gas outlets	0.228 mg/m ³	GB30981-2020 Limit of Harmful Substances in Industrial Protective Coatings; GB37822-2019 Volatile Organic Compounds Emission Control Standards; DB50-418-2016 Integrated Emission Standards for Atmospheric Pollutants	0.011	8.7048	No
	Benzene				0.137 mg/m ³		0.007	1.404	No
	NMHC				3.759 mg/m ³		0.592	28.08	No
	Xylene				1.118 mg/m ³		0.135	2.808	No
Particles	11.57 mg/m ³				0.964		2.2464	No	
Hefei	COD	Discharge after being treated by	1	The eastern side of 1#	45 mg/L	Implementation of the	5.244	/	No

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Midea Heating & Ventilating Equipment Co., Ltd.	Ammonia-nitrogen	wastewater treatment system and reaching the standard		plant	15 mg/L	takeover standards of the Western Hefei Group wastewater treatment plant and <i>Integrated Wastewater Discharge Standard</i> (GB8978-1996) Level 3	0.42	/	No
	NMHC	RTO equipment	1	1 set at the northeastern side of 3# plant	3.5 mg/m ³	<i>Integrated Emission Standards for Atmospheric Pollutants</i> GB16297-1996 Level 2	0.36	/	No
		Condensation + degreasing + filtering+ activated carbon + catalytic combustion equipment	1	1 set at the southwestern side of 4# plant	4 mg/m ³		0.69	/	No
		Two-stage water spray + two-stage dehumidification + activated carbon equipment	3	2 sets at 1# plant and 1 set at 2# plant	2.17 mg/m ³		0.81	/	No
		Two-stage activated carbon equipment	1	1 set at the eastern side of 2# plant	2.3 mg/m ³		0.239	/	No
	Particles	Filter cartridge dust collector	3	2 at 2# plant and 1 at 4# plant	16 mg/m ³		6.02	/	No
Hubei Midea Refrigerator Co., Ltd	COD	Discharge domestic sewage in the plant to the municipal sewage system after pretreatment	1	Domestic sewage outlets at the plant	65 mg/L	<i>Integrated Wastewater Discharge Standard</i> (GB8978-1996)	12.02	15	No
Ammonia-nitrogen	3.49 mg/L				1.55		2.5	No	
BOD	22.35 mg/L				4.13		/	No	
SS	65.7 mg/L				12.1		/	No	

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	Animal and vegetable oil				0.89 mg/L		0.59	/	No
	COD	Freezer spaying waste water is discharged to the municipal sewage system after floatation + acidification + aerobic sludge digestion + filtration and other processes	1	Waste water outlets at the freezer branch plant	70 mg/L	<i>Integrated Wastewater Discharge Standard (GB8978-1996)</i>	2.8	15	No
	Ammonia-nitrogen				3.96 mg/L		0.158	2.5	No
	BOD				22.82 mg/L		0.91	/	No
	SS				56.5 mg/L		2.26	/	No
	Animal and vegetable oil				1.01 mg/L		0.04	/	No
	Petroleum				1.08 mg/L		0.04	/	No
	NMHC				15m discharge after light and oxygen purification + activated carbon adsorption		1	First installation branch waste gas outlets	6.87 mg/m ³
		Second installation branch waste gas outlets	15.4 mg/m ³	3.03		/		No	
		Injection molding workshop waste gas outlets	1.22 mg/m ³	0.35		/		No	
	NMHC	15m high altitude discharge after dry filtration + light and oxygen purification + activated carbon	1	Extrusion workshop waste gas outlets	0.97 mg/m ³		0.43	/	No
	NMHC	15m high altitude emission	8	Cold cabinet branch waste gas outlets	1.02 mg/m ³		0.13	/	No
	Particles		1		< 20 mg/m ³		0.04	/	No
Foshan	COD	Discharge after being treated by	1	The southern side of 2#	50 mg/L	<i>Discharge Limits of Water</i>	0.18	0.228	No

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Shunde Midea Washing Appliances Manufacturing Co., Ltd. (the Washing and Sterilizing Appliances Park)	SS	wastewater treatment system and reaching the standard		plant in the Washing and Sterilizing Appliances Park	11 mg/L	<i>Pollutants</i> (DB44/26-2001) of Guangdong Province	0.0396	/	No
	BOD5				12.2 mg/L		0.04392	/	No
	Petroleum				0.1 mg/L		0.0036	/	No
	Ammonia-nitrogen				0.964 mg/L		0.00571	/	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	0.03 mg/m ³	<i>Emission Standard of Volatile Organic Compounds for Furniture Manufacturing</i> (DB44/814-2010)	0.0197	/	No
	Toluene and xylene				0.29 mg/m ³		0.1406	/	No
VOCS	6.43 mg/m ³				0.58372		/	No	
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	Western gate of the Wuhu plant	167.75 mg/L	<i>Integrated Wastewater Discharge Standard</i> (GB8978-1996)	66.4	70.898	No
	Ammonia-nitrogen				5.87 mg/L		2.3	2.496	No
	BOD ₅				28.58 mg/L		11.3	/	No
	Petroleum				5.63 mg/L		2.3	/	No
	Total phosphorus				0.535 mg/L		0.21	/	No
	Fluoride				1.43 mg/L		0.57	/	No
	Soot	15m high altitude discharge	45	Plants at each workshop	< 20 mg/m ³	<i>Emission Standard of Air Pollutants for Boiler</i> (GB13271-2014)	0.032	0.48	No
	Sulfur dioxide				12.67 mg/m ³		1.75	0.658	No

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	Nitrogen oxide	High altitude discharge after being treated by waste gas treatment station			56 mg/m ³	<i>Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)</i>	5.81	3.6	No
	Particles				< 20 mg/m ³		17.37	/	No
	Xylene				0.53 mg/m ³		0.28	/	No
	VOCs				0.2 mg/m ³		0.67	/	No
Wuxi Little Swan Electric Co., Ltd	COD	Discharge to municipal sewage network	1	Exit at the middle gate of the plant	284 mg/L	<i>Integrated Wastewater Discharge Standard (GB8978-1996)</i>	56.4645	123.8994	No
	SS				191 mg/L		25.151	87.2473	No
	Animal and vegetable oil				2.41 mg/L		1.7278	10.7034	No
	Total phosphorus				3.65 mg/L		0.6713	1.0701	No
	Total nitrogen				47.7 mg/L		7.0688	11.2612	No
	Ammonia-nitrogen				36.5 mg/L		5.1779	6.6906	No
	Particles	High altitude discharge after treatment	11	Buildings A, C, and D	ND	<i>Integrated Emission Standards for Atmospheric Pollutants</i>	0.4382	2.0696	No
VOCS	Gas trap hood + water spraying +	1.35 mg/m ³			0.8		1.2218	No	

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	Sulfur dioxide	dry filtering + UV + activated carbon + 15m high altitude discharge			ND	(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 (GB 31572- 2015)/Emission Standard of Air Pollutants for Boiler (GB13271-2014)	0.1187	0.624	No
	Nitrogen oxide				27 mg/m ³		0.8784	3.38	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	59 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	19.11	22.77	No
	Ammonia-nitrogen				0.572 mg/L		0.455	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	10.1 mg/m ³		11.15	/	No
	Sulfur dioxide				5 mg/m ³		0.444	1.055	No
	Nitrogen oxide				7 mg/m ³		3.083	10.314	No
	Benzene				ND		0.027	/	No
	Toluene and xylene				0.276 mg/m ³		1.55	/	No
	VOCs				3.99 mg/m ³		26.005	35.051	No

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	NMHC				3.75 mg/m ³	<i>n 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)</i>	1.694	/	No
	Styrene				2.6 mg/m ³		0.254	/	No
	Cooking fume	15m high altitude discharge after being treated by oil fume purification facility and reaching the standard			0.77 mg/m ³		0.17	/	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	27 mg/L	The discharge limits of water pollutants in Guangdong DB-44/26-2001 the second time period Level 2	13.12	16.28	No
	Ammonia-nitrogen				2.12 mg/L		0.32	2.034	No
Guangdong	COD	Discharge after being treated by	1	Near the wastewater	42 mg/L	Guangdong discharge	5.94	6.046	No

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ong Meizhi Compre ssor Limited	Ammonia-nitrogen	wastewater treatment station		treatment station in the north side of the plant	0.282 mg/L	standard of water pollutants for electroplating DB-441597-2015, before 1 September 2012	0.045	0.756	No
Anhui Meizhi Compre ssor 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	32 mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and <i>Integrated Wastewater Discharge Standard</i> (GB8978-1996) Level 3	7.01	/	No
	Ammonia-nitrogen				1.60 mg/L		0.23	/	No
	Particles	Collected by gas trap hood+15m high exhaust cylinder	13	No. 1 workshop welding soot discharge outlet for waste gas	< 20 mg/m ³	<i>Integrated Emission Standards for Atmospheric Pollutants</i> (GB16297-1996)	9.782	65.45	No
				No. 3 workshop discharge outlet for the welding waste gas	< 20 mg/m ³				No
				Waste gas outlet of 1# heat-treating furnace at No. 2 workshop	< 20 mg/m ³	<i>Emission Standard of Air Pollutants for Industrial Kiln and Furnace</i> (GB9078- 1996)			No
Waste gas outlet of 2# heat-treating furnace at No. 2 workshop	< 20 mg/m ³			No					

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				Waste gas outlet for die casting at No. 2 workshop	< 20 mg/m ³	<i>Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)</i>			No
				Waste gas outlet for die casting at No. 4 workshop	< 20 mg/m ³	<i>Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)</i>			No
				Waste gas outlet of 1# heat-treating furnace at No. 4 workshop	< 20 mg/m ³	<i>Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB9078- 1996)</i>			No
				Waste gas outlet of 2# heat-treating furnace at No. 4 workshop	< 20 mg/m ³	<i>Emission Standard of Air Pollutants for Industrial Kiln and Furnace (GB9078- 1996)</i>			No
				Waste gas outlet for electrophoresis and drying at No. 1 workshop	< 20 mg/m ³	<i>Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)</i>			No
				Waste gas outlet for electrophoresis and drying at No. 3 workshop	< 20 mg/m ³	<i>Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)</i>			No
				Waste gas outlet of 1#-3# furnaces	< 20 mg/m ³	<i>Emission Standard of Air Pollutants for Boiler (GB13271-2014)</i>			No

Sulfur dioxide	Collected by gas trap hood+15m high exhaust cylinder	9	Waste gas outlet of 1#-3# furnaces	1.5 mg/m ³	<i>Emission Standard of Air Pollutants for Boiler</i> (GB13271-2014)	5.67	112.2	No
			Outlet of 1# heat-treating furnace at No. 2 workshop	< 3 mg/m ³	<i>Air Pollutant Emission Standards</i> (GB16297-1996) Standard Level 2			No
			Outlet of 2# heat-treating furnace at No. 2 workshop	< 3 mg/m ³				No
			Waste gas outlet for die casting at No. 2 workshop	< 3 mg/m ³				No
			Outlet of 1# heat-treating furnace at No. 4 workshop	< 3 mg/m ³				No
			Outlet of 2# heat-treating furnace at No. 4 workshop	< 3 mg/m ³				No
			Waste gas outlet for die casting at No. 4 workshop	< 3 mg/m ³				No
Nitrogen oxide	Collected by gas trap hood+15m high exhaust cylinder	9	Waste gas outlet of 1#-3# furnaces	36 mg/m ³	<i>Emission Standard of Air Pollutants for Boiler</i> (GB13271-2014)	4.13	33.24	No
			Outlet of 1# heat-treating furnace at No. 2 workshop	< 3 mg/m ³	<i>Air Pollutant Emission Standards</i> (GB16297-1996)			No

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				Outlet of 2# heat-treating furnace at No. 2 workshop	< 3 mg/m ³	Standard Level 2			No
				Waste gas outlet for die casting at No. 2 workshop	< 3 mg/m ³				No
				Outlet of 1# heat-treating furnace at No. 4 workshop	< 3 mg/m ³				No
				Outlet of 2# heat-treating furnace at No. 4 workshop	< 3 mg/m ³				No
				Waste gas outlet for die casting at No. 4 workshop	< 3 mg/m ³				No
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	1.35 mg/m ³	<i>Emission Control Standard for Industrial Enterprises Volatile Organic Compounds (DB12/ 524-2020)</i>	0.279	21.6	No	
			Waste gas outlet of 1# drying furnace at No. 3 workshop	0.985 mg/m ³					
			Die casting at No. 2 workshop	0.323 mg/m ³					
			Die casting at No. 4 workshop	0.52 mg/m ³					

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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	21.5 mg/m ³	<i>Integrated Emission Standards for Atmospheric Pollutants</i> (GB16297-1996)	7.59	23	No	
	VOCs	Collected by gas trap hood+15m high exhaust cylinder	7	Waste gas outlets 1-7 of the die casting workshop	2.75 mg/m ³	<i>Emission Standard of Air Pollutants for Industrial Kiln and Furnace</i> (GB9078- 1996)	2.31	3.388	No	
	VOCs	Activated carbon + UV photolysis	2	Exhaust funnels 1 and 2 for dip coating	26.1 mg/m ³	Hebei Province Standard DB13/2322-2016 The Concentration Limits at Emission Reference Point for Coating Operations	5.28	31	No	
	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	General wastewater outlet	80 mg/L	<i>Integrated Wastewater Discharge Standard</i> (GB8978-1996) chart 4 Level 3	2.56	/	No	
	Ammonia-nitrogen				20 mg/L		0.532	/	No	
	BOD				12.3 mg/L		2.078	/	No	
	SS				59 mg/L		1.9	/	No	
	Petroleum				0.95 mg/L		0.2	/	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	221.75 mg/L	<i>Integrated Wastewater Discharge Standard</i> (GB8978-1996) chart 4 Level 3	142.94	/	No
	Ammonia-nitrogen	8.0 mg/L				5.287		/	No	
BOD	58.65 mg/L	54.26				/		No		
SS	41.51 mg/L	27.34				/		No		
Petroleum	1.955 mg/L	1.92				/		No		

Particles	Collected by gas trap hood +21m high exhaust cylinder	10	1-8# welding waste gas outlets	14.77 mg/m ³	Integrated emission standards for atmospheric pollutants GB16297-1996, chart 2, Level 2	13.20	/	No
			9#-10# welding waste gas outlets	17.92 mg/m ³			/	No
			2# outlet of stator + rotor heat-treating furnace	5.55 mg/m ³			/	No
			3# outlet of 2# stator heat-treating furnace	6.7 mg/m ³			/	No
			1# outlet of stator + rotor heat-treating furnace	10.8 mg/m ³	Emission standard of air pollutants for industrial kiln and furnace GB9078-1996, chart 2, Level 2		/	No
			Outlet at the head of 3# stator furnace	9.17 mg/m ³			/	No
			Outlets at the head of 2# stator furnace and 4# rotor furnace	8.675 mg/m ³			/	No
			Outlets at the tail of 3# and 4# stator furnaces and comprehensive outlet for 4 aluminum melting furnaces	7.25 mg/m ³			/	No
			Waste gas outlet of aluminum melting furnace	7.575 mg/m ³			/	No
			Sulfur dioxide	Collected by gas trap hood +21m high exhaust cylinder	8		1# heat-treating furnace	5.55 mg/m ³
2# heat-treating furnace	6.725 mg/m ³	/				No		

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				3# heat-treating furnace	10.8 mg/m ³	furnaces and kilns in the <i>Comprehensive Control Plan for Air Pollution of Industrial Furnaces</i> (H.D.Q.[2019] NO.56)		/	No
				Heat-treating furnace	9.175 mg/m ³			/	No
				1# outlet for waste gas from drying	3.25 mg/m ³			/	No
				2# outlet for waste gas from drying	4.25 mg/m ³				
				3# outlet for waste gas from drying	3 mg/m ³				
				4# outlet for waste gas from drying	3 mg/m ³			/	No
	Nitrogen oxide	Collected by gas trap hood +21m high exhaust cylinder	8	1# heat-treating furnace	5.55 mg/m ³		14.49	/	No
				2# heat-treating furnace	6.725 mg/m ³			/	No
				3# heat-treating furnace	10.8 mg/m ³			/	No
				Heat-treating furnace	9.175 mg/m ³			/	No
				1# outlet for waste gas from drying	3.75 mg/m ³			/	No
				2# outlet for waste gas from drying	4.75 mg/m ³			/	No
				3# outlet for waste gas from drying	3.75 mg/m ³			/	No
4# outlet for waste gas from drying	4.5 mg/m ³	/	No						
VOCs	Direct-fired waste gas incinerator+21m high exhaust	4	1# outlet for waste gas from drying	4.3975 mg/m ³	NMHC emissions meet the relevant standard limit	2.877	/	No	

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		cylinder		2# outlet for waste gas from drying	3.635 mg/m ³	requirements in Table 1 of Shanghai <i>Integrated Emission Standards for Atmospheric Pollutants</i> (DB31/933-2015)		/	No
				3# outlet for waste gas from drying	4.6325 mg/m ³			/	No
				4# outlet for waste gas from drying	3.955 mg/m ³			/	No
Huaian Welling Motor Manufacturing Co., Ltd	Particles	Gas trap hood + cotton filter + activated carbon + 15m high exhaust cylinder	2	5# waste gas outlet: outside the inductor dip coating room	4.1 mg/m ³	<i>Integrated Emission Standards for Atmospheric Pollutants</i> (GB16297-1996)	0.338	0.97	No
	NMHC			8# waste gas outlet: outside the reactor dip coating room	2.5 mg/m ³	<i>Integrated Emission Standards for Atmospheric Pollutants</i> (GB16297-1996)	0.254	0.3078	No
	Styrene				0.483 mg/m ³	<i>Emission Standards for Odor Pollutants</i> (GB14554-93)	0.03	0.032	No
Hefei Midea Laundry Appliance Co., Ltd.	COD	Discharge after being treated by wastewater treatment station	1	The eastern side of wastewater treatment station	38.6 mg/L	Implementation of the takeover standards of the Western Hefei Group wastewater treatment plant and <i>Integrated Wastewater Discharge Standard</i> (GB8978-1996) Level 3	8.03	58.150	No
	Ammonia-nitrogen			The eastern side of wastewater treatment station	1.35 mg/L		0.799	/	No

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	Particles	15m high altitude discharge after being treated by cyclone + filter cartridge dust collector	2	1 outlet at 2# plant, 1 outlet at 6# plant	< 20 mg/m ³	Table 5 of the <i>Emission Standards of Industrial Pollutants in the Synthetic Resin Industry</i> (GB 31572- 2015): Special Emission Limit Requirements	0.28	/	No
	Particles	15m high altitude discharge after being treated by water spraying + dedusting+ UV photolysis + activated carbon	1	1 outlet at 3# plant	< 20 mg/m ³		1.61	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	3	1 outlet at 2# plant	1.52 mg/m ³		0.29	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	6	Six pieces of Plant No. 6	1.86 mg/m ³		0.28	/	No
	NMHC	15m high altitude discharge after being treated by waste gas treatment station	2	1 outlet at 1# plant, 1 outlet at 5# plant	1.54 mg/m ³		0.37	/	No
	NMHC	15m high altitude discharge after being treated by low-temperature plasma	1	1 outlet at 3# plant	1.48 mg/m ³		0.34	/	No
	NMHC	15m high altitude discharge after being treated by photocatalyst and activated carbon	1	1 outlet at 3# plant	3.96 mg/m ³		0.38	/	No
Handan Midea Air-Conditioning Equipment Co.,	NMHC	15m high altitude discharge after being treated by environmental protection equipment	9	1#, 2# plants	7.97 mg/m ³	1) NMHC: Implementation of the emission concentration limits on organic chemicals in Table 1 of <i>Emission Control Standard for Industrial</i>	7.01	/	No
	Particles		7	1#, 2#, 3# plants	6.2 mg/m ³		3.68	/	No
	Nitrogen oxide		7	1#, 2#, 3# plants	< 3 mg/m ³		1.78	2.02	No
	Sulfur dioxide		7	1#, 2#, 3# plants	< 3 mg/m ³		1.78	2.02	No

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Ltd.	Tin and its compounds		4	2# plant	5.3 mg/m ³	<p><i>Enterprises Volatile Organic Compounds (DB13/2322-2016)</i></p> <p>2) Sulfur dioxide/nitrogen oxides/particles: Implementation of the new furnace standards in Table 1 and Table 2 of <i>Emission Standard of Air Pollutants for Industrial Kiln and Furnace (DB13/1640-2012)</i></p> <p>3) Tin and its compounds: Implementation of the requirements of Level 2 in the <i>Integrated Emission Standards for Atmospheric Pollutants (GB16297-1996)</i></p>	1.99	/	No
	COD	Discharge after being treated by wastewater treatment system and reaching the standard	1	North side of the power house	122 mg/L	Requirements for inflow water quality of wastewater treatment plant in Handan Economic and Technological Development Zone	3.05	8.97	No
	Ammonia-nitrogen		1		7.51 mg/L		0.19	0.7	No
	pH		1		6.94		/	/	No
	Suspended solids		1		45 mg/L		1.13	/	No
	Petroleum		1		0.10 mg/L	<i>Integrated Wastewater</i>	/	/	No

	Fluoride		1		2.91 mg/L	<i>Discharge Standard</i> (GB8978-1996) chart 4 Level 3	/	/	No
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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; 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 CODcr, 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 punishments received during the Reporting Period due to environmental issues

The Company or subsidiary	Reason for punishment	Regulation violated	Punishment	Impact on the Company	Rectification
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N/A	N/A	N/A	N/A	N/A	N/A
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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) The Company released the Green Strategy and inspected the source of the carbon emissions across the Group so as to figure out its total carbon emissions and intensity; (b) It built a professional team to analyze the measures and methods for energy saving and consumption reduction scientifically and took measures to reduce the consumption of water, electricity, and gas with the incremental development of the Company as the precondition, reducing the energy cost by approximately RMB60 million; (c) It reduced the energy/material consumption at source from the perspectives of green design, green procurement, green manufacturing, green logistics, green recycling, and green services, as well as the full life cycle of the products, and produced low-carbon products that are more eco-friendly, such as the natural R290 refrigerant, which can reduce carbon emissions by approximately 2.2 million tons according to its annual sales.

Other environment-related information

None

2. Corporate Social Responsibility (CSR)

The Company has voluntarily disclosed its CSR activities. Attaching great importance to protecting the legal rights and interests of its shareholders, employees, consumers and business partners, as well as the government, the community and other stakeholders, the Company sticks to harmonious common growth with them, honors its commitments, abides by law and moral principles, and continue to contribute to the sustainable development of the society and the environment. For further information, see the Company's ESG Report 2021 released on www.cninfo.com.cn.

3. Efforts in Poverty Alleviation and Rural Revitalization

3.1 Support the development of education

In 2021, Midea Group donated a total of RMB20 million to the sponsorship of Shunde Midea School affiliated to East China Normal University (hereinafter referred to as "Shunde Midea School of East China Normal University") and the school scholarship fund. In addition, Midea has also supported the preparation, construction, and development of Shunde Midea School of East China Normal University by building resource platforms, etc. On 28 March, the construction of Shunde Midea School of East China Normal University commenced in Beijiao Town, Shunde District. The school is expected to provide a total of over 5,000 primary and junior high school places after completion, which is of far-reaching significance to the education and comprehensive social development of Beijiao Town.

3.2 Support rural revitalization

The year 2021 is a key year for China to complete the battle against poverty and start the 14th Five-Year Plan. Midea Group continues to plow deeper on the basis of the original help projects to support the rural revitalization strategy.

Leishan National High School is the only general senior high school in Leishan County, Qiandongnan Miao and Dong Autonomous Prefecture, Guizhou Province. The main structure of the school's gymnasium has long been constructed, but due to the constant lack of funds for interior decoration, the gymnasium has not come into use. In order to ensure that the school gymnasium will be available as soon as possible, Midea Group invested RMB350,000 in the construction of the gymnasium, thus helping Shunde Leishan National High School improve the quality of school teaching.

In addition, to further improve the medical care services of Yingmaili Township Health Center in Payzawat County, Xinjiang, Midea Group has spent RMB150,000 on the construction of the health center, including the renovation, greening construction, and purchase of medical equipment.

3.3 Support the fight against the pandemic

During the critical period of pandemic prevention and control, Midea has been concerned about the front-line pandemic prevention personnel. In May 2021, Midea Group spent a total of RMB400,000 on the donation of 500 cool fans and 80 portable air conditioners to the pandemic prevention teams in towns and subdistricts in Shunde District, sending coolness to the pandemic prevention teams in summer. In December 2021, as the pandemic recurred in Xi'an, Midea spent RMB100,000 on the purchase of 1,200 camp beds to create a better environment for the front-line pandemic prevention personnel of Xi'an Jiaotong University to have a rest.

Section VI Significant Events

1. Performance of Undertakings

1.1 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 ongoing at the period-end

√ Applicable □ N/A

Undertaking	Undertaking giver	Type of undertaking	Details of undertaking	Undertaking date	Term	Particulars on the performance
Undertaking made in offering documents or shareholder alternative documents	Controlling shareholder and actual controller	Maintenance of independence	1. Midea Holding and He Xiangjian have undertaken as follows: He Xiangjian, Midea Holding and their controlled enterprises will remain independent from Midea Group in respect of personnel, finance, assets, business and institutions, in accordance with relevant laws and regulations and regulatory documents. They will faithfully fulfill the above undertaking, and assume the corresponding legal liability. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they will bear the corresponding legal liabilities according to relevant laws, rules, regulations and regulatory documents.	28/03/2013	Long-standing	1. There has been no violation of this undertaking.
	Controlling shareholder and actual controller	Avoiding competition within the industry	2. In order to avoid possible competition within the industry between Midea Group and Midea Holding and its controlled enterprises as well as He Xiangjian, his immediate family and his controlled companies, Midea Holding and He Xiangjian have undertaken as follows:	28/03/2013	Long-standing	2. There has been no violation of this undertaking.

	er	<p>(1) None of the entities or individuals mentioned above is or will be engaged in the same or similar business as the existing main business of Midea Group and its controlled companies. They are not or will not be engaged or participate in such business that is competitive to the existing main business of Midea Group and its controlled companies by controlling other economic entities, institutions or economic organizations;</p> <p>(2) If Midea Group and its controlled companies expand their business on the basis of the existing ones to those where the above mentioned related entities or individuals are already performing such production and operations, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they will agree on solving the problem of competition within the industry arising therefrom within a reasonable period;</p> <p>(3) If Midea Group and its controlled companies expand their business scope on the basis of the existing ones to those where the above mentioned related subjects have not gone into production or operation, as long as He Xiangjian is still the actual controller of Midea Group, and Midea Holding the controlling shareholder, they would undertake as not to engage in competitive business to the new ones of Midea Group and its controlled companies;</p> <p>(4) In accordance with effective laws, regulations or other regulatory documents of People's Republic of China, as long as Midea Holding is identified as the controlling shareholder of Midea Group, and He Xiangjian the actual controller, they will not change or terminate this undertaking.</p>			
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		<p>(5) Midea Holding and He Xiangjian shall faithfully fulfill the above undertaking, and assume the corresponding legal responsibilities. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they would bear the corresponding legal responsibilities according to relevant laws, rules, regulations and regulatory documents.</p>			
<p>Controlling shareholder and actual controller</p>	<p>Regulation of related transactions</p>	<p>3. In order to regulate matters of related transactions that may occur in the future between Midea Group and Midea Holding and its controlled companies as well as He Xiangjian, his immediate family and his controlled companies, Midea Holding and He Xiangjian have undertaken as follows:</p> <p>(1) They will regulate any related transactions with Midea Group and its controlled companies using their utmost efforts to reduce them. For unavoidable related transactions with Midea Group and its controlled companies, including but not limited to commodity trading, providing services to each other or as agent, they will sign legal normative agreements with Midea Group, and go through approval procedures in accordance with related laws, regulations, rules, other regulatory documents, and relevant provisions of the Articles of Association of Midea Group. They guarantee to offer fair prices for related transactions, and fulfill the information disclosure obligations in respect of the related transactions according to related laws, regulations, rules, other regulatory documents, and relevant provisions of the Articles of Association of Midea Group. They also guarantee not to illegally transfer the funds or profits from Midea Group, or damage the interests of its shareholders at their advantages during the related transactions.</p>	<p>28/03/2013</p>	<p>Long-standing</p>	<p>3. There has been no violation of this undertaking.</p>

		<p>(2) They shall fulfill the obligation of withdrawing from voting that involves the above mentioned related transactions at the general meeting of Midea Group;</p> <p>(3) The related subject mentioned above shall not require Midea Group to offer more favorable conditions than those to any independent third party in any fair market transactions.</p> <p>(4) In accordance with effective laws, regulations or other regulatory documents of People's Republic of China, as long as Midea Holding is identified as the controlling shareholder of Midea Group, and He Xiangjian the actual controller, they shall not change or terminate this undertaking.</p> <p>(5) Midea Holding and He Xiangjian will faithfully fulfill the above undertaking and assume the corresponding legal liabilities. If they fail to fulfill their obligations and responsibilities conferred by the undertaking, they will bear the corresponding legal responsibilities according to relevant laws, rules, regulations and regulatory documents.</p>			
Controlling shareholder and actual controller	On Midea Trade Union Committee transfer its limited equity of Midea Group	<p>4. On 4 January 2001, the Midea Trade Union Committee signed the "Equity Transfer Contract" with five people, namely He Xiangjian, Chen Dajiang, Feng Jingmei, Chen Kangning and Liang Jieyin, where it transferred all its limited equity of Midea Group (22.85%) respectively to those five people. According to the confirmation letter issued by members of the Midea Trade Union Committee at that time, the equity transfer price was determined after mutual discussion on the basis of their true opinions, therefore there was no dispute or potential dispute.</p> <p>On 28 June 2013, Foshan Shunde Beijiao General Union,</p>	28/03/2013	Long-standing	4. So far, this shareholding transfer has not brought about any loss caused by any dispute or potential disputes. There has been no violation of this undertaking.

		<p>superior department of Midea Trade Union Committee, issued a confirmation letter to the fact that the Midea Trade Union Committee funded the establishment of Midea Group Co., Ltd. In addition the letter also confirmed that the council of Midea Trade Union Committee is entitled to dispose any property of the committee, and such property disposal does not need any agreement from all staff committee members.</p> <p>Midea Holding and He Xiangjian, respectively the controlling shareholder and actual controller of Midea Group Co., Ltd. have undertaken as follows: For any loss to Midea Group caused by any dispute or potential dispute arising from the matters of equity transfer mentioned above, they are willing to assume full liability for such loss.</p>			
Controlling shareholder and actual controller	<p>Issues about Payment of the Staff Social Insurance and the Housing Provident Fund involved in Midea Group's Overall</p>	<p>5. Midea Holding and He Xiangjian have undertaken to be liable for (1) paying such expenses and related expenses on time based on the requirements of relevant state departments if Midea Group is required to be liable for the payment of staff social insurance, housing provident fund and the payment required by relevant state authorities prior to this merger, (2) paying corresponding compensation for all direct and indirect losses incurred by Midea Group and its subsidiaries due to this merger, (3) indemnifying and holding harmless Midea Group and its subsidiaries in time from such expenses when Midea Group and its subsidiaries are required to pay them in advance.</p>	28/03/2013	Long-standing	<p>5. So far, the payment of the staff social insurance and the housing provident fund has not brought about any controversy or potential disputes. There has been no violation of this undertaking.</p>

	Listing				
<p>Controlling shareholder and actual controller</p>	<p>Issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries</p>	<p>6. Undertakings on issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries</p> <p>Midea Holding and He Xiangjian have undertaken as follows:</p> <p>(1) Midea Holding will do its utmost to assist and urge Midea Group (including its subsidiaries) to complete renaming procedures of related assets, such as land, housing, trademarks, patents and stock rights, declared in the related files of this merger. Midea Holding will be liable for all compensations of losses caused by issues about renaming procedures of related assets mentioned above to Midea Group.</p> <p>(2) Midea Holding shall do its utmost to assist Midea Group (including its subsidiaries) to apply for ownership certificates of land and housing or property declared in related files of this merger.</p> <p>(3) Midea Holding shall assist Midea Group (including its subsidiaries) to re-apply for corresponding construction procedures and apply for their ownership certificates for houses without complete procedures, as happened in the past, to apply for the ownership certificate. If the competent authorities requires Midea Group to dismantle buildings that cannot acquire the re-application for real estate registration procedures, Midea Holding shall do its utmost to provide assistance and be liable for any related expenses used in dismantling such buildings by Midea Group (including its subsidiaries).</p> <p>(4) Under any circumstances that Midea Group suffers from</p>	<p>28/03/2013</p>	<p>Long-standing</p>	<p>6. So far, the issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries have not brought about any controversy or potential disputes. There has been no violation of this undertaking. And Midea Holding shall honor this undertaking before its expiration.</p>

		<p>losses incurred from no longer using these properties or presently using the land or house above due to failing to obtain or collect in time the ownership certificates of the land or house above or any losses caused by any other reasons, Midea Holding shall compensate any loss for these reasons in time and in full. Midea Holding shall compensate the actual loss Midea Group suffers from any circumstances above resulting in penalties subjected to from competent authorities or through claims from any other third party.</p> <p>(5) Based on issues of defective house leasing declared in related files of this merger, Midea Holding shall provide sufficient compensations for all economic losses incurred by Midea Group (including its subsidiaries) where the leasehold relations above become invalid or other disputes occur, which are caused by rights claims from a third party or by means of an administrative authority exercising a right and therefore results in any economic losses due to eviction from rental houses, or any penalties subjected to by competent government departments or any recourse from related parties.</p> <p>(6) Based on the issues of defective land leasing declared in related files of this merger, when leasehold relations become invalid caused by defects of land leasing or when other disputes occur, resulting in any economic losses to Midea Group (including its subsidiaries) or through any penalties administered by competent government departments. Likewise if the lessor cannot compensate for losses caused by such defective leasing, Midea Holding shall compensate Midea Group for losses caused by such defective land leasing.</p>			
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		<p>Midea Holding has further undertaken that where a violation of guarantees and undertakings referred to previously occurs or such guarantees and undertakings are not consistent with the reality and Midea Group has suffered any loss therefrom, Midea Holding shall compensate in cash or make up for Midea Group's loss upon Midea Group's notice in writing within 30 days when the loss occurs and the loss amount is definite.</p>			
<p>Whether the undertaking is fulfilled on time</p>	<p>Yes</p>				
<p>Specific reasons for failing to fulfill any undertaking and plan for the next step</p>	<p>N/A</p>				

1.2 Where any earnings forecast was made for any of the Company's assets or projects and the Reporting Period is still within the forecast period, the Company shall explain whether the performance of the asset or project reaches the earnings forecast and why

Applicable N/A

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. Explanation of the Board of Directors Regarding the Last "Non-standard Audit Opinion"

Applicable N/A

5. Explanation of the Board of Directors, the Supervisory Committee and Independent Directors (If Any) Regarding the "Non-standard Audit Opinion" for the Reporting Period

Applicable N/A

6. Changes in Accounting Policies and Accounting Estimates as Compared to the Financial Report for the Prior Year, as well as Correction of Material Accounting Errors

Applicable N/A

A. Accounting Standard No. 21 for Business Enterprises—Leases

Pursuant to the Notice of Revising and Issuing the Accounting Standard No. 21 for Business Enterprises—Leases (CK [2018] No. 35) issued by the Ministry of Finance on 7 December 2018, the Company has adopted, starting from 1 January 2021, the revised Accounting Standard No. 21 for

Business Enterprises—Leases (hereinafter referred to as the “New Lease Standard”). Therefore, the relevant accounting policies of the Company needed to be adjusted accordingly.

In accordance with the New Lease Standard, the adjustments to the Company's related accounting policies are as follows:

- a. Under the New Lease Standard, except for short-term leases and leases of low-value assets, the lessees will no longer distinguish between finance leases and operating leases. All leases will be subject to the same accounting treatment, and the right-of-use assets and lease liabilities shall be recognized.
- b. For right-of-use assets, if the lessee can reasonably ascertain that the ownership of the leasehold property will be obtained when the lease term expires, it shall depreciate the leasehold property over its remaining service life. If it cannot reasonably ascertain whether the ownership of the leasehold property will be obtained when the lease term expires, the Company will depreciate the leasehold property over the lease term or the remaining service life, whichever is shorter. At the same time, the lessee shall determine whether the right-of-use asset is impaired and perform the accounting treatment for the identified impairment losses.
- c. For lease liabilities, the lessee shall calculate the interest expenses incurred by the lease liabilities in each period of the lease term and include them in the profit or loss for the current period.
- d. For short-term leases and leases of low-value assets, the lessee may choose not to recognize the right-of-use assets and lease liabilities, and include the relevant lease payments into relevant asset cost or the profit or loss for the current period in the straight-line method or other systematically reasonable methods in each period of the lease term.

As per the requirements for the transition to the New Lease Standard, the Company has prepared, starting from 1 January 2021, its financial statements according to the New Lease Standard, with no retrospective adjustments to the comparable data of 2020 and thus no impact on the relevant financial information of 2020. The aforesaid changes in accounting policies did not have a material impact on the financial condition, operating results and cash flows of the Company.

B. Interpretation No. 14 of the Accounting Standards for Business Enterprises (CK [2021] No. 1)

Effective starting from 26 January 2021, this accounting policy contains regulations with respect to the accounting treatments and disclosure requirements for adjustments to financial instruments and lease liabilities caused by the benchmark interest rate reform. The Company has prepared the financial statements for the year ended 31 December 2021 according to the aforesaid regulatory document, which had no significant impact on the financial statements.

C. The Circular on Issuing Interpretation No. 15 of the Accounting Standards for Business Enterprises

The regulations with respect to “the accounting treatments for sales of products or by-products produced before a fixed asset is ready for its intended use or during the development process” and “judgments on onerous contracts” in the Circular took effect on 1 January 2022; and those regarding “the presentation of funds under centralized management” took effect on 31 December 2021. The Company has prepared the financial statements for the year ended 31 December 2021 according to the aforesaid regulatory document, which had no significant impact on the financial statements.

D. The Regulations of Accounting Treatments for Rental Waivers as a Result of COVID-19 (CK [2020] No. 10)

This accounting policy provides a practical expedient for rental waivers directly as a result of COVID-19 that meet certain conditions. If a company applies the practical expedient, it does not need to assess whether any change occurs to a lease, or re-assess the classification of leases. As per the regulatory document CK [2021] No. 9, the practical expedient is for lease payables before 30 June 2022. The Company has prepared the financial statements for the year ended 31 December 2021 according to the aforesaid practical expedient, which had no significant impact on the financial statements.

E. The fifth Q&A for the Implementation of the Accounting Standards for Business Enterprises in 2021

These accounting policy changes will impact “cost of sales” and “selling and distribution expenses” in the

income statement, but not “operating revenue” and “operating profit”. This is expected to affect financial indicators such as “gross profit margin”, but with no material impact on the financial position and operating results of the Company.

Note: For further information about the changes to the accounting policies, please refer to Note 2(31) to the financial statements.

7. Reason for Changes in Scope of the Consolidated Financial Statements as Compared to the Financial Report for the Prior Year

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 Beijing Wandong Medical Technology Co., Ltd. and its subsidiaries (hereinafter, “WDM”) and Hitachi Compressor (Thailand) Ltd. (please refer to Note 5(1)(a)), 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).

8. Engagement and Disengagement of CPA Firm

CPA firm at present

Name of the domestic CPA firm	PricewaterhouseCoopers Zhong Tian LLP
The Company’s payment to the domestic CPA firm	RMB8.975 million
Consecutive years of the audit service provided by the domestic CPA firm	Seven years
Names of the certified public accountants from the domestic CPA firm	Yao Wenping and Wu Fangfang
Consecutive years of the audit service provided by the certified public accountants from the domestic CPA firm	Two years and one year respectively

Whether the CPA firm was changed in the current period

Yes No

Engagement of any CPA firm for internal control audit, financial advisor or sponsor

Applicable N/A

9. Possibility of Delisting after Disclosure of this Report

Applicable N/A

10. Bankruptcy and Reorganization

Applicable N/A

No such cases in the Reporting Period.

11. Material Litigation and Arbitration

Applicable N/A

No such cases in the Reporting Period.

12. Punishments and Rectifications

Applicable N/A

No such cases in the Reporting Period.

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

Applicable N/A

14. Significant Related Transactions

14.1 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 amount of transactions of the same kind	Approved transaction line (RMB'00)	Over approved line	Mode of settlement	Obtainable market price for the transaction of the same kind	Disclosure date	Index to the disclosed information

							(%)						
Guangdong Yinghe Enterprise Management Co., Ltd.	Controlled by family member of Company's actual controller in the 12 months before the Reporting Period	Procurement	Procurement of goods	Market price	-	1,481,457	0.5692%	1,800,000	No	Payment after delivery	-	30 April 2021	www.c ninfo. com.c n
Orinko Advanced Plastics Co., Ltd.	Controlled by family member of Company's actual controller	Procurement	Procurement of goods	Market price	-	1,506,809	0.5789%	1,700,000	No	Payment after delivery	-	30 April 2021	www.c ninfo. com.c n
Midea Real Estate Holding Limited	Controlled by Company's actual controller	Sale	Sale of goods	Market price	-	202,625	0.0673%	471,000	No	Payment after delivery	-	30 April 2021	www.c ninfo. com.c n
Total				--	--	3,190,891	--	3,971,000		--		--	--
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				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.									

total amounts of continuing related-party transactions by type to occur in the current period	
Reason for any significant difference between the transaction price and the market reference price (if applicable)	N/A

Note: Guangdong Yinghe Enterprise Management Co., Ltd. is the holding/parent company of Guangdong Wellkey Electric Material Co., Ltd. and Anhui Wellkey Electric Material Co., Ltd.

14.2 Related transactions regarding purchase or sales of assets or equity interests

Applicable N/A

No such cases in the Reporting Period.

14.3 Related transactions arising from joint investments in external parties

Applicable N/A

No such cases in the Reporting Period.

14.4 Credits and liabilities with related parties

Applicable N/A

No such cases in the Reporting Period.

14.5 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.

14.6 Transactions between finance companies controlled by the Company and related parties

Applicable N/A

Making deposits

Related party	Relationship	Upper limit for daily deposits (RMB'000)	Range of interest rate	Opening balance (RMB'000)	Change in the current period		Closing balance (RMB'000)
					Total amount deposited in	Total amount withdrawn in	

					the current period (RMB'000)	the current period (RMB'000)	
Guangdong Shunde Rural Commercial Bank Company Limited	Company where a former senior executive of the Company acted as a director within 12 months after the senior executive's resignation from the Company	10,000,000	0.30%	45,700	163,863,760	163,838,920	70,540

14.7 Other significant related transactions

Applicable N/A

No such cases in the Reporting Period.

15. Significant Contracts and Their Execution

15.1 Trusteeship, contracting and leasing

15.1.1 Trusteeship

Applicable N/A

No such cases in the Reporting Period.

15.1.2 Contracting

Applicable N/A

No such cases in the Reporting Period.

15.1.3 Leasing

Applicable N/A

No such cases in the Reporting Period.

15.2 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.	2021-4-30	8,400,000		-	Joint liability	One year	No	No
GD Midea Air-Conditioning Equipment Co., Ltd.	2021-4-30	17,440,000	2021-01-15	1,787,230	Joint liability	One year	No	No
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	2021-4-30	1,160,000	2021-01-01	16,940	Joint liability	One year	No	No
Foshan Midea Carrier Air-Conditioning Equipment Co., Ltd.	2021-4-30	360,000	2021-03-22	570	Joint liability	One year	No	No

GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	2021-4-30	500,000			-	Joint liability	One year	No	No
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	2021-4-30	690,000	2021-08-02	240		Joint liability	One year	No	No
Guangdong Midea Precision Molding Technology Co., Ltd.	2021-4-30	65,000			-	Joint liability	One year	No	No
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	2021-4-30	72,000			-	Joint liability	One year	No	No
Hainan Midea United Materials Supply Co. Ltd.	2021-4-30	200,000			-	Joint liability	One year	No	No
Handan Midea Air-Conditioning Equipment Co., Ltd.	2021-4-30	110,000	2021-06-21	740		Joint liability	One year	No	No
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	2021-4-30	200,000			-	Joint liability	One year	No	No
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	2021-4-30	7,225,000	2021-01-29	2,302,270		Joint liability	One year	No	No
Guangdong Witol Vacuum Electronic Manufacture Co., Ltd	2021-4-30	100,000	2021-01-26	6,300		Joint liability	One year	No	No
Wuhu Midea Kitchen Appliances Manufacturing Co., Ltd.	2021-4-30	2,020,000	2021-12-03	6,640		Joint liability	One year	No	No
Jiangsu Midea Cleaning Appliances Co., Ltd	2021-4-30	640,000	2021-01-04	83,780		Joint liability	One year	No	No
Maytech Technology Co., LTD.	2021-4-30	75,000	2021-05-21	5,000		Joint liability	One year	No	No
Hainan Meizhi Canghai E-commerce Service Co., Ltd.	2021-4-30	20,000			-	Joint liability	One year	No	No
Hainan Meizhi Hangjian Electric Appliance Co., Ltd.	2021-4-30	20,000			-	Joint liability	One year	No	No
GD Midea Heating & Ventilating Equipment Co., Ltd.	2021-4-30	2,000,000	2021-01-08	229,810		Joint liability	One year	No	No
Guangdong Midea-SIIX Electronics Co., Ltd.	2021-4-30	10,000	2021-01-19	430		Joint liability	One year	No	No
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	2021-4-30	345,000	2021-03-30	11,380		Joint liability	One year	No	No
Hefei Midea-SIIX Electronics Co., Ltd.	2021-4-30	123,000	2021-01-01	1,120		Joint liability	One year	No	No

Hefei M&B Air Conditioning Equipment Co., Ltd.	2021-4-30	31,500		-	Joint liability	One year	No	No
Chongqing Midea General Refrigeration Equipment Co., Ltd.	2021-4-30	30,000	2021-01-14	9,940	Joint liability	One year	No	No
Meitong Energy Technology (Chongqing) Co., Ltd.	2021-4-30	50,000	2021-10-26	3,210	Joint liability	One year	No	No
Guangdong MeiKong Intelligent Building Co., Ltd.	2021-4-30	60,000		-	Joint liability	One year	No	No
Shanghai M-BMS Intelligent Construction Co., Ltd.	2021-4-30	60,000		-	Joint liability	One year	No	No
Winone Elevator Company Limited	2021-4-30	500,000	2021-01-08	64,560	Joint liability	One year	No	No
Guangdong Meizhi Compressor Limited	2021-4-30	230,000	2021-01-08	31,730	Joint liability	One year	No	No
Guangdong Meizhi Precision-Manufacturing Co., Ltd	2021-4-30	80,000	2021-01-01	-	Joint liability	One year	No	No
Guangdong Welling Motor Manufacturing Co., Ltd.	2021-4-30	210,000	2021-01-05	24,540	Joint liability	One year	No	No
Foshan Welling Washer Motor Manufacturing Co., Ltd.	2021-4-30	320,000	2021-01-08	69,240	Joint liability	One year	No	No
Guangdong Midea Environmental Technologies Co., Ltd.	2021-4-30	20,000	2021-01-01	-	Joint liability	One year	No	No
Huaian Welling Motor Manufacturing Co., Ltd.	2021-4-30	10,000	2021-09-28	2,350	Joint liability	One year	No	No
Guangdong Midea Intelligent Technologies Co., Ltd.	2021-4-30	20,000		-	Joint liability	One year	No	No
Zhejiang Meizhi Compressor Co., Ltd.	2021-4-30	3,500,000	2021-12-02	570,000	Joint liability	One year	No	No
Anhui Meizhi Compressor Co., Ltd.	2021-4-30	80,000	2021-06-28	14,500	Joint liability	One year	No	No
Anhui Meizhi Precision Manufacturing Co., Ltd.	2021-4-30	270,000	2021-02-25	19,510	Joint liability	One year	No	No
Welling (Wuhu) Motor Manufacturing Co., Ltd.	2021-4-30	10,000	2021-06-28	60	Joint liability	One year	No	No
Wuhu Welling Motor Sales Co., Ltd.	2021-4-30	500,000		-	Joint liability	One year	No	No
Anhui Welling Auto Parts Co., Ltd.	2021-4-30	40,000	2021-01-05	2,810	Joint liability	One year	No	No

Dorna Technology Co., Ltd.	2021-4-30	25,000	2021-07-15	10,620	Joint liability	One year	No	No
Guangdong Midea Electromechanical Technology Co., Ltd.	2021-4-30	50,000		-	Joint liability	One year	No	No
Ningbo Midea United Materials Supply Co. Ltd.	2021-4-30	1,000,000	2021-01-28	-	Joint liability	One year	No	No
Guangzhou Kaizhao Commercial and Trading Co., Ltd	2021-4-30	60,000		-	Joint liability	One year	No	No
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	2021-4-30	185,000	2021-02-10	7,330	Joint liability	One year	No	No
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	2021-4-30	565,000	2021-01-11	154,240	Joint liability	One year	No	No
GD Midea Environment Appliances Mfg. Co.,Ltd.	2021-4-30	400,000	2021-01-14	22,380	Joint liability	One year	No	No
Guangdong Midea Cuchen Company Ltd.	2021-4-30	6,000		-	Joint liability	One year	No	No
GD Midea Caffitaly Coffee Machine Manufacturing Co., Ltd.	2021-4-30	10,000		-	Joint liability	One year	No	No
Wuhu Midea Life Appliances Mfg Co., Ltd.	2021-4-30	3,000,000	2021-01-21	504,000	Joint liability	One year	No	No
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	2021-4-30	2,350,000	2021-01-06	65,760	Joint liability	One year	No	No
Guangdong Midea Kitchen & Bath Appliances Manufacturing Co., Ltd.	2021-4-30	400,000		-	Joint liability	One year	No	No
Foshan Shunde Midea Water Dispenser Manufacturing Company Limited	2021-4-30	855,000	2021-01-28	19,670	Joint liability	One year	No	No
Foshan Midea Chungho Water Purification Equipment. Co., Ltd.	2021-4-30	230,000	2021-01-28	21,860	Joint liability	One year	No	No
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	2021-4-30	1,800,000	2021-01-26	32,250	Joint liability	One year	No	No
Wuxi Little Swan Electric Co., Ltd.	2021-4-30	2,600,000	2021-01-05	38,370	Joint liability	One year	No	No
Hefei Midea Laundry Appliance Co., Ltd.	2021-4-30	780,000	2021-12-17	15,380	Joint liability	One year	No	No

Wuxi Filin Electronics Co., Ltd.	2021-4-30	50,000			-	Joint liability	One year	No	No
Hubei Midea Laundry Appliance Co., Ltd.	2021-4-30	100,000			-	Joint liability	One year	No	No
Hainan Midea Refrigerator & Washer Sales Co., Ltd.	2021-4-30	100,000			-	Joint liability	One year	No	No
Hefei Hualing Co., Ltd.	2021-4-30	1,850,000	2021-04-26	109,620		Joint liability	One year	No	No
Hubei Midea Refrigerator Co., Ltd.	2021-4-30	230,000	2021-01-01	8,520		Joint liability	One year	No	No
Hefei Midea Refrigerator Co., Ltd.	2021-4-30	400,000			-	Joint liability	One year	No	No
Guangzhou Midea Hualing Refrigerator Co., Ltd.	2021-4-30	1,345,000	2021-01-19	6,240		Joint liability	One year	No	No
Little Swan (Jing Zhou) Sanjin Electronic Appliances Limited	2021-4-30	10,000			-	Joint liability	One year	No	No
Guangdong Midea Intelligent Robotics Co., Ltd.	2021-4-30	50,000			-	Joint liability	One year	No	No
Servotronix Motion Technology Development (Shenzhen) Ltd.	2021-4-30	10,000			-	Joint liability	One year	No	No
Midea Group E-Commerce Co., Ltd.	2021-4-30	100,000			-	Joint liability	One year	No	No
Guangdong Midea Smart Link Technologies Co., Ltd.	2021-4-30	41,200	2021-01-11	7,630		Joint liability	One year	No	No
Reis Robotics (Kunshan) Co., Ltd.	2021-4-30	63,000	2021-01-28	13,580		Joint liability	One year	No	No
KUKA Systems (China) CO., Ltd.	2021-4-30	325,000	2021-03-08	190,200		Joint liability	One year	No	No
KUKA Robotics Manufacturing China Co.,Ltd	2021-4-30	50,000	2021-03-23	33,850		Joint liability	One year	No	No
KUKA Robotics Guangdong Co., Ltd	2021-4-30	100,000			-	Joint liability	One year	No	No
KUKA Robotics (Shanghai) Co.,Ltd.	2021-4-30	315,000	2021-01-07	98,650		Joint liability	One year	No	No
Shanghai Swisslog Healthcare Co., Ltd.	2021-4-30	10,000			-	Joint liability	One year	No	No
Guangdong Swisslog Technology Co., Ltd.	2021-4-30	50,000			-	Joint liability	One year	No	No

Swisslog (Shanghai) Co., Ltd.	2021-4-30	230,000	2021-01-06	60,230	Joint liability	One year	No	No
Shanghai Swisslog Logistics Automation Co. Ltd.	2021-4-30	80,000	2021-01-14	-	Joint liability	One year	No	No
Annto Logistics Technology Co., Ltd.	2021-4-30	900,000		-	Joint liability	One year	No	No
Midea International Corporation Company Limited	2021-4-30	12,330,000	2021-04-23	7,803,910	Joint liability	One year	No	No
Midea International Trading Company Limited	2021-4-30	2,222,430	2021-01-21	-	Joint liability	One year	No	No
Welling International Hong Kong Ltd	2021-4-30	182,000		-	Joint liability	One year	No	No
Midea Electric Trading (Singapore) Co.,Pte. Ltd.	2021-4-30	4,000,000	2021-01-05	35,530	Joint liability	One year	No	No
Orient Household Appliances Ltd.(Orient)	2021-4-30	120,000		-	Joint liability	One year	No	No
Midea Consumer Electric Vietnam	2021-4-30	112,000		-	Joint liability	One year	No	No
Concepcion Midea Inc.	2021-4-30	112,000		-	Joint liability	One year	No	No
Midea Italia S.R.L.	2021-4-30	140,000		-	Joint liability	One year	No	No
Midea Scott & English Electronics Sdn. Bhd.	2021-4-30	206,500		-	Joint liability	One year	No	No
Midea Mexico, S. De R.L. De C.V.	2021-4-30	180,000		-	Joint liability	One year	No	No
Midea Electric Trading (Thailand) Co.,Ltd.	2021-4-30	105,000		-	Joint liability	One year	No	No
Midea America Corp	2021-4-30	669,000		-	Joint liability	One year	No	No
Pt. Midea Planet Indonesia	2021-4-30	56,000		-	Joint liability	One year	No	No
Midea Electrics Egypt	2021-4-30	175,000		-	Joint liability	One year	No	No
Midea Europe Gmbh	2021-4-30	70,000		-	Joint liability	One year	No	No
Midea America (Canada) Corp	2021-4-30	70,000		-	Joint liability	One year	No	No

Toshiba Lifestyle Products & Services Corporation	2021-4-30	2,667,450	2021-01-05	3,230	Joint liability	One year	No	No
Midea Electric Netherlands (I) B.V.	2021-4-30	31,446,110	2021-01-01	28,856,400	Joint liability	One year	No	No
Clivet Spa	2021-4-30	90,000		-	Joint liability	One year	No	No
Servotronix Motion Control Ltd.	2021-4-30	940		-	Joint liability	One year	No	No
Midea Austria GmbH	2021-4-30	5,700		-	Joint liability	One year	No	No
Midea (Egypt) Kitchen & Water Heater Appliances Co., Ltd.	2021-4-30	70,000		-	Joint liability	One year	No	No
Total guarantee line for subsidiaries approved during the Reporting Period (B1)			123,551,830		Total actual guarantee amount for subsidiaries during the Reporting Period (B2)			67,169,620
Total approved guarantee line for subsidiaries at the end of the Reporting Period (B3)			123,551,830		Total actual guarantee balance for subsidiaries at the end of the Reporting Period (B4)			43,384,350
Guarantees between 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
Wuhu Midea Annto Logistics Co., Ltd.	2021-4-30	1,500,000	2021-06-22	-	Joint liability	One year	No	No
Ningbo Annto Logistics Co., Ltd.	2021-4-30	800,000	2021-03-22	-	Joint liability	One year	No	No
Nanjing Meian Logistics Co., Ltd.	2021-4-30	20,000	2021-08-05	-	Joint liability	One year	No	No
Shenyang Annto Logistics Technology Co., Ltd.	2021-4-30	20,000		-	Joint liability	One year	No	No
Wuhan Annto Logistics Technology Co., Ltd.	2021-4-30	20,000	2021-08-05	-	Joint liability	One year	No	No
Tianjin Annto Logistics Technology	2021-4-30	20,000		-	Joint liability	One	No	No

Co., Ltd.						year		
Xuzhou Annto Logistics Technology Co., Ltd.	2021-4-30	20,000	2021-09-29	-	Joint liability	One year	No	No
Total line for guarantees between subsidiaries approved during the Reporting Period (C1)		2,400,000		Total actual guarantee amount between subsidiaries during the Reporting Period (C2)		346,100		
Total approved line for guarantees between subsidiaries at the end of the Reporting Period (C3)		2,400,000		Total actual guarantee balance between subsidiaries at the end of the Reporting Period (C4)		0		
Total guarantee amount (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the Reporting Period (A1+B1+C1)		125,951,830		Total actual guarantee amount during the Reporting Period (A2+B2+C2)		67,515,720		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		125,951,830		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		43,384,350		
Proportion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company				34.74%				
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)				32,608,180				
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)				32,608,180				
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				

15.3 Entrusted cash management

15.3.1 Entrusted asset management

Applicable N/A

No such cases in the Reporting Period.

15.3.2 Entrusted loans

Applicable N/A

No such cases in the Reporting Period.

15.4 Other significant contracts

Applicable N/A

No such cases in the Reporting Period.

16. Other Significant Events

Applicable N/A

17. 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	182,862,631	2.60		-26,323,750	-26,323,750	156,538,881	2.24
1.1 Shares held by the state							
1.2 Shares held by state-owned corporations							
1.3 Shares held by other domestic investors	179,785,131	2.56		-26,012,050	-26,012,050	153,773,081	2.20
Among which: Shares held by domestic corporations	2,363,601	0.03				2,363,601	0.03
Shares held by domestic individuals	177,421,530	2.52		-26,012,050	-26,012,050	151,409,480	2.17
1.4 Shares held by foreign investors	3,077,500	0.04		-311,700	-311,700	2,765,800	0.04
Among which: Shares held by foreign corporations							
Shares held by foreign individuals	3,077,500	0.04		-311,700	-311,700	2,765,800	0.04
2. Non-restricted shares	6,847,113,368	97.40	34,436,911	-51,525,316	-17,088,405	6,830,024,963	97.76
2.1 RMB common shares	6,847,113,368	97.40	34,436,911	-51,525,316	-17,088,405	6,830,024,963	97.76

2.2 Domestically listed foreign shares							
2.3 Overseas listed foreign shares							
2.4 Other							
3. Total shares	7,029,975,999	100.00	34,436,911	-77,849,066	-43,412,155	6,986,563,844	100.00

Reasons for the changes in shares

Applicable N/A

a. The 1,292,083 restricted shares of a total of 39 eligible employees for the third unlocking period of the reserved restricted shares under the 2017 Restricted Share Incentive Scheme were unlocked from 8 February 2021, including 60,000 restricted shares of foreign employees.

b. The 403,249 restricted shares of a total of 24 eligible employees for the first unlocking period of the reserved restricted shares under the 2018 Restricted Share Incentive Scheme were unlocked from 4 June 2021.

c. The 3,043,254 restricted shares of a total of 209 eligible employees for the second unlocking period of the first grant under the 2018 Restricted Share Incentive Scheme were unlocked from 30 June 2021, including 182,250 restricted shares of foreign employees.

d. The 5,654,629 restricted shares of a total of 363 eligible employees for the first unlocking period of the 2019 Restricted Share Incentive Scheme were unlocked from 13 July 2021, including 140,250 restricted shares of foreign employees.

e. The 5,488,962 restricted shares of a total of 487 eligible employees for the first unlocking period of the 2020 Restricted Share Incentive Scheme were unlocked from 20 July 2021, including 217,800 restricted shares of foreign employees.

f. For the reasons of certain incentive recipients' resignation, violation of the Company's "Red Lines", being reassigned or other factors, on 24 May 2021, the Company repurchased and retired 32,917 shares of 2 incentive recipients under the 2017 Restricted Share Incentive Scheme, 1,009,501 shares of 22 incentive recipients under the 2018 Restricted Share Incentive Scheme, 1,043,958 shares of 15

incentive recipients under the 2019 Restricted Share Incentive Scheme, and 440,374 shares of 11 incentive recipients under the 2020 Restricted Share Incentive Scheme, totaling 2,526,750 restricted shares (including 4,000 restricted shares of foreign employees).

g. For the reasons of certain incentive recipients' resignation, violation of the Company's "Red Lines", being reassigned or other factors, on 30 November 2021, the Company repurchased and retired 761,121 shares of 67 incentive recipients under the 2018 Restricted Share Incentive Scheme, 941,788 shares of 92 incentive recipients under the 2019 Restricted Share Incentive Scheme, and 1,643,164 shares of 263 incentive recipients under the 2020 Restricted Share Incentive Scheme, totaling 3,346,073 restricted shares (including 152,400 restricted shares of foreign employees).

h. In 2021, the incentive recipients of stock options chose to exercise 34,436,911 shares, which have been registered into the Company's share capital.

i. In 2021, locked-up shares held by senior management decreased by 14,508,750 shares.

Approval of share changes

Applicable N/A

Transfer of share ownership

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
Incentive recipients of reserved restricted shares under 2017 Restricted Share Incentive Scheme	1,325,000	1,292,083	0	32,917	0	Lockup according to the Scheme	8 February 2021
Incentive recipients of the first grant of 2018 Restricted Share Incentive Scheme	11,232,375	3,043,254	0	1,501,371	6,687,750	Lockup according to the Scheme	30 June 2021
Incentive recipients of reserved restricted shares under 2018 Restricted Share Incentive Scheme	1,970,000	403,249	0	269,251	1,297,500	Lockup according to the Scheme	4 June 2021
Incentive recipients of 2019 Restricted Share Incentive Scheme	26,309,000	5,654,629	0	1,985,746	18,668,625	Lockup according to the Scheme	13 July 2021
Incentive recipients of 2020 Restricted Share Incentive Scheme	33,245,000	5,488,962	0	2,083,538	25,672,500	Lockup according to the Scheme	20 July 2021
Incentive recipients of 2021 Restricted Share Incentive Scheme	0	0	9,940,000	0	9,940,000	Lockup according to the Scheme	-
Fang Hongbo	102,742,869	15,000,000	0	0	87,742,869	Lockup for senior management position	-
Zhang Xiaoyi	424,931	87,500	0	0	337,431	Lockup for senior management position	-
Jiang Peng	343,950	75,000	0	0	268,950	Lockup for senior	-

						management position	
Xiao Mingguang	220,000	0	133,750	0	353,750	Locked-up shares of a former senior executive	-
Zhong Zheng	98,364	0	68,750	0	167,114	Lockup for senior management position	-
Hu Ziqiang	225,000	0	25,000	0	250,000	Lockup for senior management position	-
Fu Yongjun	0	0	150,000	0	150,000	Lockup for senior management position	-
Guan Jinwei	0	0	276,250	0	276,250	Lockup for senior management position	-
Total	178,136,489	31,044,677	10,593,750	5,872,823	151,812,739	--	--

2. Issuance and Listing of Securities

2.1 Securities (excluding preference shares) issued in the Reporting Period

Applicable N/A

2.2 Changes in total shares of the Company and the shareholder structure, as well as the asset and liability structures

Applicable N/A

2.3 Existing staff-held shares

Applicable N/A

3. Shareholders and Actual Controller

3.1 Total number of shareholders and their shareholdings

Unit: share

Total number of common shareholders at the period-end		374,562		Total number of common shareholders at the prior month-end before the disclosure date of the annual report			438,206	
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	Pledged or frozen shares	
							Status	Shares
Midea Holding Co., Ltd.	Domestic non-state-owned corporation	31.05%	2,169,178,713	0	0	2,169,178,713	Pledged	100,000,000
Hong Kong Securities Clearing Company Limited	Foreign corporation	17.42%	1,216,964,491	159,241,854	0	1,216,964,491		
China Securities Finance Co., Ltd.	Domestic non-state-owned corporation	2.84%	198,145,134	0	0	198,145,134		
Fang Hongbo	Domestic individual	1.67%	116,990,492	0	87,742,869	29,247,623		
Canada Pension Plan Investment Board— own funds (stock exchange)	Foreign corporation	1.49%	103,913,897	0	0	103,913,897		
Central Huijin Asset Management Ltd.	State-owned corporation	1.26%	88,260,460	-1,908,894	0	88,260,460		
Huang Jian	Domestic individual	1.23%	86,140,000	-1,890,000	0	86,140,000		
Li Jianwei	Foreign	0.71%	49,633,000	-667,000	0	49,633,000		

	individual							
Merrill Lynch International	Foreign corporation	0.63%	43,822,975	2,864,379	0	43,822,975		
Huang Xiaoxiang	Domestic individual	0.56%	39,158,732	-449,100	0	39,158,732	Pledged	14,779,556
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		116,828,832 shares (or 1.67% 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	1,216,964,491	RMB common stock	1,216,964,491					
China Securities Finance Co., Ltd.	198,145,134	RMB common stock	198,145,134					
Canada Pension Plan Investment Board—own funds (stock exchange)	103,913,897	RMB common stock	103,913,897					
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					
Li Jianwei	49,633,000	RMB common stock	49,633,000					
Merrill Lynch International	43,822,975	RMB common stock	43,822,975					
Huang Xiaoxiang	39,158,732	RMB common stock	39,158,732					
Yuan Liqun	37,496,382	RMB common stock	37,496,382					

<p>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</p>	<p>N/A</p>
<p>Explanation on the top 10 common shareholders participating in securities margin trading</p>	<p>The Company's shareholder Huang Xiaoxiang holds 28,580,732 shares in the Company through his common securities account and 10,578,000 shares in the Company through his account of collateral securities for margin trading, representing a total holding of 39,158,732 shares in the Company.</p> <p>The Company's shareholder Yuan Liqun holds 705,000 shares in the Company through her common securities account and 36,791,382 shares in the Company through her account of collateral securities for margin trading, representing a total holding of 37,496,382 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

No such cases in the Reporting Period.

3.2 Controlling shareholder

Nature of the controlling shareholder: Controlled by individual

Type of the controlling shareholder: Corporation

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Credibility code	Main business scope
Midea Holding Co., Ltd.	He Xiangjian	2002-08-05	914406067429989733	<p>Manufacture and commerce investment; domestic commerce and materials supply and marketing industry (excluding state-designated monopoly); CP software and hardware development; industrial product design; information technology consulting services, providing investment consultant and consulting services; installation, maintenance and after-sales service of electric appliances; real estate intermediary service and forwarding agent service.</p>
Shareholdings of the	Apart from a direct control over the Company, Midea Holding does not directly control or have			

controlling shareholder in other controlled or non-controlled listed companies at home or abroad during the Reporting Period	shares in other listed companies at home or abroad.
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Change of the controlling shareholder during the Reporting Period

Applicable N/A

No such cases in the Reporting Period.

3.3 Actual controller and acting-in-concert parties thereof

Nature of the actual controller: Domestic individual

Type of the actual controller: Individual

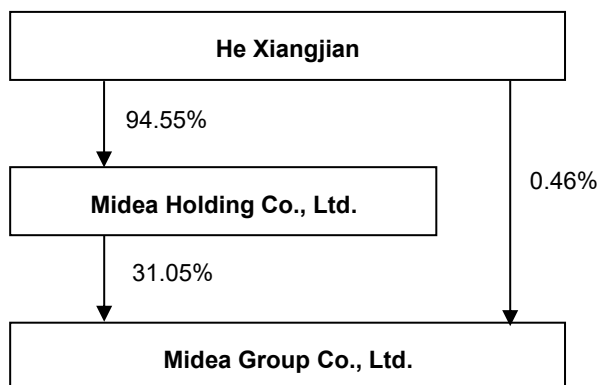
Name of the actual controller	Relationship with the actual controller	Nationality	Right of residence in other countries or regions
He Xiangjian	Actual controller himself	The People's Republic of China	No
Main occupation and duty	Incumbent board chairman of Midea Holding Co., Ltd.		
Domestically and overseas listed companies controlled in the last 10 years	Midea Group (000333.SZ), KUKA (KU2.DE), Hiconics (300048.SZ), WDM (600055.SH), Midea Real Estate (3990.HK), Little Swan (A: 000418.SZ; B: 200418) (delisted in 2019), and Welling Holding (00382.HK) (delisted in 2018)		

Change of the actual controller during the Reporting Period

Applicable N/A

No such cases in the Reporting Period.

Ownership and control relations between the actual controller and the Company



The actual controller controls the Company via trust or other ways of asset management

Applicable N/A

3.4 Indicate whether the cumulative shares of the controlling shareholder or the largest shareholder and their acting-in-concert parties that are in pledge account for 80% or greater of their shareholdings in the Company

Applicable N/A

3.5 Other corporate shareholders with a shareholding percentage above 10%

Applicable N/A

3.6 Limits on the Company's shares held by its controlling shareholder, actual controller, reorganizer and other commitment subjects

Applicable N/A

4. Share Repurchases during the Reporting Period

Progress of any share repurchase

Applicable N/A

Disclosure date of the scheme	Number of shares to be repurchased	As a percentage of the total share capital	Amount to be used	Repurchase period	Purpose	Number of shares repurchased	Shares repurchased as a percentage of the total target number of the equity incentive scheme
2021.02.24	No more than 100,000,000 shares and no less than 50,000,000 shares	No more than 1.4313% and no less than 0.7157%	Expectedly no more than RMB14 billion based on the upper limit of 100,000,000 shares and the repurchase price ceiling of RMB140/share	2021.02.25-2021.04.02	For use in equity incentive and/or employee stock ownership schemes	99,999,931	9.94%
2021.05.10	No more than	No more than	No more than	2021.06.03-2	The	71,976,243	N/A

	50,000,000 shares and no less than 25,000,000 shares based on the repurchase price ceiling of RMB100/share	0.7157% and no less than 0.3578% based on the repurchase price ceiling of RMB100/share	RMB5 billion and no less than RMB2.5 billion	021.08.13	repurchased shares are to be retired, which will reduce the Company's registered capital.		
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Progress of any repurchased share reduction through centralized price bidding

Applicable N/A

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

No such cases in the Reporting Period.

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. (High Growth Debt) (Tranche 1, 2021)	21 Midea SCP001 (High Growth Debt)	012101283.IB	2021-03-29	2021-03-30	2021-09-24	RMB3 billion	2.7200%	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
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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 Intermediary agencies

Bond name	Intermediary agency	Office address	Accountant writing signatures	Contact person	Tel.
21 Midea SCP001 (High Growth Debt Instrument)	Agricultural Bank of China Limited (lead underwriter and bookrunner)	69 Jianguomennei Street, Dongcheng District, Beijing		An Liwei	010-85109045
	Industrial and Commercial Bank of China Limited (co-lead underwriter)	55 Fuxingmennei Street, Xicheng District, Beijing		Dai Ying	010-66109649
	Beijing Jiayuan Law Firm	F408, Yuanyang Plaza, 158 Fuxingmennei Street, Xicheng District, Beijing	-	Liu Xing	0755-8278 9766

Change of the agencies in the table above during the Reporting Period

Yes No

3.4 Use of raised funds

Unit: RMB

Bond name	Total amount raised	Amount used	Amount unused	Status of the special account for raised funds (if any)	Rectification for any irregularity (if any) in the use of raised funds	In compliance with the purpose, use plan and other information stated in the prospectus
21 Midea	RMB3 billion	RMB3 billion	0	Normal	N/A	Yes

SCP001 (High Growth Debt)						
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Use of raised funds in construction projects

Applicable N/A

Indicate whether the raised funds were re-purposed during the Reporting Period

Applicable N/A

3.5 Changes in credit ratings in the Reporting Period

Applicable N/A

3.6 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. Interest-bearing Liabilities Other than Bonds that Were Overdue at the End of the Reporting Period

Applicable N/A

7. Irregularities during the Reporting Period

Yes No

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

Unit: RMB'000

Item	31 December 2021	31 December 2020	Change
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The 2021 Annual Report of Midea Group Co., Ltd.

Current ratio	111.67%	131.23%	-19.55%
Debt/asset ratio	65.25%	65.53%	-0.28%
Quick ratio	86.92%	110.26%	-23.33%
	2021	2020	Change
Net profit before non-recurring gains and losses	26,257,754	24,742,567	6.13%
EBITDA/debt ratio	46.70%	41.76%	4.94%
Interest cover (times)	25.84	25.25	2.31%
Cash-to-interest cover (times)	28.35	25.69	10.32%
EBITDA-to-interest cover (times)	30.39	29.10	4.45%
Debt 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

Type of the auditor's opinion	Unqualified opinion
Signing date of the auditor's report	28 April 2022
Name of the auditor	PricewaterhouseCoopers Zhong Tian LLP
No. of the auditor's report	PwC ZT Shen Zi (2022) No. 10017
Names of certified public accountants	Yao Wenping and Wu Fangfang

[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2022) No. 10017
(Page 1 of 6)

To the Shareholders of Midea Group Co., Ltd.,

Opinion

What we have audited

We have audited the accompanying financial statements of Midea Group Co., Ltd. (hereinafter “the Group”), which comprise:

- the consolidated and company balance sheets as at 31 December 2021;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Group as at 31 December 2021, and their financial performance and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises (“CASs”).

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of heating & ventilation and as well as air-conditioner (hereinafter referred to as “HVAC”) and consumer appliances
- Impairment assessment of goodwill

Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Revenue recognition of HVAC and consumer appliances</p> <p>Refer to Note 2(25)(a) of accounting policy of “Revenue - sales of goods” and Note 4(46) “Operating revenue and cost of sales” to the financial statements.</p> <p>The Group recognises relevant revenue at the amount of the consideration which the Group is expected to receive when the customer obtains control over relevant goods or services. In 2021, the Group’s consolidated operating revenue was approximately RMB 341,233,208,000 and the revenue from HVAC and consumer appliances was approximately RMB 273,745,245,000.</p> <p>We identified this as a key audit matter due to the large size of both domestic and overseas customer base and high volume of sales through various distribution channels, the amount of revenue recognised from HVAC and consumer appliances is material to the financial statements, completing the necessary audit procedures required our focuses and substantial audit resources.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ol style="list-style-type: none"> 1. Interviewed management from operation and financial departments to understand the necessary details of sales processes of all distribution channels and evaluate the internal control of processes relating to the revenue from sales of HVAC and consumer appliances designed by management and tested the operating effectiveness of key controls; 2. Reviewed household appliance sales contract template entered into by and between the Group and the clients from all distribution channels, and analysed and evaluated the appropriateness of the Group’s accounting policies on the revenue from sales of HVAC and consumer appliances based on our interview with management, understanding of the Group’s business operation and audit experience; 3. Performed fluctuation analysis of monthly sales and gross margin by product; 4. Reviewed supporting documents relevant to revenue recognition on a sample basis, including sales contracts, orders, sales invoices, shipping orders, acknowledgement of goods receipts signed by customers, billing agreements with customers, etc.; 5. Validated the revenue from sales of products by external confirmation on a sampling basis; 6. Evaluated whether or not the sales of products occurred near year end was recorded in the proper period by reconciling the book records of product sales revenue to the supporting documents which include records of revenue from sales of products, acknowledgement of goods receipts signed by customers, billing agreements with customers or other supporting documents. <p>Based on the work performed, the Group’s recognition of revenue from sales of HVAC and consumer appliances were supported by the available evidence.</p>

Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Impairment assessment of goodwill</p> <p>Refer to Note 2(18) of accounting policy of “Impairment of long-term assets”, Note 2(30)(i) “Critical accounting estimates and judgements - Provision for impairment of goodwill” and Note 4(21) “Goodwill” to the financial statements.</p> <p>As at 31 December 2021, the carrying amount of goodwill of the Group amounted to approximately RMB 27,874,752,000, including goodwill of RMB 20,544,697,000 and RMB 2,580,274,000 arising from business acquisition of KUKA Aktiengesellschaft and its subsidiaries (“KUKA Group”) and Toshiba Lifestyle Products & Services Corporation (“TLSC”), respectively.</p> <p>Management performs the goodwill impairment assessment in accordance with the accounting policy stated in Note 2(18) to the financial statements. The recoverable amount of the goodwill is determined based on fair value less costs of disposal or value-in-use calculations (whichever is the higher). The assessment result indicated that the recoverable amount of the cash generating unit and cash generating units, to which the goodwill was allocated, exceeded its carrying value and therefore no impairment was recorded. The recoverable amount of cash generating unit and cash generating units was determined based on value-in-use using cash flow projections. The key assumptions used in the goodwill impairment assessment included estimated revenue growth rate, EBITDA margin, perpetual annual growth rate and discount rate.</p> <p>We identified this as a key audit matter due to the significance of the goodwill balance arising from the business acquisition of KUKA Group, and the significant accounting estimates and judgements in key assumptions used in the impairment assessment.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ol style="list-style-type: none"> 1. Understood the internal controls and evaluation process relating to goodwill impairment assessment, and assessed the inherent risks of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management’s bias and fraud; 2. Evaluated and tested the operating effectiveness of key controls relevant to the goodwill impairment assessment, including review and approval of key assumptions applied and internal control over calculating recoverable amounts of the cash generating unit and cash generating units; 3. Assessed the reasonableness of the identification of the cash generating unit and cash generating units; 4. Compared the historical actual results to prior year budgets and forecasts to assess whether there are management bias in the process and reasonableness; 5. Evaluated the key assumptions used in the impairment assessment, including estimated revenue growth rate, EBITDA margin, perpetual annual growth rate and discount rate by considering the company’s historical operating performance, future operation plan and market developments; 6. Tested the mathematical accuracy of the calculation process of the impairment assessment; 7. Evaluated the appropriateness of the goodwill impairment assessment model and discount rate by involving our internal valuation experts. <p>Based on the work performed, the management’s judgements as adopted in the goodwill impairment assessment of KUKA Group and TLSC were supported by the available evidence.</p>

Other Information

Management of the Group is responsible for the other information. The other information comprises all of the information included in 2021 annual report of the Group other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Group is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor’s Responsibilities for the Audit of the Financial Statements (Cont’d)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA

Yao Wenping
(Engagement Partner)

Shanghai, the People’s Republic of China
28 April 2022

Signing CPA

Wu Fangfang

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2021

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

[English translation for reference only]

ASSETS	Note	31 December 2021 Consolidated	31 December 2020 Consolidated	31 December 2021 Company	31 December 2020 Company
Current assets					
Cash at bank and on hand	4(1)	71,875,556	81,210,482	48,153,997	49,240,180
Financial assets held for trading	4(2)	5,879,202	28,239,601	3,442,317	16,614,658
Derivative financial assets		545,865	420,494	157,501	-
Notes receivable	4(3)	4,784,914	5,304,510	-	-
Accounts receivable	4(4)	24,636,440	22,978,363	-	-
Receivables financing	4(6)	10,273,552	13,901,856	-	-
Advances to suppliers	4(7)	4,352,807	2,763,710	106,838	45,306
Contract assets	4(8)	3,823,476	3,236,848	-	-
Loans and advances	4(9)	20,656,600	16,469,069	-	-
Other receivables	4(5), 18(1)	3,104,065	2,973,945	31,447,849	28,318,670
Inventories	4(10)	45,924,439	31,076,529	-	-
Current portion of non-current assets	4(11)	19,851,577	-	19,095,262	-
Other current assets	4(12)	33,156,012	33,079,918	11,713,182	20,533,745
Total current assets		248,864,505	241,655,325	114,116,946	114,752,559
Non-current assets					
Other debt investments	4(13)	7,893,935	21,456,155	6,034,563	20,064,155
Long-term receivables	4(14)	871,356	981,623	-	-
Loans and advances	4(9)	851,927	1,113,501	-	-
Long-term equity investments	4(15), 18(2)	3,796,705	2,901,337	66,805,691	54,991,161
Investments in other equity instruments		45,747	46,651	-	-
Other non-current financial assets	4(16)	5,912,873	3,360,849	537,214	80,937
Investment properties		859,195	405,559	428,460	476,839
Fixed assets	4(17)	22,852,848	22,239,214	661,692	749,835
Construction in progress	4(18)	2,690,930	1,477,302	800,243	204,304
Right-of-use assets	4(19)	2,297,354	—	2,585	—
Intangible assets	4(20)	17,173,072	15,422,393	669,158	684,997
Goodwill	4(21)	27,874,752	29,557,218	-	-
Long-term prepaid expenses	4(22)	1,394,240	1,300,962	79,799	97,078
Deferred tax assets	4(23)	8,192,309	7,208,635	289,964	287,360
Other non-current assets	4(24)	36,374,356	11,255,879	33,023,304	10,141,031
Total non-current assets		139,081,599	118,727,278	109,332,673	87,777,697
TOTAL ASSETS		387,946,104	360,382,603	223,449,619	202,530,256

MIDEA GROUP CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D)

AS AT 31 DECEMBER 2021

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

[English translation for reference only]

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2021 Consolidated	31 December 2020 Consolidated	31 December 2021 Company	31 December 2020 Company
Current liabilities					
Short-term borrowings	4(27)	5,381,623	9,943,929	-	799,314
Borrowings from Central Bank Customer deposits and deposits from banks and other financial institutions		178,878	-	-	-
Derivative financial liabilities		78,180	87,535	-	-
Notes payable	4(28)	157,602	161,225	-	-
Accounts payable	4(29)	32,752,007	28,249,939	-	-
Contract liabilities	4(30)	65,983,559	53,930,261	-	-
Employee benefits payable	4(31)	23,916,595	18,400,922	-	-
Taxes payable	4(32)	7,535,168	6,954,822	420,536	562,954
Other payables	4(33)	5,404,267	5,758,058	1,184,813	1,326,219
Current portion of non-current liabilities	4(34)	4,288,104	4,501,391	151,450,555	123,120,354
Other current liabilities	4(35)	28,947,540	6,310,181	92,647	4,000,000
Total current liabilities		48,227,953	49,852,239	35,932	3,048,794
Non-current liabilities					
Long-term borrowings	4(36)	19,734,020	42,827,287	12,509,900	5,800,000
Lease liabilities	4(37)	1,533,552	-	-	-
Long-term payables		-	13,260	-	-
Provisions		310,571	298,110	-	-
Deferred income		1,228,459	779,729	154,015	-
Long-term employee benefits payable	4(38)	1,825,016	2,159,675	-	-
Deferred tax liabilities	4(23)	4,950,245	5,223,954	17,028	67,792
Other non-current liabilities	4(39)	687,689	692,986	-	-
Total non-current liabilities		30,269,552	51,995,001	12,680,943	5,867,792
Total liabilities		253,121,028	236,145,503	165,865,426	138,725,427
Shareholders' equity					
Share capital	4(40)	6,986,564	7,029,976	6,986,564	7,029,976
Capital surplus	4(42)	20,516,930	22,488,105	27,105,153	29,123,547
Less: Treasury stock	4(41)	(14,044,550)	(6,094,347)	(14,044,550)	(6,094,347)
Other comprehensive income	4(43)	(1,758,948)	(1,549,003)	(7,295)	(16,009)
General risk reserve		719,922	587,984	-	-
Special reserve		15,542	12,730	-	-
Surplus reserve	4(44)	9,449,901	7,966,362	9,449,901	7,966,362
Undistributed profits	4(45)	102,982,763	87,074,453	28,094,420	25,795,300
Total equity attributable to shareholders of the Company		124,868,124	117,516,260	57,584,193	63,804,829
Minority interests		9,956,952	6,720,840	-	-
Total shareholders' equity		134,825,076	124,237,100	57,584,193	63,804,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		387,946,104	360,382,603	223,449,619	202,530,256

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Item	Note	2021 Consolidated	2020 Consolidated	2021 Company	2020 Company
Total revenue		343,360,825	285,709,729	1,865,278	1,852,312
Including: Operating revenue	4(46), 18(3)	341,233,208	284,221,249	1,865,278	1,852,312
Interest income	4(47)	2,127,043	1,488,211	-	-
Fee and commission income		574	269	-	-
Less: Cost of sales	4(46)	(264,525,999)	(216,798,413)	(58,510)	(51,350)
Interest costs	4(47)	(87,066)	(105,168)	-	-
Fee and commission expenses		(13,015)	(6,972)	-	-
Taxes and surcharges	4(48)	(1,609,384)	(1,533,646)	(48,126)	(32,546)
Selling and distribution expenses	4(49)	(28,647,344)	(23,563,455)	-	-
General and administrative expenses	4(50)	(10,266,283)	(9,264,148)	(684,794)	(701,711)
Research and development expenses	4(51)	(12,014,907)	(10,118,667)	-	-
Financial income	4(52)	4,386,111	2,638,032	2,107,914	1,421,019
Including: Interest expenses		(1,357,564)	(1,305,591)	(2,257,440)	(1,903,866)
Interest income		5,181,658	3,663,028	4,397,266	3,352,633
Add: Other income	4(58)	1,307,504	1,424,090	280,318	369,889
Investment income	4(56), 18(4)	2,365,773	2,362,462	12,462,103	12,578,455
Including: Investment income from associates		560,679	402,528	265,491	216,318
Gains or losses on changes in fair value	4(55)	(166,406)	1,762,950	(203,057)	108,605
Credit impairment losses	4(54)	(383,451)	(247,605)	(127,693)	(6,340)
Asset impairment losses	4(53)	(483,420)	(705,209)	-	-
Gains/(Losses) on disposal of assets	4(57)	58,257	(60,523)	(272)	146
Operating profit		33,281,195	31,493,457	15,593,161	15,538,479
Add: Non-operating income		624,744	384,986	31,358	102,429
Less: Non-operating expenses		(188,395)	(214,904)	(48,783)	(116,120)
Total profit		33,717,544	31,663,539	15,575,736	15,524,788
Less: Income tax expenses	4(59)	(4,702,168)	(4,156,997)	(740,348)	(337,750)
Net profit		29,015,376	27,506,542	14,835,388	15,187,038
(1) Classified by continuity of operations					
Net profit from continuing operations		29,015,376	27,506,542	14,835,388	15,187,038
Net profit from discontinued operations		-	-	-	-
(2) Classified by ownership of the equity					
Attributable to shareholders of the Company		28,573,650	27,222,969	14,835,388	15,187,038
Minority interests		441,726	283,573	-	-

MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY INCOME STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Item	Note	2021 Consolidated	2020 Consolidated	2021 Company	2020 Company
Other comprehensive income, net of tax		(237,306)	(1,177,809)	8,714	(17,744)
Other comprehensive income attributable to shareholders of the Company, net of tax		(207,079)	(837,449)	8,714	(17,744)
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss		(6,748)	112,388	-	-
1) Changes arising from remeasurement of defined benefit plan		(7,172)	111,895	-	-
2) Changes in fair value of investments in other equity instruments		424	493	-	-
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss		(200,331)	(949,837)	8,714	(17,744)
1) Other comprehensive income that will be transferred subsequently to profit or loss under the equity method		(3,032)	(20,445)	8,714	(17,744)
2) Cash flow hedging reserve		(6,997)	298,721	-	-
3) Differences on translation of foreign currency financial statements		(190,302)	(1,228,113)	-	-
Other comprehensive income attributable to minority shareholders, net of tax		(30,227)	(340,360)	-	-
Total comprehensive income		28,778,070	26,328,733	14,844,102	15,169,294
Attributable to shareholders of the Company		28,366,571	26,385,520	14,844,102	15,169,294
Minority interests		411,499	(56,787)	-	-
Earnings per share					
Basic earnings per share (RMB Yuan)	4(60)	4.17	3.93	Not applicable	Not applicable
Diluted earnings per share (RMB Yuan)	4(60)	4.14	3.90	Not applicable	Not applicable

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

MIDEA GROUP CO., LTD.

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

[English translation for reference only]

Item	Note	2021 Consolidated	2020 Consolidated	2021 Company	2020 Company
1 Cash flows from operating activities					
Cash received from sales of goods or rendering of services		310,489,824	240,052,501	-	-
Net increase in customer deposits and deposits from banks and other financial institutions		-	25,058	-	-
Net decrease in deposits with the Central Bank		1,287,927	-	-	-
Net increase in borrowings from the Central Bank		178,878	-	-	-
Cash received from interest, fee and commission		1,889,716	1,381,851	-	-
Refund of taxes and surcharges		9,968,330	6,574,762	-	-
Cash received relating to other operating activities	4(61)(a)	6,600,822	4,950,874	31,451,132	21,491,325
Sub-total of cash inflows		330,415,497	252,985,046	31,451,132	21,491,325
Cash paid for goods and services		(209,216,044)	(139,660,744)	-	-
Net increase in loans and advances		(4,062,432)	(6,078,053)	-	-
Net decrease in customer deposits and deposits from banks and other financial institutions		(9,355)	-	-	-
Net increase in deposits with the Central Bank		-	(1,274,496)	-	-
Cash paid for interest, fee and commission		(101,110)	(113,517)	-	-
Cash paid to and on behalf of employees		(32,095,846)	(28,460,318)	(32,879)	(72,404)
Payments of taxes and surcharges		(15,613,276)	(13,407,607)	(453,861)	(342,190)
Cash paid relating to other operating activities	4(61)(b)	(34,225,730)	(34,433,194)	(3,996,431)	(10,178,648)
Sub-total of cash outflows		(295,323,793)	(223,427,929)	(4,483,171)	(10,593,242)
Net cash flows from operating activities	4(61)(c)	35,091,704	29,557,117	26,967,961	10,898,083
2 Cash flows from/(in) investing activities					
Cash received from disposal of investments		121,628,148	141,821,724	59,767,847	103,460,300
Cash received from returns on investments		5,648,277	4,874,990	14,887,506	15,565,104
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		336,186	273,544	86	255
Net cash received from disposal of subsidiaries and other business units		188,490	42,398	8,326	13,000
Sub-total of cash inflows		127,801,101	147,012,656	74,663,765	119,038,659
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(6,825,357)	(4,656,582)	(752,937)	(187,723)
Cash paid to acquire investments		(105,347,246)	(176,621,347)	(68,932,311)	(117,386,281)
Net cash paid to acquire subsidiaries and other business units		(2,028,912)	(1,045,390)	-	-
Sub-total of cash outflows		(114,201,515)	(182,323,319)	(69,685,248)	(117,574,004)
Net cash flows from/(in) investing activities		13,599,586	(35,310,663)	4,978,517	1,464,655
3 Cash flows used in financing activities					
Cash received from capital contributions		1,550,951	2,657,489	1,487,792	2,542,556
Including: Cash received from capital contributions by minority shareholders of subsidiaries		63,159	114,933	-	-
Cash received from borrowings		16,033,803	18,070,961	6,800,000	6,599,314
Cash received from issuance of short-term financing bonds		2,999,629	33,998,238	2,999,629	33,998,238
Cash received relating to other financing activities		560,838	22,725	-	-
Sub-total of cash inflows		21,145,221	54,749,413	11,287,421	43,140,108
Cash repayments of borrowings		(18,225,351)	(8,354,338)	(4,799,414)	(4,550,064)
Cash paid for repayment of short-term financing bonds		(6,000,000)	(31,000,000)	(6,000,000)	(31,000,000)
Cash payments for interest expenses and distribution of dividends or profits		(12,894,125)	(12,822,636)	(13,261,677)	(12,831,949)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(426,947)	(425,461)	-	-
Cash payments relating to other financing activities	4(61)(d)	(15,230,284)	(3,328,734)	(13,810,829)	(2,934,420)
Sub-total of cash outflows		(52,349,760)	(55,505,708)	(37,871,920)	(51,316,433)
Net cash flows used in financing activities		(31,204,539)	(756,295)	(26,584,499)	(8,176,325)
4 Effect of foreign exchange rate changes on cash and cash equivalents		(485,220)	(383,411)	-	-
5 Net increase/(decrease) in cash and cash equivalents	4(61)(c)	17,001,531	(6,893,252)	5,361,979	4,186,413
Add: Cash and cash equivalents at the beginning of the year		23,548,508	30,441,760	16,595,063	12,408,650
6 Cash and cash equivalents at the end of the year	4(61)(e)	40,550,039	23,548,508	21,957,042	16,595,063

The accompanying notes form an integral part of these financial statements.

Legal representative: Principal in charge of accounting: Head of accounting department:

MIDEA GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

[English translation for reference only]

Item	Equity attributable to shareholders of the Company								Minority interests	Total shareholders' equity
	Share capital (Note 4(40))	Capital surplus (Note 4(42))	Less: Treasury stock (Note 4(41))	Other comprehensive income (Note 4(43))	General risk reserve	Special reserve	Surplus reserve (Note 4(44))	Undistributed profits (Note 4(45))		
Balance at 1 January 2020	6,971,900	19,640,313	(3,759,732)	(711,554)	366,947	-	6,447,658	72,713,631	5,826,934	107,496,097
Movements for the year ended 31 December 2020										
Total comprehensive income										
Net profit	-	-	-	-	-	-	-	27,222,969	283,573	27,506,542
Other comprehensive income, net of tax	-	-	-	(837,449)	-	-	-	-	(340,360)	(1,177,809)
Total comprehensive income	-	-	-	(837,449)	-	-	-	27,222,969	(56,787)	26,328,733
Capital contribution and withdrawal by shareholders										
Ordinary shares invested by shareholders	63,801	2,157,530	-	-	-	-	-	-	89,465	2,310,796
Business combinations	-	-	-	-	-	13,618	-	-	1,663,792	1,677,410
Share-based payment included in shareholders' equity	-	508,256	-	-	-	-	-	-	55,314	563,570
Others	(5,725)	(193,357)	(2,334,615)	-	-	-	-	-	(517,436)	(3,051,133)
Profit distribution										
Appropriation to general risk reserve	-	-	-	-	221,037	-	-	(221,037)	-	-
Appropriation to surplus reserve	-	-	-	-	-	-	1,518,704	(1,518,704)	-	-
Profit distribution to shareholders	-	-	-	-	-	-	-	(11,122,406)	(417,486)	(11,539,892)
Special reserve										
Appropriation in the current period	-	-	-	-	-	165	-	-	41	206
Use in the current period	-	-	-	-	-	(1,053)	-	-	(263)	(1,316)
Others	-	375,363	-	-	-	-	-	-	77,266	452,629
Balance at 31 December 2020	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

MIDEA GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

[English translation for reference only]

Item	Equity attributable to shareholders of the Company								Minority interests	Total shareholders' equity
	Share capital (Note 4(40))	Capital surplus (Note 4(42))	Less: Treasury stock (Note 4(41))	Other comprehensive income (Note 4(43))	General risk reserve	Special reserve	Surplus reserve (Note 4(44))	Undistributed profits (Note 4(45))		
Balance at 1 January 2021	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
Movements for the year ended 31 December 2021										
Total comprehensive income										
Net profit	-	-	-	-	-	-	-	28,573,650	441,726	29,015,376
Other comprehensive income, net of tax	-	-	-	(207,079)	-	-	-	-	(30,227)	(237,306)
Total comprehensive income	-	-	-	(207,079)	-	-	-	28,573,650	411,499	28,778,070
Capital contribution and withdrawal by shareholders										
Ordinary shares invested by shareholders	34,437	1,495,004	-	-	-	-	-	-	587,480	2,116,921
Business combinations	-	-	-	-	-	-	-	-	3,189,892	3,189,892
Share-based payment included in shareholders' equity	-	1,190,124	-	-	-	-	-	-	62,031	1,252,155
Others	(77,849)	(5,178,730)	(7,950,203)	-	-	-	-	-	(449,682)	(13,656,464)
Profit distribution										
Appropriation to general risk reserve	-	-	-	-	131,938	-	-	(131,938)	-	-
Appropriation to surplus reserve	-	-	-	-	-	-	1,483,539	(1,483,539)	-	-
Profit distribution to shareholders	-	-	-	-	-	-	-	(11,052,729)	(401,397)	(11,454,126)
Special reserve										
Appropriation in the current period	-	-	-	-	-	2,812	-	-	703	3,515
Use in the current period	-	-	-	-	-	-	-	-	-	-
Others	-	522,427	-	(2,866)	-	-	-	2,866	(164,414)	358,013
Balance at 31 December 2021	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

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

MIDEA GROUP CO., LTD.

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

[English translation for reference only]

Item	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2020	6,971,900	26,592,959	(3,759,732)	1,735	6,447,658	23,249,372	59,503,892
Movements for the year ended 31 December 2020							
Total comprehensive income							
Net profit	-	-	-	-	-	15,187,038	15,187,038
Other comprehensive income, net of tax	-	-	-	(17,744)	-	-	(17,744)
Total comprehensive income	-	-	-	(17,744)	-	15,187,038	15,169,294
Capital contribution and withdrawal by shareholders							
Ordinary shares invested by shareholders	63,801	2,157,530	-	-	-	-	2,221,331
Share-based payment included in shareholders' equity	-	566,167	-	-	-	-	566,167
Others	(5,725)	(193,357)	(2,334,615)	-	-	-	(2,533,697)
Profit distribution							
Appropriation to surplus reserve	-	-	-	-	1,518,704	(1,518,704)	-
Profit distribution to shareholders	-	-	-	-	-	(11,122,406)	(11,122,406)
Others	-	248	-	-	-	-	248
Balance at 31 December 2020	7,029,976	29,123,547	(6,094,347)	(16,009)	7,966,362	25,795,300	63,804,829

MIDEA GROUP CO., LTD.

**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

[English translation for reference only]

Item	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 1 January 2021	7,029,976	29,123,547	(6,094,347)	(16,009)	7,966,362	25,795,300	63,804,829
Movements for the year ended 31 December 2021							
Total comprehensive income							
Net profit	-	-	-	-	-	14,835,388	14,835,388
Other comprehensive income, net of tax	-	-	-	8,714	-	-	8,714
Total comprehensive income	-	-	-	8,714	-	14,835,388	14,844,102
Capital contribution and withdrawal by shareholders							
Ordinary shares invested by shareholders	34,437	1,495,004	-	-	-	-	1,529,441
Share-based payment included in shareholders' equity	-	1,231,289	-	-	-	-	1,231,289
Others	(77,849)	(5,178,730)	(7,950,203)	-	-	-	(13,206,782)
Profit distribution							
Appropriation to surplus reserve	-	-	-	-	1,483,539	(1,483,539)	-
Profit distribution to shareholders	-	-	-	-	-	(11,052,729)	(11,052,729)
Others	-	434,043	-	-	-	-	434,043
Balance at 31 December 2021	6,986,564	27,105,153	(14,044,550)	(7,295)	9,449,901	28,094,420	57,584,193

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(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 31 December 2021, the Company's share capital was RMB 6,986,563,844, and the total number of shares in issue was 6,986,563,844, of which 156,538,881 shares were restricted tradable A shares and 6,830,024,963 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 Beijing Wandong Medical Technology Co., Ltd. and its subsidiaries (“Wandong Medical”) and Hitachi Compressor (Thailand) Ltd., and are detailed in Note 5(1)(a); 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 28 April 2022.

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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").

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 year ended 31 December 2021 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 31 December 2021 and their financial performance, cash flows and other information for the year 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.

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(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

(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.

For business combinations achieved by stages involving enterprises not under common control, previously-held equity in the acquiree is remeasured at its fair value at the acquisition dates. For the equity interest held in the acquiree before the acquisition date under equity method, the difference between its fair value and carrying amount is recognised as investment income for the current period; for the other comprehensive income under the equity method and shareholders' equity changes other than those arising from the net profit or loss, other comprehensive income and profit distribution, the related other comprehensive income and other shareholders' equity changes are transferred into profit or loss for the current period to which the acquisition dates belong, excluding those arising from changes in the investee's remeasurements of net liability or net asset related to the defined benefit plan, and those arising from accumulative changes in fair value of investments in equity instruments not held for trading that are held by investees and designated as at fair value through other comprehensive income. For previously-held equity in the acquiree categorised as financial assets at fair value through profit or loss, the difference between its fair value and carrying amount is transferred to investment income under the cost method; for previously-held equity in the acquiree categorised as investments in equity instruments not held for trading at fair value through other comprehensive income, its accumulative changes in fair value that are originally recognised in other comprehensive income are directly reclassified to retained earnings. The excess of the sum of fair value of the previously-held equity and fair value of the consideration paid at the acquisition date over share of fair value of identifiable net assets acquired from the subsidiary is recognised as goodwill.

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

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

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 attributable to minority interests and total comprehensive incomes attributed to minority interests and presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. Where the loss for the current period attributable to the minority shareholders of the subsidiaries exceeds the share of the minority interests in the opening balance of owners' equity, the excess is deducted against minority interests. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the parent company. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the parent company and net profit attributable to minority interests in accordance with the allocation proportion of the parent company in the subsidiary. Unrealised profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the parent company and net profit attributable to minority interests in accordance with the allocation proportion of the parent company in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(7) Cash and cash equivalents

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

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(8) Foreign currency translation

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

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

MIDEA GROUP CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

- (9) Financial instruments (Cont'd)
 - (a) Financial assets (Cont'd)
 - (i) Classification and measurement (Cont'd)
 - (i-1) Debt instruments

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, other current assets, debt investments, long-term receivables and other non-current assets, 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.

Measured at fair value through profit or loss:

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

MIDEA GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

[English translation for reference only]

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

(i-2) Equity instruments

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

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

(i-3) Derivative financial instruments

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

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

MIDEA GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

(i-3) Derivative financial instruments (Cont'd)

Cash flow hedge

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 lease receivables is recognised on the basis of ECL.

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, 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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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, determines them as the financial instruments in Stage 1 and recognises the 12-month ECL provision.

For the financial instruments in Stage 1 and Stage 2, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (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 gross carrying amount).

For notes receivable, accounts receivable, receivables financing, lease receivables and contract assets arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group recognises the lifetime ECL provision regardless of whether there exists a significant financing component. Since contract assets are 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. For lease receivables, the Group also determines to recognise the lifetime ECL provision.

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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)

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
Grouping of other receivables 1	Security deposit and guarantee receivables grouping
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 and loans and advances that are classified into groupings with consideration to historical credit losses experience, the current conditions and forecasts of future economic conditions.

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

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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)

(iii) Derecognition of financial assets

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

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

(b) Financial liabilities

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

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including notes payable, accounts payable, other payables, borrowings 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.

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

(9) Financial instruments (Cont'd)

(c) Determination of fair value of financial instruments

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

(10) Inventories

(a) Classification of inventories

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

(b) Costing of inventories

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

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

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

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

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

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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 (Cont'd)

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. Associates are the investees that the Group has significant influence on their financial and operating policies.

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

- (a) Determination of investment cost

For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of 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. Shareholders' equity, which is recognised due to changes in investee's shareholders' 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.

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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 (Cont'd)

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.

(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 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 amounts of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The changes of the Group's share of the investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, are recognised in the Group's capital surplus and the carrying amounts of the long-term equity investment are adjusted accordingly. 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.

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

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

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

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

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

(d) Impairment of long-term equity investments

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

(12) Investment properties

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

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

	Estimated useful lives	Estimated net residual values	Annual depreciation (amortisation) rates
Buildings	20 to 40 years	5%	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 for 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.

(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.

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

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

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

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of general borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated 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.

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

(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, the management considers that these trademarks have an indefinite useful life and are presented based upon the carrying amount after deducting the provision for impairment (Note 4(20)).

(d) Trademark use rights

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

(e) Periodical review of useful life and amortisation method

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

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

(16) Intangible assets (Cont'd)

(f) Research and development (“R&D”)

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

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

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

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

(g) Impairment of intangible assets

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

(17) Long-term prepaid expenses

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

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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 cash generating unit or cash generating units which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of a cash generating unit or cash generating units, 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 cash generating unit or cash generating units, and then deducted from the carrying amounts of other assets within the cash generating unit or cash generating units 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 include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term employee benefits

Short-term employee benefits include employee 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 employee benefit liabilities are recognised 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. Employee benefits which are 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 Toshiba Lifestyle Products & Services Corporation ("TLSC"), and KUKA Aktiengesellschaft ("KUKA") and its subsidiaries ("KUKA Group"), etc. provide supplemental retirement benefits beyond the national regulatory insurance system.

Basic pensions

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

Supplementary retirement benefits

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligations at the end of the reporting period 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 the supplemental retirement benefits (including current service costs, past-service costs and gains or losses on settlement) and net interest are recognised in the statement of profit or loss or included in the cost of an asset, and the changes of remeasurement in net liabilities or net assets arising from the benefit plan are charged or credited to equity 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 the 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 the 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.

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.

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

(23) Share-based payment

(a) Type of share-based payment

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

Equity-settled share-based payment

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

(b) Determination of fair value of equity instruments

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

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

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

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

(24) Treasury stock

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

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.

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

(24) Treasury stock (Cont'd)

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.

(25) Revenue

The Group recognises revenue at the amount of the consideration which the Group is expected to receive when the customer obtains control over relevant goods or services. Revenue is stated net of discounts, rebates and returns.

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

(1) Customers obtain and consume economic benefits coming from the Group's performance of contract while the Group performs the contract.

(2) Customers can control goods under construction during the Group's performance of contract.

(3) Goods produced during the Group's performance of contract are irreplaceable. During the whole contract period, the Group is entitled to collect payments for those which have been accumulated up to now.

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

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

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

(a) Sales of goods

The Group are principally engaged in the manufacturing 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.), consumer appliances (mainly comprises kitchen appliances, refrigerators, washing machines and various small appliances, etc.), robotics and automation system and related materials.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

(25) Revenue (Cont'd)

(a) Sales of goods (Cont'd)

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.

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.

Revenue from sales of materials is recognised when the buyer has accepted the materials as contracted 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.

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

(25) Revenue (Cont'd)

(b) Rendering of services (Cont'd)

Contract costs include contract performance costs and contract acquisition costs. The costs incurred by the Group for the 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.

(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.

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

(25) Revenue (Cont'd)

(f) Fee and commission income

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

(26) Government grants

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

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

(27) Deferred tax assets and deferred tax liabilities

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

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

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary 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.

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

(28) Leases (Cont'd)

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.

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 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.

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

(28) Leases (Cont'd)

(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.

(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.

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:

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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

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the cash generating unit or cash generating units 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 cash generating unit or cash generating units 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 cash generating unit or cash generating units, 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 cash generating unit or cash generating units, 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.

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.

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

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

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

(31) Significant changes in accounting policies

The Ministry of Finance released the revised *CAS 21 - Lease* (hereinafter “new lease standard”) in 2018, and released the *Notice on Adjusting the Application Scope of the Provisions on the Accounting Treatment Regarding COVID-19-Related Rent Concessions* (Cai Kuai [2021] No. 9), the *Circular on Issuing Interpretation No. 14 of Accounting Standards for Business Enterprises* (Cai Kuai [2021] No. 1), *Q&A on Implementation of Accounting Standards for Business Enterprises in 2021* and the *Circular on Issuing Interpretation No. 15 of Accounting Standards for Business Enterprises*. The financial statements for the year ended 31 December 2021 have been prepared in accordance with the above standards, circulars and Q&A, and the impacts on the financial statements of the Group and the Company are as follows:

(a) Lease

The Group and the Company initially adopted the new lease standard on 1 January 2021. According to new lease standard, the Group and the Company choose not to reassess the contracts that have already existed prior to the date of initial application. The Group and the Company recognised the cumulative effect of the standard as an adjustment to the opening balance of retained earnings in 2021 and relevant line items in the financial statements. The comparatives for the year ended 31 December 2020 were not restated.

(i)	The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
			1 January 2021	
			The Group	The Company
	For the operating lease contracts that have already existed prior to the initial application of the new lease standard, the Group and the Company adopt different transition approaches based on the remaining lease term:	Right-of-use assets	2,129,168	10,340
		Lease liabilities	1,500,166	2,647
		Current portion of non-current liabilities	629,002	7,693

If the remaining lease term is more than 12 months, the Group and the Company recognised lease liabilities based on the remaining lease payments and the incremental borrowing rate as at 1 January 2021, and determined the carrying amount of the right-of-use assets based on the incremental borrowing rate as at 1 January 2021. The Group and the Company adopt the practical expedient to evaluate whether assets are impaired or not at the date of initial application. The adoption of the practical expedient has no significant impact on the financial statements since there are no onerous contracts for leases at the date of initial application.

The Group and the Company apply the practical expedient for leases with a remaining lease term of 12 months or less, under which the right-of-use assets and lease liabilities are not recognised. There is no significant impact on the financial statements.

The Group and the Company apply the practical expedient for operating lease contracts of low-value assets existing prior to the initial application of the new lease standard, under which the right-of-use assets and lease liabilities are not recognised. There is no significant impact on the financial statements.

In applying the new lease standard, except for prepaid rentals and lease deposit expenditures relating to the short-term leases and low-value asset leases which are still recorded in cash outflows from operating activities using practical expedient according to the new lease standard, other prepaid rentals and lease deposit expenditures are recorded in cash outflows from financing activities.

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

(31) Significant changes in accounting policies

(a) Lease (Cont'd)

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected 1 January 2021	
		The Group	The Company
In applying the new lease standard, the Group and the Company reclassified fixed assets held under finance leases from "fixed assets" to "right-of-use assets", and finance lease payables from "long-term payables" to "lease liabilities".	Right-of-use assets	26,348	-
	Fixed assets	(26,348)	-
	Long-term payables	(13,260)	-
	Lease liabilities	13,260	-

As at 1 January 2021, when measuring lease liabilities, the Group and the Company adopted the same discount rate for lease contracts with similar characteristics, and the weighted average of incremental borrowing rates adopted was 1.01% to 13.21%.

(ii) As at 1 January 2021, the Group and the Company reconciled the outstanding minimum operating lease payments calculated under the old lease standard to lease liabilities under the new lease standard as follows:

	The Group	The Company
Future minimum operating lease payments as at 31 December 2020	2,523,731	10,653
Present value of the above minimum operating lease payments discounted using the incremental borrowing rate	2,253,525	10,340
Add: Finance lease payable as at 31 December 2020	20,943	-
Less: Present value of payments for leases with a term of 12 months or less and of lease payments for an individual asset (when new) of low value	(124,357)	-
Lease liabilities recognised as at 1 January 2021 (including current portion of non-current liabilities)	<u>2,150,111</u>	<u>10,340</u>

(b) Presentation of transportation costs

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected 2020	
		The Group	The Company
The Group and the Company reclassified transportation costs from selling and distribution expenses to cost of sales, which is incurred before the control of goods is transferred to the customer and for the fulfilment of sales contract.	Selling and distribution expenses	(3,958,821)	-
	Cost of sales	3,958,821	-

(c) Accounting treatment of rental concessions against COVID-19

For the rent concessions as a direct result of COVID-19, agreed with lessors and for the period ended 30 June 2022 only, the Group and the Company have applied the practical expedient in the above circular for the preparation of the financial statements for the year ended 31 December 2021, and there is no significant impact on the Group and the Company.

MIDEA GROUP CO., LTD.

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

(31) Significant changes in accounting policies (Cont'd)

(d) The financial statements for the year ended 31 December 2021 have been prepared by the Group and the Company in accordance with the accounting for changes in determination of contract cash flows of financial assets or financial liabilities due to the reform of benchmark interest rate in the *Interpretation No. 14 of Accounting Standards for Business Enterprises*, and related accounting in the *Interpretation No. 15 of Accounting Standards for Business Enterprises*. The interpretations have no significant impact on the financial statements for the year ended 31 December 2021 of the Group and the Company.

3 Taxation

(1) Main tax category and rate

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

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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

(a-1) The following subsidiaries of the Company are subject to an enterprise income tax rate of 15% in 2021 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	18 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
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

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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 2021 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
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
Wuhan Hiconics Electric Drive Technology Co., Ltd.	GR202042001428	1 December 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
KUKA Robotics Guangdong Co., Ltd.	GR202044003841	9 December 2020	3 years
Midea Intelligent Lighting & Controls Technology Co., Ltd.	GR202036000935	14 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

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(All amounts in RMB'000 Yuan unless otherwise stated)
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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-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., 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 were subject to enterprise income tax at a rate of 15% in 2021.
- (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) The Company's subsidiaries in Mainland China other than those mentioned in (a-1) and (a-5) are subject to enterprise income tax at the rate of 25%.
- (a-7) In August 2008, Midea Electric Trading (Singapore) Co., Pte Ltd., the Company's subsidiary, was awarded with the *Certificate of Honour for Development and Expansion* (No. 587) by the Singapore Economic Development Board and subject to the applicable preferential income tax rate of 5.5% for 2021. 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-8) The Company's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5%. Such subsidiaries include Midea International Trading Company Limited, Midea International Corporation Company Limited, Midea Home Appliances Investments (Hong Kong) Co., Limited, Century Carrier Residential Air-conditioning Equipment Co., Limited, Midea Refrigeration (Hong Kong) Limited, Welling Holding Limited, Welling International Hong Kong Ltd., and Midea Investment (Asia) Company Limited.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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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-9) The Company's subsidiaries in BVI and Cayman Islands are exempted from enterprise income tax. Such subsidiaries include Mecca International (BVI) Limited, Titoni Investments Development Ltd., Midea Investment Holding (BVI) Limited, Midea Electric Investment (BVI) Limited, Welling Holding (BVI) Ltd., Midea Holding (Cayman Islands) Limited and Midea Investment Development Company Limited.
- (a-10) Springer Carrier Ltda., the Company's subsidiary in Brazil, is subject to Brazil enterprise income tax at the rate of 34%.
- (a-11) 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-12) Clivet S.P.A ("Clivet"), the Company's subsidiaries in Italy, are subject to Italy enterprise income tax at the rate between 20% and 31.4%.
- (a-13) KUKA Group, the Company's subsidiary in Germany, is subject to Germany enterprise income tax at the rate of 32%.
- (a-14) Servotronics Motion Control Ltd. ("SMC"), the Company's subsidiary in Israel, is subject to Israel enterprise income tax at the rate of 23%.
- (a-15) Misr Refrigeration and Air Conditioning Manufacturing Company, S.A.E., the Company's subsidiary in Egypt, is subject to Egyptian enterprise income tax at the rate of 22.5%.
- (b) Notes to the VAT rate of the principal tax payers with different tax rates
- (b-1) Pursuant to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (Announcement [2019] No. 39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs and relevant regulations, the applicable tax rate of revenue arising from sales of goods and rendering of repairing and replacement services of the Company's certain subsidiaries is 13% from 1 April 2019, and that of revenue arising from real estate leasing and transportation services of the Company's certain subsidiaries is 9%.
- (b-2) Financial services, consulting services and storage services provided by the Company and certain subsidiaries are subject to VAT at the rate of 6%.
- (b-3) Rental revenue of the Company's certain subsidiaries is subject to easy levy of VAT at the rate of 5%.
- (b-4) Pursuant to the *Announcement on Relevant Policies for Deepening the Value-Added Tax Reform* (Announcement [2019] No. 39) issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, certain subsidiaries of the Company engaged in the production service sector, are eligible for a 10% additional VAT deduction based on deductible input VAT in the current period from 1 April 2019 to 31 December 2021.

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4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2021	31 December 2020
Cash on hand	1,609	2,538
Cash at bank (a)	46,691,119	51,253,132
Other cash balances (b)	443,893	688,481
Statutory reserve with the Central Bank (c)	419,718	1,707,645
Surplus reserve with the Central Bank (d)	272,949	344,860
Deposits with banks and other financial institutions (e)	23,351,878	26,515,276
Interest receivable	694,390	698,550
	<u>71,875,556</u>	<u>81,210,482</u>

Including: Total amounts deposited with banks overseas (including Singapore, Germany, Hong Kong, China, Japan, Thailand, India etc.)	6,763,152	7,014,620
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- (a) As at 31 December 2021, cash at bank included fixed deposits with the term of over 3 months, amounting to RMB 28,767,516,000 (31 December 2020: RMB 37,067,298,000).
- (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% (2020: 6%) and 5% (2020: 5%) for eligible RMB deposits and foreign currency deposits, respectively. They are restricted cash and are not available for use in the Group's daily operations.
- (d) Surplus reserve with the Central Bank represents the excess over the required statutory reserve paid by financial institutions in the Central Bank, and it is bank deposit that can be readily drawn on demand.
- (e) As at 31 December 2021, 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 2020: RMB 17,500,000,000).

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**NOTES TO THE FINANCIAL STATEMENTS
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4 Notes to the consolidated financial statements (Cont'd)

(2) Financial assets held for trading

	31 December 2021	31 December 2020
Structural deposits (a)	4,285,607	25,626,631
Investments in equity instrument held for trading (b)	1,319,470	2,314,965
Others	274,125	298,005
	<u>5,879,202</u>	<u>28,239,601</u>

(a) As at 31 December 2021, structural deposits were deposits with financial institutions due within 1 year, which were measured at fair value through profit or loss.

(b) As at 31 December 2021, investments in equity instrument held for trading referred to equity investments in listed companies, which were measured at fair value through profit or loss.

(3) Notes receivable

	31 December 2021	31 December 2020
Bank acceptance notes	4,689,898	5,086,749
Trade acceptance notes	126,640	218,108
Less: Provision for bad debts (a)	<u>(31,624)</u>	<u>(347)</u>
	<u>4,784,914</u>	<u>5,304,510</u>

(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 31 December 2021, 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 31 December 2021, notes receivable endorsed or discounted but unmatured were as follows:

	Derecognised	Not derecognised
Trade acceptance notes	—	6,171
Bank acceptance notes (i)	16,000	2,996,275
	<u>16,000</u>	<u>3,002,446</u>

MIDEA GROUP CO., LTD.

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

(3) Notes receivable (Cont'd)

(b) As at 31 December 2021, notes receivable endorsed or discounted but unmatured are as follows (Cont'd):

(i) For the year ended 31 December 2021, insignificant portion of the bank acceptance notes were endorsed or discounted and derecognised by some subsidiaries of the Group, which thereby categorised the balance of other bank acceptance notes as financial assets at amortised cost. Certain bank acceptance notes were discounted and endorsed and derecognised by other subsidiaries for the purpose of daily treasury management, which thereby categorised the balance of these bank acceptance notes as financial assets at fair value through other comprehensive income and presented them as receivables financing (Note 4(6)).

(4) Accounts receivable

	31 December 2021	31 December 2020
Accounts receivable	25,495,619	23,854,936
Less: Provision for bad debts	(859,179)	(876,573)
	<u>24,636,440</u>	<u>22,978,363</u>

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

	31 December 2021	31 December 2020
Within 1 year	24,566,401	23,015,280
1 to 2 years	617,355	580,644
2 to 3 years	144,300	159,427
3 to 5 years	134,460	87,938
Over 5 years	33,103	11,647
	<u>25,495,619</u>	<u>23,854,936</u>

As at 31 December 2021, 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) Provision for bad debts

For accounts receivable, the Group recognises the lifetime ECL regardless of whether there exists a significant financing component.

As at 31 December 2021, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Domestic customers	111,443	47.74%	(53,208)	The debtor encountered financial distress, etc.
Overseas customers	<u>561</u>	100.00%	<u>(561)</u>	
	<u>112,004</u>		<u>(53,769)</u>	

As at 31 December 2020, accounts receivable for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Domestic customers	14,288	100.00%	(14,288)	The debtor encountered financial distress, etc.
Overseas customers	<u>1,000</u>	100.00%	<u>(1,000)</u>	
	<u>15,288</u>		<u>(15,288)</u>	

As at 31 December 2021, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	31 December 2021		
	Book balance Amount	Lifetime ECL rate	Provision for bad debts Amount
Domestic business grouping	12,689,502	3.08%	(390,701)
Overseas business grouping	<u>12,694,113</u>	3.27%	<u>(414,709)</u>
	<u>25,383,615</u>		<u>(805,410)</u>

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

(4) Accounts receivable (Cont'd)

(b) Provision for bad debts (Cont'd)

As at 31 December 2020, accounts receivable for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	31 December 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Domestic business grouping	11,521,032	3.71%	(427,912)
Overseas business grouping	12,318,616	3.52%	(433,373)
	<u>23,839,648</u>		<u>(861,285)</u>

(c) The provision for bad debts in the current year amounted to RMB 173,575,000 (2020: RMB 168,438,000). The provision for bad debts reversed in the current year amounted to RMB 88,386,000 (2020: RMB 81,179,000). The provision for bad debts written off in the current year amounted to RMB 92,215,000 (2020: RMB 114,893,000).

(d) As at 31 December 2021, the five largest accounts receivable aggregated by debtor were summarised and analysed as follows:

	Amount	Provision for bad debts	% of total balance
Total amount of the five largest accounts receivable	<u>1,761,735</u>	<u>(55,395)</u>	<u>6.91%</u>

MIDEA GROUP CO., LTD.

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

(5) Other receivables

	31 December 2021	31 December 2020
Other receivables	3,147,595	3,026,970
Less: Provision for bad debts	<u>(43,530)</u>	<u>(53,025)</u>
	<u>3,104,065</u>	<u>2,973,945</u>

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

The ageing of other receivables is analysed as follows:

	31 December 2021	31 December 2020
Within 1 year	2,856,634	2,708,730
1 to 2 years	149,331	222,785
2 to 3 years	97,424	50,457
3 to 5 years	28,029	30,867
Over 5 years	<u>16,177</u>	<u>14,131</u>
	<u>3,147,595</u>	<u>3,026,970</u>

- (b) Provision for losses and changes in book balance statements

	Stage 1		Stage 2		Stage 3		Sub-total Provision for bad debts
	12-month ECL (Grouping)	12-month ECL (Individual)	12-month ECL (Grouping)	12-month ECL (Individual)	Lifetime ECL (Credit impaired)	Lifetime ECL (Credit impaired)	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts	
31 December 2020	2,983,653	47,449	37,741	-	5,576	5,576	53,025
Transfer to Stage 3	(123,732)	(12,373)	-	-	123,732	12,373	-
Net increase/(decrease) in the current year	132,127	4,014	112,539	-	(124,041)	(12,592)	(8,578)
Including: Write-off in the current year	-	-	-	-	(124,041)	(124,041)	(124,041)
Derecognition	-	-	-	-	-	-	-
Differences on translation of foreign currency financial statements	-	(827)	-	-	-	(90)	(917)
31 December 2021	<u>2,992,048</u>	<u>38,263</u>	<u>150,280</u>	<u>-</u>	<u>5,267</u>	<u>5,267</u>	<u>43,530</u>

As at 31 December 2021 and 31 December 2020, the Group had no other receivables at Stage 2.

MIDEA GROUP CO., LTD.

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

(5) Other receivables (Cont'd)

(b) Provision for losses and changes in book balance statements (Cont'd)

(i) As at 31 December 2021, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 1	<u>150,280</u>	<u>0%</u>	<u>-</u>	Relatively low bad debt risks
	Book balance	Lifetime ECL	Provision for bad debts	Reason
Stage 3	<u>5,267</u>	<u>100.00%</u>	<u>(5,267)</u>	The debtor encountered financial distress, etc.

As at 31 December 2020, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	ECL rate in the following 12 months	Provision for bad debts	Reason
Stage 1	<u>37,741</u>	<u>0%</u>	<u>-</u>	Relatively low bad debt risks
	Book balance	Lifetime ECL	Provision for bad debts	Reason
Stage 3	<u>5,576</u>	<u>100.00%</u>	<u>(5,576)</u>	The debtor encountered financial distress, etc.

(ii) As at 31 December 2021 and 31 December 2020, 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:

	31 December 2021			31 December 2020		
	Book balance	Provision for bad debts	Provision ratio	Book balance	Provision for bad debts	Provision ratio
	Amount	Amount		Amount	Amount	
Security deposit/guarantee and other receivables grouping	<u>2,992,048</u>	<u>(38,263)</u>	<u>1.28%</u>	<u>2,983,653</u>	<u>(47,449)</u>	<u>1.59%</u>

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

(5) Other receivables (Cont'd)

(c) The provision for bad debts in the current year amounted to RMB 158,923,000 (2020: RMB 19,151,000). The provision for bad debts reversed in the current year amounted to RMB 43,460,000 (2020: RMB 14,873,000). The provision for bad debts written off in the current year amounted to RMB 124,041,000 (2020: RMB 3,772,000).

(d) As at 31 December 2021, the five largest other receivables aggregated by debtor were summarised and analysed as follows:

	Amount	Provision for bad debts	% of total balance
Total amount of the five largest other receivables	<u>303,809</u>	<u>(1,971)</u>	<u>9.65%</u>

(e) As at 31 December 2021, the Group had no significant government grants recognised at amounts receivable.

(6) Receivables financing

	31 December 2021	31 December 2020
Receivables financing	<u>10,273,552</u>	<u>13,901,856</u>

The Group's receivables financing are 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 31 December 2021 and 31 December 2020, the Group measured provision for bad debts based on the lifetime ECL. As the credit risk characteristics of these bank acceptance notes were similar, no provision for impairment was made individually. The Group expected that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.

As at 31 December 2021, the Group's notes receivable presented in receivables financing, endorsed or discounted but unmatured were as follows:

	Derecognised	Not derecognised
Bank acceptance notes	<u>10,944,665</u>	<u>-</u>

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

(7) Advances to suppliers

	31 December 2021	31 December 2020
Prepayments for raw materials and others	<u>4,352,807</u>	<u>2,763,710</u>

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

	31 December 2021		31 December 2020	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	4,241,867	97.45%	2,562,904	92.73%
1 to 2 years	74,391	1.71%	163,765	5.93%
2 to 3 years	18,798	0.43%	17,579	0.64%
Over 3 years	17,751	0.41%	19,462	0.70%
	<u>4,352,807</u>	<u>100.00%</u>	<u>2,763,710</u>	<u>100.00%</u>

As at 31 December 2021, advances to suppliers with ageing over 1 year with a carrying amount of RMB 110,940,000 (31 December 2020: RMB 200,806,000) were mainly unsettled prepayments for raw materials.

As at 31 December 2021, the five largest advances to suppliers aggregated by debtors were analysed as follows:

	Amount	% of total balance
Total amount of the five largest advances to suppliers	<u>1,103,739</u>	<u>25.36%</u>

(8) Contract assets

	31 December 2021	31 December 2020
Contract assets	3,870,243	3,289,783
Less: Provision for impairment of contract assets	<u>(46,767)</u>	<u>(52,935)</u>
Total	<u>3,823,476</u>	<u>3,236,848</u>

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

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

(8) Contract assets (Cont'd)

As at 31 December 2021, contract assets for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	Lifetime ECL rate	Provision for impairment	Reason
				The debtor encountered financial distress, etc.
Domestic business	11,444	26.70%	(3,056)	

As at 31 December 2021, contract assets for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	31 December 2021		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Domestic business grouping	840,430	4.22%	(35,436)
Overseas business grouping	3,018,369	0.27%	(8,275)
	<u>3,858,799</u>		<u>(43,711)</u>

As at 31 December 2020, contract assets for which the related provision for bad debts was provided on the grouping basis were analysed as follows:

	31 December 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Domestic business grouping	749,521	5.23%	(39,218)
Overseas business grouping	2,540,262	0.54%	(13,717)
	<u>3,289,783</u>		<u>(52,935)</u>

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

(9) Loans and advances

(a) By individual and corporation:

	31 December 2021	31 December 2020
Loans and advances measured at amortised cost		
Loans and advances to individuals	2,217,220	2,235,275
Loans and advances to corporations	19,744,034	15,660,149
Including: Loans	12,790,285	10,133,447
Discount bills	6,953,749	5,526,702
	21,961,254	17,895,424
Less: Provision for loan losses	(452,727)	(312,854)
	<u>21,508,527</u>	<u>17,582,570</u>

As at 31 December 2021, loans and advances over 1 year amounted to RMB 851,927,000 (31 December 2020: RMB 1,113,501,000).

(b) By type of collateral held:

	31 December 2021	31 December 2020
Unsecured loans	2,211,108	1,645,282
Guaranteed loans	587,936	885,659
Pledged loans	19,162,210	15,364,483
Total loans and advances	<u>21,961,254</u>	<u>17,895,424</u>

(c) The provision for bad debts in the current year amounted to RMB 144,691,000 (2020: RMB 169,043,000), the provision for bad debts written off in the current year amounted to RMB 3,070,000 (2020: RMB 1,786,000) and the provision for bad debts reversed in the current year amounted to RMB 1,748,000 (2020: RMB 13,322,000) (Note 4(25)).

(d) As at 31 December 2021, the Group's loans and advances for which the provision for bad debts was provided on the individual basis amounted to RMB 6,332,961,000, and the provision for bad debts amounted to RMB 198,193,000.

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

(10) Inventories

(a) Inventories are summarised by category as follows:

	31 December 2021			31 December 2020		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount
Finished goods	33,636,462	(419,166)	33,217,296	21,718,749	(372,474)	21,346,275
Raw materials	9,592,914	(121,217)	9,471,697	7,402,034	(70,221)	7,331,813
Work in progress	2,406,866	-	2,406,866	1,875,881	-	1,875,881
Consigned processing materials, etc.	828,580	-	828,580	522,560	-	522,560
	<u>46,464,822</u>	<u>(540,383)</u>	<u>45,924,439</u>	<u>31,519,224</u>	<u>(442,695)</u>	<u>31,076,529</u>

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

	31 December 2020	Increase in the current year	Decrease in the current year	Differences on translation of foreign currency financial statements	31 December 2021
		Provision	Reversal or write-off		
Finished goods	372,474	363,940	(298,182)	(19,066)	419,166
Raw materials	70,221	103,885	(47,533)	(5,356)	121,217
	<u>442,695</u>	<u>467,825</u>	<u>(345,715)</u>	<u>(24,422)</u>	<u>540,383</u>

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

	Specific basis for determining net realisable value	Reason for reversal or write-off of provision for decline in the value of inventories
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

(11) Current portion of non-current assets

	31 December 2021	31 December 2020
Other debt investments due within 1 year (Note 4(13))	19,360,372	-
Long-term receivables due within 1 year (Note 4(14))	491,205	-
	<u>19,851,577</u>	<u>-</u>

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(12) Other current assets

	31 December 2021	31 December 2020
Fixed-income products (a)	23,696,825	25,542,595
Input VAT to be deducted	6,137,776	4,336,260
Prepaid expenses	828,675	786,140
Others (b)	2,492,736	2,414,923
	<u>33,156,012</u>	<u>33,079,918</u>

(a) As at 31 December 2021, 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.

(b) As at 31 December 2021, the Group's transferable certificate of deposit due within 1 year since the time of acquisition amounted to approximately RMB 230,015,000 (31 December 2020: Nil), and were measured at fair value through other comprehensive income.

(13) Other debt investments

	31 December 2021	31 December 2020
Fair value through other comprehensive income		
- Transferable certificate of deposit	27,254,307	21,456,155
Less: Other debt investments due within 1 year (Note 4(11))	(19,360,372)	-
	<u>7,893,935</u>	<u>21,456,155</u>

As at 31 December 2021, the cost of the Group's transferable certificate of deposit approximated its fair value.

As at 31 December 2021, the Group expected that there was 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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[English translation for reference only]**4 Notes to the consolidated financial statements (Cont'd)****(14) Long-term receivables**

	31 December 2021	31 December 2020
Long-term receivables	1,371,022	981,623
Less: Provision for bad debts	<u>(8,461)</u>	<u>-</u>
	1,362,561	981,623
Less: Long-term receivables due within 1 year (Note 4(11))	<u>(491,205)</u>	<u>-</u>
	<u>871,356</u>	<u>981,623</u>

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:

	31 December 2021	31 December 2020
Investments in associates (a)	3,796,705	2,901,337
Less: Provision for impairment of long-term equity investments	<u>-</u>	<u>-</u>
	<u>3,796,705</u>	<u>2,901,337</u>

(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

	31 December 2021	31 December 2020
Measured at fair value		
- Equity of unlisted companies	5,912,873	3,360,849
Less: Provision for impairment of other non-current financial assets	<u>-</u>	<u>-</u>
	<u>5,912,873</u>	<u>3,360,849</u>

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

(17) Fixed assets

	Buildings	Overseas land	Machinery and equipment	Motor vehicles	Electronic equipment and others	Total
Cost						
31 December 2020	19,012,262	1,394,439	20,891,842	812,751	5,003,386	47,114,680
Changes in accounting policies	-	-	(97,510)	-	-	(97,510)
1 January 2021	19,012,262	1,394,439	20,794,332	812,751	5,003,386	47,017,170
Increase in the current year						
Purchase	143,297	-	2,077,125	27,160	743,549	2,991,131
Transfer from construction in progress	911,993	-	151,920	1,846	29,347	1,095,106
Increase by business combinations	488,940	29,364	137,946	2,615	32,266	691,131
Others	149,931	-	3,963	-	-	153,894
Decrease in the current year						
Disposal and retirement	(195,376)	(11,628)	(601,639)	(32,948)	(209,879)	(1,051,470)
Others	(77,624)	-	(100,026)	(51,171)	(6,898)	(235,719)
Differences on translation of foreign currency financial statements						
	(324,765)	(81,319)	(281,549)	(1,510)	(94,425)	(783,568)
31 December 2021	20,108,658	1,330,856	22,182,072	758,743	5,497,346	49,877,675
Accumulated depreciation						
31 December 2020	8,179,081	-	12,462,365	560,134	3,585,113	24,786,693
Changes in accounting policies	-	-	(71,162)	-	-	(71,162)
1 January 2021	8,179,081	-	12,391,203	560,134	3,585,113	24,715,531
Increase in the current year						
Provision	929,597	-	1,538,606	57,105	704,741	3,230,049
Others	75,818	-	-	-	-	75,818
Decrease in the current year						
Disposal and retirement	(93,265)	-	(427,815)	(25,522)	(178,621)	(725,223)
Others	(38,875)	-	(45,673)	(19,678)	(1,851)	(106,077)
Differences on translation of foreign currency financial statements						
	(48,998)	-	(124,141)	(720)	(41,732)	(215,591)
31 December 2021	9,003,358	-	13,332,180	571,319	4,067,650	26,974,507
Provision for impairment						
31 December 2020	7,331	5,892	33,601	33,171	8,778	88,773
Changes in accounting policies	-	-	-	-	-	-
1 January 2021	7,331	5,892	33,601	33,171	8,778	88,773
Increase in the current year						
Provision	-	-	-	-	-	-
Decrease in the current year						
Disposal and retirement	-	-	(6,981)	(31)	(142)	(7,154)
Others	(821)	-	(16,517)	(11,969)	(25)	(29,332)
Differences on translation of foreign currency financial statements						
	(331)	(423)	(92)	(78)	(1,043)	(1,967)
31 December 2021	6,179	5,469	10,011	21,093	7,568	50,320
Carrying amount						
31 December 2021	11,099,121	1,325,387	8,839,881	166,331	1,422,128	22,852,848
31 December 2020	10,825,850	1,388,547	8,395,876	219,446	1,409,495	22,239,214

- (a) In 2021, the depreciation of fixed assets amounted to RMB 3,230,049,000 (2020: RMB 3,409,521,000) and was included in the income statement.
- (b) As at 31 December 2021, 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 2020: RMB 123,789,000).

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

(18) Construction in progress

	31 December 2021			31 December 2020		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Early-stage Project of Shanghai R&D Centre	687,704	-	687,704	12,660	-	12,660
Midea Headquarters A04 Land Parcel Project	565,884	-	565,884	197,540	-	197,540
Midea Headquarters 08 Land Parcel Project	234,165	-	234,165	3,543	-	3,543
Thailand Factories	213,005	-	213,005	4,178	-	4,178
Indian Science Park	179,813	-	179,813	364,554	-	364,554
Other projects	843,547	(33,188)	810,359	944,143	(49,316)	894,827
	<u>2,724,118</u>	<u>(33,188)</u>	<u>2,690,930</u>	<u>1,526,618</u>	<u>(49,316)</u>	<u>1,477,302</u>

(a) Movements of significant projects of construction in progress

	31 December 2020 Book balance	Increase in the current year	Transfer to fixed assets in the current year	Other decreases	Differences on translation of foreign currency financial statements	31 December 2021 Book balance	Source of funds
Early-stage Project of Shanghai R&D Centre	12,660	675,044	-	-	-	687,704	Self-financing
Midea Headquarters A04 Land Parcel Project	197,540	368,344	-	-	-	565,884	Self-financing
Midea Headquarters 08 Land Parcel Project	3,543	230,622	-	-	-	234,165	Self-financing
Thailand Factories	4,178	220,093	-	-	(11,266)	213,005	Self-financing
Indian Science Park	364,554	45,303	(219,410)	-	(10,634)	179,813	Self-financing
Other projects	944,143	841,609	(875,696)	(24,473)	(42,036)	843,547	Self-financing
	<u>1,526,618</u>	<u>2,381,015</u>	<u>(1,095,106)</u>	<u>(24,473)</u>	<u>(63,936)</u>	<u>2,724,118</u>	

(i) As at 31 December 2021, 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

	Buildings	Machinery and equipment	Land use rights and others	Total
Cost				
31 December 2020	—	—	—	—
Changes in accounting policies	1,983,934	193,960	48,784	2,226,678
1 January 2021	1,983,934	193,960	48,784	2,226,678
Increase in the current year				
New lease contracts	1,031,414	79,140	71,362	1,181,916
Lease modifications and others	60,051	4,581	-	64,632
Decrease in the current year				
Lease modifications and others	(143,204)	(15,628)	(4,873)	(163,705)
Differences on translation of foreign currency financial statements	(79,778)	(20,543)	(3,772)	(104,093)
31 December 2021	2,852,417	241,510	111,501	3,205,428
Accumulated depreciation				
31 December 2020	—	—	—	—
Changes in accounting policies	-	71,162	-	71,162
1 January 2021	-	71,162	-	71,162
Increase in the current year				
Provision	800,954	88,786	22,718	912,458
Decrease in the current year				
Lease modifications and others	(22,701)	(11,713)	(1,471)	(35,885)
Differences on translation of foreign currency financial statements	(26,717)	(11,826)	(1,118)	(39,661)
31 December 2021	751,536	136,409	20,129	908,074
Carrying amount				
31 December 2021	2,100,881	105,101	91,372	2,297,354
31 December 2020	—	—	—	—

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

(20) Intangible assets

	Land use rights	Patents and non-patent technologies	Trademark rights	Trademark use rights	Others	Total
Cost						
31 December 2020	4,827,841	2,191,179	5,259,116	2,646,807	5,481,621	20,406,564
Increase in the current year						
Purchase	2,376,033	9,826	-	-	334,236	2,720,095
Increase by business combinations	-	1,164,456	-	-	167,694	1,332,150
Others	6,149	19,867	-	-	86,454	112,470
Decrease in the current year						
Disposal	(40,444)	(6,784)	-	-	(137,762)	(184,990)
Others	(9,256)	(11,576)	-	-	(4,797)	(25,629)
Differences on translation of foreign currency financial statements						
	(1,813)	(167,191)	(489,302)	(351,156)	(351,151)	(1,360,613)
31 December 2021	7,158,510	3,199,777	4,769,814	2,295,651	5,576,295	23,000,047
Accumulated amortisation						
31 December 2020	1,000,511	775,427	113,266	329,992	2,571,447	4,790,643
Increase in the current year						
Provision	146,430	222,437	57,630	42,478	743,578	1,212,553
Others	4,622	-	-	-	5,683	10,305
Decrease in the current year						
Disposal	(9,299)	(319)	-	-	(89,124)	(98,742)
Others	(4,035)	(3,351)	-	-	(669)	(8,055)
Differences on translation of foreign currency financial statements						
	(31)	(72,337)	(9,995)	(30,470)	(143,260)	(256,093)
31 December 2021	1,138,198	921,857	160,901	342,000	3,087,655	5,650,611
Provision for impairment						
31 December 2020	-	114,609	-	-	78,919	193,528
Increase in the current year						
Provision	-	-	-	-	-	-
Decrease in the current year						
Disposal	-	(5,109)	-	-	-	(5,109)
Differences on translation of foreign currency financial statements						
	-	(1,490)	-	-	(10,565)	(12,055)
31 December 2021	-	108,010	-	-	68,354	176,364
Carrying amount						
31 December 2021	6,020,312	2,169,910	4,608,913	1,953,651	2,420,286	17,173,072
31 December 2020	3,827,330	1,301,143	5,145,850	2,316,815	2,831,255	15,422,393

(a) In 2021, the amortisation of intangible assets amounted to RMB 1,212,553,000 (2020: RMB 1,083,684,000) and was included in the income statement in full amount.

(b) As at 31 December 2021, the Group had no certificates of land use rights that were still in process.

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

(21) Goodwill

The Group's goodwill had been allocated to the cash generating unit and cash generating units at the acquisition date, without any change of goodwill allocation in 2021, and the allocation is as follows:

	31 December 2021	31 December 2020
Goodwill -		
KUKA Group	20,544,697	22,836,294
TLSC Group	2,580,274	2,944,486
Little Swan	1,361,306	1,361,306
Others	3,893,186	2,931,654
	<u>28,379,463</u>	<u>30,073,740</u>
Less: Provision for impairment	<u>(504,711)</u>	<u>(516,522)</u>
	<u>27,874,752</u>	<u>29,557,218</u>

When making an impairment testing of goodwill, the Group compares the carrying amounts of related cash generating unit or cash generating units with their recoverable amounts. If the recoverable amount is lower than the carrying amount, the difference shall be included in profit or loss for the current period. The Group's goodwill allocation was unchanged in 2021.

As at 31 December 2021, the recoverable amount of cash generating unit or cash generating units with goodwill is calculated using discounted future cash flows determined according to the budget approved by management (the budget period is 5 to 6 years). The future cash flows beyond the budget period are calculated based on the estimated perpetual annual growth rates. The perpetual annual growth rates (mainly 1%-2%) applied by management are consistent with the estimates of the industry, and do not exceed the long-term average growth rates of each product. Management determines estimated revenue growth rates (mainly 2.00%-17.21%) and EBITDA margins (mainly 3.47%-10.84%) based on past experience and forecast on future market development. The discount rates (mainly 9.32%-15.13%) used by management are the pre-tax rates that are able to reflect the risks specific to the related cash generating unit and cash generating units. Management analyses the recoverable amount of each cash generating unit or cash generating units based on these assumptions and considers that no further provision for impairment is necessary for the goodwill.

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

(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

	31 December 2021		31 December 2020	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Deductible losses	6,189,786	1,371,028	2,825,364	693,098
Provision for asset impairment	2,891,362	596,763	2,023,621	409,576
Employee benefits payable	1,214,088	285,263	1,821,805	426,845
Other current liabilities	29,984,331	5,531,170	29,914,787	5,305,009
Others	9,949,311	2,192,050	6,615,646	1,700,311
	<u>50,228,878</u>	<u>9,976,274</u>	<u>43,201,223</u>	<u>8,534,839</u>
Including:				
Expected to be recovered within 1 year (inclusive)		7,205,683		6,415,757
Expected to be recovered after 1 year		<u>2,770,591</u>		<u>2,119,082</u>
		<u>9,976,274</u>		<u>8,534,839</u>

(b) Deferred tax liabilities before offsetting

	31 December 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value	3,159,648	349,208	1,495,449	205,628
Business combinations involving enterprises not under common control	11,683,474	3,145,282	11,673,627	3,415,470
Others	14,441,530	3,239,720	11,296,707	2,929,060
	<u>29,284,652</u>	<u>6,734,210</u>	<u>24,465,783</u>	<u>6,550,158</u>
Including:				
Expected to be recovered within 1 year (inclusive)		1,268,054		1,026,806
Expected to be recovered after 1 year		<u>5,466,156</u>		<u>5,523,352</u>
		<u>6,734,210</u>		<u>6,550,158</u>

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

(23) Deferred tax assets and deferred tax liabilities (Cont'd)

(c) The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:

	31 December 2021 Balance after offsetting	31 December 2020 Balance after offsetting
Deferred tax assets	8,192,309	7,208,635
Deferred tax liabilities	4,950,245	5,223,954

(24) Other non-current assets

	31 December 2021	31 December 2020
Fixed-income products (a)	35,485,395	10,128,172
Others	888,961	1,127,707
	<u>36,374,356</u>	<u>11,255,879</u>

(a) As at 31 December 2021, 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

	31 December 2020	Changes in accounting policies	1 January 2021	Increase in the current year	Decrease in the current year		Differences on translation of foreign currency financial statements	31 December 2021
					Reversal	Charge-off/ Written-off		
Provision for bad debts	1,242,799	—	1,242,799	517,864	(134,413)	(219,326)	(11,403)	1,395,521
Including: Provision for bad debts of accounts receivable	876,573	—	876,573	173,575	(88,386)	(92,215)	(10,368)	859,179
Provision for losses of loans and advances	312,854	—	312,854	144,691	(1,748)	(3,070)	-	452,727
Provision for bad debts of notes receivable	347	—	347	31,549	(272)	-	-	31,624
Provision for bad debts of other receivables	53,025	—	53,025	158,923	(43,460)	(124,041)	(917)	43,530
Provision for impairment of long- term receivables	-	—	-	9,126	(547)	-	(118)	8,461
Provision for decline in the value of inventories	442,695	—	442,695	467,825	(20,477)	(325,238)	(24,422)	540,383
Provision for impairment of fixed assets	88,773	—	88,773	-	-	(36,486)	(1,967)	50,320
Provision for impairment of intangible assets	193,528	—	193,528	-	-	(5,109)	(12,055)	176,364
Provision for impairment of contract assets	52,935	—	52,935	5,022	(3,972)	-	(7,218)	46,767
Provision for impairment of investment properties	12,576	—	12,576	-	-	-	-	12,576
Provision for impairment of construction in progress	49,316	—	49,316	35,022	-	(49,316)	(1,834)	33,188
Provision for impairment of right-of-use assets	—	-	-	-	-	-	-	-
Provision for impairment of goodwill	516,522	—	516,522	-	-	-	(11,811)	504,711
	2,599,144	-	2,599,144	1,025,733	(158,862)	(635,475)	(70,710)	2,759,830

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

As at 31 December 2021, assets with use rights restricted were mainly as follows:

	31 December 2021	31 December 2020
Cash at bank and on hand		
Including: Cash at bank (Note 4(1))	28,767,516	37,067,298
Other cash balances		
(Note 4(1))	443,893	688,481
Legal reserves with the		
Central Bank (Note 4(1))	419,718	1,707,645
Deposits with banks and		
other financial institutions		
(Note 4(1))	1,000,000	17,500,000
	<u>30,631,127</u>	<u>56,963,424</u>

(27) Short-term borrowings

	31 December 2021	31 December 2020
Pledged borrowings	2,138,309	192,569
Guaranteed borrowings	1,982,534	7,402,260
Unsecured borrowings	1,260,780	2,281,509
Mortgage borrowings	-	67,591
	<u>5,381,623</u>	<u>9,943,929</u>

As at 31 December 2021, the annual interest rate range of short-term borrowings was 0.41% to 9.75% (31 December 2020: 0.90% to 9.40%).

(28) Notes payable

	31 December 2021	31 December 2020
Bank acceptance notes	32,752,007	28,233,818
Trade acceptance notes	-	16,121
	<u>32,752,007</u>	<u>28,249,939</u>

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

(29) Accounts payable

	31 December 2021	31 December 2020
Materials cost payable	61,527,747	49,451,076
Others	<u>4,455,812</u>	<u>4,479,185</u>
	<u>65,983,559</u>	<u>53,930,261</u>

As at 31 December 2021, accounts payable with ageing over 1 year with a carrying amount of RMB 1,271,088,000 (31 December 2020: RMB 985,248,000) were mainly unsettled accounts payable for materials.

(30) Contract liabilities

	31 December 2021	31 December 2020
Advances on sales and services	21,319,800	16,511,435
Advances for construction projects	<u>2,596,795</u>	<u>1,889,487</u>
	<u>23,916,595</u>	<u>18,400,922</u>

More than 90% of contract liabilities included in the carrying amount as at 31 December 2020 were transferred to revenue in 2021.

As mentioned in Note 5(1), due to business combinations involving enterprises not under common control in the current year, the amount of contract liabilities increased by RMB 99,835,000.

(31) Employee benefits payable

	31 December 2021	31 December 2020
Short-term employee benefits payable (a)	7,430,595	6,666,830
Others	<u>104,573</u>	<u>287,992</u>
	<u>7,535,168</u>	<u>6,954,822</u>

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

(31) Employee benefits payable (Cont'd)

(a) Short-term employee benefits

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Wages and salaries, bonus, allowances and subsidies	6,181,736	27,076,632	(26,308,530)	6,949,838
Staff welfare	341,810	1,538,749	(1,581,163)	299,396
Social security contributions	73,818	1,610,052	(1,616,602)	67,268
Including: Medical insurance	71,639	1,516,746	(1,522,722)	65,663
Work injury insurance	1,056	33,402	(33,794)	664
Maternity insurance	1,123	59,904	(60,086)	941
Housing funds	23,537	584,819	(585,277)	23,079
Labour union funds and employee education funds	17,513	132,071	(127,338)	22,246
Other short-term employee benefits	28,416	575,477	(535,125)	68,768
	<u>6,666,830</u>	<u>31,517,800</u>	<u>(30,754,035)</u>	<u>7,430,595</u>

(32) Taxes payable

	31 December 2021	31 December 2020
Enterprise income tax payable	2,972,040	3,121,236
Unpaid VAT	1,032,688	1,013,378
Others	1,399,539	1,623,444
	<u>5,404,267</u>	<u>5,758,058</u>

(33) Other payables

	31 December 2021	31 December 2020
Other payables	<u>4,288,104</u>	<u>4,501,391</u>

(a) Other payables are mainly restricted share repurchase obligation, deposit and security deposit payable, reimbursed logistics expense, etc.

(b) As at 31 December 2021, other payables with ageing over 1 year with a carrying amount of RMB 1,288,937,000 (31 December 2020: RMB 1,392,059,000) 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

	31 December 2021	1 January 2021	31 December 2020
Current portion of long-term borrowings (Note 4(36))	28,087,037	6,284,643	6,284,643
Current portion of lease liabilities (Note 4(37))	860,503	636,685	—
Current portion of long-term payables	-	17,855	25,538
	<u>28,947,540</u>	<u>6,939,183</u>	<u>6,310,181</u>

(35) Other current liabilities

	31 December 2021	31 December 2020
Accrued sale rebates	31,307,753	31,192,652
Short-term financing bonds payable	-	3,030,785
Others	16,920,200	15,628,802
	<u>48,227,953</u>	<u>49,852,239</u>

(36) Long-term borrowings

	31 December 2021	31 December 2020
Mortgage borrowings (a)	26,635,207	29,673,661
Unsecured borrowings	14,269,908	11,633,434
Guaranteed borrowings (b)	6,903,645	7,785,898
Pledged borrowings	12,297	18,937
	<u>47,821,057</u>	<u>49,111,930</u>
Less: Current portion of mortgage borrowings	(26,626,623)	(48,962)
Current portion of unsecured borrowings	(1,439,224)	(4,054,593)
Current portion of guaranteed borrowings	(15,025)	(2,174,775)
Current portion of pledged borrowings	(6,165)	(6,313)
	<u>19,734,020</u>	<u>42,827,287</u>

(a) As at 31 December 2021, bank mortgage borrowings were mainly mortgage borrowings with a cost of EUR 3,686,857,000, equivalent to RMB approximately 26,617,999,000 (31 December 2020: a cost of EUR 3,691,857,000, equivalent to approximately RMB 29,627,150,000) 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.

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

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

(b) As at 31 December 2021, bank guaranteed borrowings mainly included: (i) guaranteed borrowings with a cost of EUR 271,000,000, equivalent to RMB 1,956,539,000 (31 December 2020: a cost of EUR 271,000,000, equivalent to RMB 2,174,775,000) 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 3,849,126,000 (31 December 2020: a cost of JPY 69,460,000,000, equivalent to RMB 4,392,373,000) 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 1,082,955,000 (31 December 2020: a cost of EUR 150,000,000, equivalent to RMB 1,203,750,000) guaranteed by the Company, with interest paid on a monthly basis, which will be due in June 2025.

(c) As at 31 December 2021, the annual interest rate range of long-term borrowings was 0.49% to 5.50% (31 December 2020: 0.49% to 6.08%).

(37) Lease liabilities

	31 December 2021	1 January 2021	31 December 2020
Lease liabilities	2,394,055	2,150,111	—
Less: Current			
portion of			
non-current			
liabilities			
(Note 4(34))	<u>(860,503)</u>	<u>(636,685)</u>	<u>—</u>
	<u>1,533,552</u>	<u>1,513,426</u>	<u>—</u>

(i) As at 31 December 2021, the future minimum lease payments of short-term leases and low-value asset leases adopting the practical expedient according to the new lease standard totalled RMB 151,561,000, which should be paid within one year.

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

(38) Long-term employee benefits payable

	31 December 2021	31 December 2020
Supplementary retirement benefits (a)	1,705,440	2,014,651
Others	<u>119,576</u>	<u>145,024</u>
	<u>1,825,016</u>	<u>2,159,675</u>

(a) Supplementary retirement benefits

Supplementary retirement benefits obligation of the Group recognised on the balance sheet date is calculated using the projected unit credit method, and reviewed by external independent actuary institution.

(i) The Group's supplementary retirement benefits liabilities:

	31 December 2021	31 December 2020
Defined benefit obligation	3,572,482	3,850,400
Less: Fair value of planned assets	<u>(1,867,042)</u>	<u>(1,835,749)</u>
Liabilities of defined benefit obligation	<u>1,705,440</u>	<u>2,014,651</u>

(ii) The actuarial assumptions used to determine the present value of defined benefit obligation

	31 December 2021
Discount rate	0.06% - 7.75%
Inflation rate	1.00%
Salary growth rate	0.50% - 6.90%
Pension dynamics	0.00% - 3.70%
Retirement rate	0.00% - 11.60%
Changes in cost of medical services	6.25%

(39) Other non-current liabilities

Other non-current liabilities are mainly equity purchase payables.

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

(40) Share capital

	Movements in the current year						31 December 2021
	31 December 2020	Share-based payment incentive plan (a)	Desterilisation	Additional issuance	Repurchases and write-offs	Sub-total	
RMB-denominated ordinary shares							
RMB-denominated ordinary shares subject to trading restriction	182,863	9,940	(30,391)	-	(5,873)	(26,324)	156,539
RMB-denominated ordinary shares not subject to trading restriction	6,847,113	24,497	30,391	-	(71,976)	(17,088)	6,830,025
	<u>7,029,976</u>	<u>34,437</u>	<u>-</u>	<u>-</u>	<u>(77,849)</u>	<u>(43,412)</u>	<u>6,986,564</u>

	Movements in the current year						31 December 2020
	31 December 2019	Share-based payment incentive plan (a)	Desterilisation	Additional issuance	Repurchases and write-offs	Sub-total	
RMB-denominated ordinary shares -							
RMB-denominated ordinary shares subject to trading restriction	165,403	33,245	(10,060)	-	(5,725)	17,460	182,863
RMB-denominated ordinary shares not subject to trading restriction	6,806,497	30,556	10,060	-	-	40,616	6,847,113
	<u>6,971,900</u>	<u>63,801</u>	<u>-</u>	<u>-</u>	<u>(5,725)</u>	<u>58,076</u>	<u>7,029,976</u>

(a) In 2021, the share-based payment incentive plan increased the share capital by 34,437,000 shares (2020: 63,801,000 shares).

(41) Treasury stock

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Treasury stock used for share-based payment incentive plan	6,094,347	8,665,148	(714,945)	14,044,550
Repurchased shares that have not yet been written off	-	5,000,596	(5,000,596)	-
	<u>6,094,347</u>	<u>13,665,744</u>	<u>(5,715,541)</u>	<u>14,044,550</u>
	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Treasury stock used for share-based payment incentive plan	3,759,732	2,798,468	(463,853)	6,094,347

In 2021, the Group's repurchased treasury stock amounted to approximately RMB 13,665,744,000, and the restricted shares and employee stock ownership plans granted in 2021 were approximately RMB 1,187,859,000. As at 31 December 2021, treasury stock mainly comprised treasury stock of approximately RMB 9,662,644,000 used for share-based payment incentive plan and restricted shares amounting to approximately RMB 4,381,906,000 that have not met unlock condition, amounting to approximately RMB 14,044,550,000 in total (31 December 2020: RMB 6,094,347,000).

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

(42) Capital surplus

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Share premium (a)	18,185,028	1,938,616	(5,178,730)	14,944,914
Share-based payment incentive plan (b)	1,414,842	1,516,039	(769,527)	2,161,354
Others (c)	2,888,235	737,071	(214,644)	3,410,662
	<u>22,488,105</u>	<u>4,191,726</u>	<u>(6,162,901)</u>	<u>20,516,930</u>
	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Share premium	15,683,499	2,694,886	(193,357)	18,185,028
Share-based payment incentive plan	1,443,942	1,022,236	(1,051,336)	1,414,842
Others	2,512,872	513,951	(138,588)	2,888,235
	<u>19,640,313</u>	<u>4,231,073</u>	<u>(1,383,281)</u>	<u>22,488,105</u>

- (a) The increase in share premium arose from the exercise of share options with the amount of approximately RMB 1,495,004,000, the unlocking of restricted shares with the amount of approximately RMB 443,612,000; the decrease in share premium arose from the repurchase and cancellation of restricted shares and public shares with the amount of approximately RMB 5,178,730,000.
- (b) The increase of share-based payment incentive plan arose from expenses attributable to shareholders' equity of the parent company in the share-based payment incentive plan with the amount of approximately RMB 1,516,039,000, while the decrease arose from the transfer of approximately RMB 769,527,000 to share premium due to exercise of share-based payment incentive plan.
- (c) Others in capital surplus mainly included the Group's disposal of part of the equity of Annto Logistics Supply Chain Technology Co., Ltd. to the minority shareholders without lost of control, the acquisition of the minority shareholders of GD Midea Group Wuhu Air-Conditioning Equipment Co.,Ltd. and SMC, the impact of income tax due to the exercise of the share-based payment incentive plan, etc.

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

(43) Other comprehensive income

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2021					
	31 December 2020	Attributable to the parent company after tax	Other comprehensive income transferred to retained earnings	31 December 2021	Amount arising before income tax	Less: Reclassification of other comprehensive income to profit or loss	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
Other comprehensive income items which will not be reclassified to profit or loss										
Changes arising from remeasurement of defined benefit plan	19,210	(7,172)	-	12,038	(20,242)	-	19,213	(7,172)	6,143	
Changes in fair value of investments in other equity instruments	493	424	(2,866)	(1,949)	2,238	-	-	424	1,814	
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	(86,181)	(3,032)	-	(89,213)	(3,032)	-	-	(3,032)	-	
Cash flow hedging reserve	311,341	(6,997)	-	304,344	359,992	(348,437)	(14,925)	(6,997)	3,627	
Differences on translation of foreign currency financial statements	(1,793,866)	(190,302)	-	(1,984,168)	(232,113)	-	-	(190,302)	(41,811)	
	<u>(1,549,003)</u>	<u>(207,079)</u>	<u>(2,866)</u>	<u>(1,758,948)</u>	<u>106,843</u>	<u>(348,437)</u>	<u>4,288</u>	<u>(207,079)</u>	<u>(30,227)</u>	

	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2020					
	31 December 2019	Attributable to the parent company after tax	Other comprehensive income transferred to retained earnings	31 December 2020	Amount arising before income tax	Less: Reclassification of other comprehensive income to profit or loss	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
Other comprehensive income items which will not be reclassified to profit or loss										
Changes arising from remeasurement of defined benefit plan	(92,685)	111,895	-	19,210	102,595	-	8,909	111,895	(391)	
Changes in fair value of investments in other equity instruments	-	493	-	493	(5,132)	-	(594)	493	(6,219)	
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	(65,736)	(20,445)	-	(86,181)	(20,445)	-	-	(20,445)	-	
Cash flow hedging reserve	12,620	298,721	-	311,341	348,437	(13,175)	(33,459)	298,721	3,082	
Differences on translation of foreign currency financial statements	(565,753)	(1,228,113)	-	(1,793,866)	(1,564,945)	-	-	(1,228,113)	(336,832)	
	<u>(711,554)</u>	<u>(837,449)</u>	<u>-</u>	<u>(1,549,003)</u>	<u>(1,139,490)</u>	<u>(13,175)</u>	<u>(25,144)</u>	<u>(837,449)</u>	<u>(340,360)</u>	

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

(44) Surplus reserve

	31 December 2020	Increase in the current year	31 December 2021
Statutory surplus reserve	<u>7,966,362</u>	<u>1,483,539</u>	<u>9,449,901</u>
	31 December 2019	Increase in the current year	31 December 2020
Statutory surplus reserve	<u>6,447,658</u>	<u>1,518,704</u>	<u>7,966,362</u>

In accordance with the *Company Law of the People's Republic of China* and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the losses or increase the share capital after approval from the appropriate authorities. According to a resolution at the Board of Directors' meeting, the Company appropriated 10% of net profit for the year, amounting to approximately RMB 1,483,539,000 (2020: 10% of net profit, amounting to approximately RMB 1,518,704,000) to the statutory surplus reserve in 2021.

(45) Undistributed profits

	2021	2020
Undistributed profits at the beginning of the year	87,074,453	72,713,631
Add: Net profit attributable to shareholders of the parent company for the current year	28,573,650	27,222,969
Transfer from other comprehensive income (a)	2,866	-
Less: Ordinary share dividends payable (b)	(11,052,729)	(11,122,406)
Appropriation to general risk reserve (c)	(131,938)	(221,037)
Appropriation to statutory surplus reserve (Note 4(44))	<u>(1,483,539)</u>	<u>(1,518,704)</u>
Undistributed profits at the end of the year	<u>102,982,763</u>	<u>87,074,453</u>

- (a) In 2021, due to the Group's strategic adjustment, certain investments in other equity instruments were disposed. Accordingly, the amount of approximately RMB 2,866,000 accumulated in other comprehensive income was transferred to undistributed profits.

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

(45) Undistributed profits (Cont'd)

(b) Ordinary share dividends distributed in the current year

In accordance with the resolution at the Board of Shareholders' meeting, dated 26 May 2021, the Company distributed a cash dividend to the shareholders at RMB 1.60 per share, amounting to approximately RMB 11,066,392,000 calculated by 6,913,968,000 issued shares less those repurchased; 5,873,000 repurchased incentive shares in the restricted shares incentive plan were written off (Note 4(40)), and cash dividend amounting to approximately RMB 13,663,000 was cancelled. The actual cash dividend distributed in the current year amounted to approximately RMB 11,052,729,000.

(c) General risk reserve

In 2021, according to the *Notice on Strengthening the Supervision and Administration of Commercial Factoring Enterprises* issued by China Banking and Insurance Regulatory Commission and the *Administrative Measures for the Provision of Reserves of Financial Enterprises* issued by the Ministry of Finance, certain subsidiaries of the Group provided general risk reserve amounting to approximately RMB 131,938,000 (2020: RMB 221,037,000).

(46) Operating revenue and cost of sales

	2021	2020
Revenue from main operations	308,297,360	261,474,699
Revenue from other operations	<u>32,935,848</u>	<u>22,746,550</u>
	<u>341,233,208</u>	<u>284,221,249</u>
	2021	2020
Cost of sales from main operations	235,092,045	196,750,179
Cost of sales from other operations	<u>29,433,954</u>	<u>20,048,234</u>
	<u>264,525,999</u>	<u>216,798,413</u>

(a) Revenue and cost of sales from main operations

	2021		2020	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
HVAC	141,879,146	112,012,603	121,215,043	93,458,352
Consumer appliances	131,866,099	95,279,340	113,890,764	81,538,458
Robotics and automation system	27,281,328	21,349,939	21,588,782	17,297,837
Others	<u>7,270,787</u>	<u>6,450,163</u>	<u>4,780,110</u>	<u>4,455,532</u>
	<u>308,297,360</u>	<u>235,092,045</u>	<u>261,474,699</u>	<u>196,750,179</u>

In 2021, 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 (2020: over 80%).

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

(46) Operating revenue and cost of sales (Cont'd)

(b) Revenue and cost of sales from other operations

	2021		2020	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Revenue from sales of materials	29,458,918	28,637,352	20,190,867	19,378,005
Others	3,476,930	796,602	2,555,683	670,229
	<u>32,935,848</u>	<u>29,433,954</u>	<u>22,746,550</u>	<u>20,048,234</u>

In 2021, cost of sales from other operations was mainly material costs, which accounted for over 80% of total cost of sales from other operations (2020: over 80%).

- (c) In 2021, among the Group's revenue from main operations, the amount recognised at a point in time accounted for above 90% (2020: above 90%) of the total amount 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.

(47) Interest income and interest costs

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

	2021	2020
Interest income from loans and advances	1,818,709	1,229,255
Including: Interest income from loans and advances to corporations and individuals	1,710,237	1,072,209
Interest income from note discounting	108,472	157,046
Interest income from deposits with banks, other financial institutions and the Central Bank	308,334	258,956
Interest income	<u>2,127,043</u>	<u>1,488,211</u>
Interest costs	<u>(87,066)</u>	<u>(105,168)</u>
	<u>2,039,977</u>	<u>1,383,043</u>

(48) Taxes and surcharges

	2021	2020
City maintenance and construction tax	593,476	642,902
Educational surcharge	438,826	470,229
Others	577,082	420,515
	<u>1,609,384</u>	<u>1,533,646</u>

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

(49) Selling and distribution expenses

	2021	2020
Selling and distribution expenses	<u>28,647,344</u>	<u>23,563,455</u>

In 2021, 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 (2020: over 70%).

(50) General and administrative expenses

	2021	2020
General and administrative expenses	<u>10,266,283</u>	<u>9,264,148</u>

In 2021, 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 80% of total general and administrative expenses (2020: over 70%).

(51) R&D expenses

	2021	2020
R&D expenses	<u>12,014,907</u>	<u>10,118,667</u>

In 2021, 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 (2020: over 80%).

(52) Financial income

The Group's financial income, other than those arising from financial business (Note 4(47)), are presented as follows:

	2021	2020
Interest expenses (a)	(1,357,564)	(1,305,591)
Less: Interest income	5,181,658	3,663,028
Exchange gains or losses	798,120	446,352
Others	<u>(236,103)</u>	<u>(165,757)</u>
	<u>4,386,111</u>	<u>2,638,032</u>

(a) In 2021, interest costs on lease liabilities of the Group amounted to approximately RMB 104,903,000.

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

(53)	Asset impairment losses		
		2021	2020
	Losses on decline in the value of inventories (Note 4(10))	447,348	355,695
	Impairment losses on construction in progress	35,022	45,975
	Impairment losses on contract assets	1,050	52,153
	Impairment losses on fixed assets (Note 4(17))	-	54,010
	Impairment losses on intangible assets (Note 4(20))	-	197,376
		<u>483,420</u>	<u>705,209</u>
(54)	Credit impairment losses		
		2021	2020
	Losses on bad debts of accounts receivable (Note 4(4))	85,189	87,259
	Losses on bad debts of other receivables (Note 4(5))	115,463	4,278
	Losses on bad debts of notes receivable (Note 4(3))	31,277	347
	Impairment losses on loans and advances (Note 4(9))	142,943	155,721
	Impairment losses on long-term receivables (Note 4(14))	8,579	-
		<u>383,451</u>	<u>247,605</u>
(55)	Gains or losses on changes in fair value		
		2021	2020
	Derivative financial assets and liabilities	129,248	86,950
	Other financial assets	(295,654)	1,676,000
		<u>(166,406)</u>	<u>1,762,950</u>

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[English translation for reference only]**4 Notes to the consolidated financial statements (Cont'd)****(56) Investment income**

	2021	2020
Investment income from associates	560,679	402,528
Investment income from holding of financial assets held for trading	635,828	1,598,107
Investment income from disposal of derivative financial assets and liabilities	510,932	122,576
Investment income from disposal of financial assets held for trading	150,075	295,802
Others (i)	508,259	(56,551)
	<u>2,365,773</u>	<u>2,362,462</u>

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

- (i) As disclosed in Note 4(3)(b), few of notes receivables were discounted and derecognised by certain subsidiaries of the Group, with loss incurred of approximately RMB 7,512,000 included in investment income for the current period.

(57) Gains/(Losses) on disposal of assets

	2021	2020
Gains on disposal of non-current assets	110,439	26,876
Losses on disposal of non-current assets	(52,182)	(87,399)
	<u>58,257</u>	<u>(60,523)</u>

(58) Other income

	2021	2020	Asset related/ Income related
Special subsidy	<u>1,307,504</u>	<u>1,424,090</u>	Income related

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4 Notes to the consolidated financial statements (Cont'd)**(59) Income tax expenses**

	2021	2020
Current income tax calculated based on tax law and related regulations	5,959,551	4,928,687
Deferred income tax	<u>(1,257,383)</u>	<u>(771,690)</u>
	<u>4,702,168</u>	<u>4,156,997</u>

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:

	2021	2020
Total profit	<u>33,717,544</u>	<u>31,663,539</u>
Income tax calculated at tax rate of 25%	8,429,386	7,915,885
Effect of different tax rates applicable to subsidiaries	(2,703,750)	(3,314,153)
Effect of income tax annual filing for prior periods	1,453	(241,941)
Income not subject to tax	(566,876)	(163,339)
Costs, expenses and losses not deductible for tax purposes	476,697	459,501
Utilisation of previous temporary differences or deductible losses for which no deferred tax assets were recognised in prior periods	(75,134)	(33,534)
Others	<u>(859,608)</u>	<u>(465,422)</u>
Income tax expenses	<u>4,702,168</u>	<u>4,156,997</u>

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

(60) 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:

	Unit	2021	2020
Consolidated net profit attributable to ordinary shareholders of the parent company	RMB'000	28,573,650	27,222,969
Less: Dividends payable to restricted shares	RMB'000	<u>(82,152)</u>	<u>(64,930)</u>
		28,491,498	27,158,039
Weighted average number of outstanding ordinary shares	Thousand shares	<u>6,837,497</u>	<u>6,908,891</u>
Basic earnings per share	RMB Yuan/share	<u>4.17</u>	<u>3.93</u>
Including:			
- Basic earnings per share from continuing operations:		4.17	3.93
- Basic earnings per share for discontinued operations:		<u>-</u>	<u>-</u>

(b) Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the diluted weighted average number of outstanding ordinary shares:

	Unit	2021	2020
Consolidated net profit attributable to ordinary shareholders of the Company	RMB'000	<u>28,573,650</u>	<u>27,222,969</u>
Weighted average number of outstanding ordinary shares	Thousand shares	6,837,497	6,908,891
Weighted average number of ordinary shares increased from share-based payment	Thousand shares	<u>68,827</u>	<u>63,495</u>
Weighted average number of diluted outstanding ordinary shares	Thousand shares	<u>6,906,324</u>	<u>6,972,386</u>
Diluted earnings per share	RMB Yuan/share	<u>4.14</u>	<u>3.90</u>

(61) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	2021	2020
Other income	1,749,871	1,522,883
Revenue from other operations	3,373,578	2,450,466
Non-operating income	568,484	383,436
Financial income - interest income	323,155	441,016
Others	<u>585,734</u>	<u>153,073</u>
	<u>6,600,822</u>	<u>4,950,874</u>

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

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

(b) Cash paid relating to other operating activities

	2021	2020
Selling and distribution expenses (excluding employee benefits and taxes and surcharges)	22,917,401	22,851,294
General and administrative expenses and R&D expenses (excluding employee benefits and taxes and surcharges)	10,886,493	10,305,790
Others	421,836	1,276,110
	<u>34,225,730</u>	<u>34,433,194</u>

(c) Supplementary information to the cash flow statement

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

	2021	2020
Net profit	29,015,376	27,506,542
Add: Asset impairment losses	483,420	705,209
Credit impairment losses	383,451	247,605
Depreciation and amortisation	6,182,852	5,020,256
(Gains)/Losses on disposal of assets	(58,257)	60,523
Gains or losses on changes in fair value	166,406	(1,762,950)
Financial income	(3,119,978)	(1,714,530)
Investment income	(2,365,773)	(2,362,462)
Increase in deferred tax assets	(779,754)	(1,424,584)
(Decrease)/Increase in deferred tax liabilities	(647,495)	625,273
Increase in inventories	(15,201,834)	(1,803,072)
Increase in operating receivables	(5,453,539)	(16,538,695)
Increase in operating payables	24,908,660	19,916,109
Share-based payments and others	1,578,169	1,081,893
Net cash flows from operating activities	<u>35,091,704</u>	<u>29,557,117</u>
Net increase/(decrease) in cash and cash equivalents:		
Cash and cash equivalents at the end of the year	40,550,039	23,548,508
Less: Cash and cash equivalents at the beginning of the year	<u>(23,548,508)</u>	<u>(30,441,760)</u>
Net increase/(decrease) in cash and cash equivalents	<u>17,001,531</u>	<u>(6,893,252)</u>

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

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

(d) Cash payments relating to other financing activities

	31 December 2021	31 December 2020
Repurchase of outstanding shares	13,665,744	2,798,468
Others	1,564,540	530,266
	<u>15,230,284</u>	<u>3,328,734</u>

(e) Composition of cash and cash equivalents

	31 December 2021	31 December 2020
Cash on hand	1,609	2,538
Cash at bank that can be readily drawn on demand	17,923,603	14,185,834
Deposits with the Central Bank that can be readily drawn on demand	272,949	344,860
Deposits with banks and other financial institutions that can be readily drawn on demand	22,351,878	9,015,276
Cash and cash equivalents at the end of the year	<u>40,550,039</u>	<u>23,548,508</u>

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

(62) Monetary items denominated in foreign currencies

	31 December 2021		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand			
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	<u>1,452,778</u>
Sub-total			<u>8,833,518</u>
Accounts receivable			
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	<u>2,475,054</u>
Sub-total			<u>13,987,239</u>
Other receivables			
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	<u>328,047</u>
Sub-total			<u>1,918,374</u>

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

(62) Monetary items dominated in foreign currencies (Cont'd)

	31 December 2021		
	Foreign currency balance	Exchange rate	RMB balance
Short-term borrowings			
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			<u>2,543,315</u>
Accounts payable			
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			<u>6,266,495</u>
Other payables			
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			<u>609,664</u>
Current portion of non-current liabilities			
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			<u>28,303,776</u>
Long-term borrowings			
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			<u>7,224,120</u>
Lease liabilities			
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			<u>841,204</u>

Foreign currencies in which the above monetary items are denominated refer to all currencies other than RMB.

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

(62) Monetary items dominated in foreign currencies (Cont'd)

	31 December 2020		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand			
USD	606,052	6.5249	3,954,427
JPY	12,604,953	0.0632	796,633
HKD	2,415,846	0.8416	2,033,176
EUR	118,549	8.0250	951,354
BRL	285,067	1.2556	357,930
VND	508,313,333	0.0003	152,494
Other currencies	Not applicable	Not applicable	1,422,214
Sub-total			<u>9,668,228</u>
Accounts receivable			
USD	1,275,071	6.5249	8,319,713
JPY	12,798,608	0.0632	808,872
HKD	11,535	0.8416	9,708
EUR	361,026	8.0250	2,897,230
BRL	677,500	1.2556	850,669
VND	2,435,706,667	0.0003	730,712
Other currencies	Not applicable	Not applicable	2,034,429
Sub-total			<u>15,651,333</u>
Other receivables			
USD	144,189	6.5249	940,820
JPY	1,329,367	0.0632	84,016
HKD	10,903	0.8416	9,176
EUR	55,540	8.0250	445,707
BRL	179,288	1.2556	225,114
Other currencies	Not applicable	Not applicable	253,468
Sub-total			<u>1,958,301</u>

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

(62) Monetary items dominated in foreign currencies (Cont'd)

	31 December 2020		
	Foreign currency balance	Exchange rate	RMB balance
Short-term borrowings			
USD	280,000	6.5249	1,826,972
EUR	154,489	8.0250	1,239,777
BRL	105,884	1.2556	132,948
Other currencies	Not applicable	Not applicable	122,280
Sub-total			3,321,977
Accounts payable			
USD	280,661	6.5249	1,831,288
JPY	5,637,532	0.0632	356,292
HKD	14,244	0.8416	11,988
EUR	156,419	8.0250	1,255,266
BRL	222,265	1.2556	279,076
Other currencies	Not applicable	Not applicable	1,656,574
Sub-total			5,390,484
Other payables			
USD	12,737	6.5249	83,109
JPY	7,245,791	0.0632	457,934
HKD	7,272	0.8416	6,120
EUR	1,182	8.0250	9,485
Other currencies	Not applicable	Not applicable	173,688
Sub-total			730,336
Current portion of non-current liabilities			
USD	3,769	6.5249	24,593
EUR	276,000	8.0250	2,214,900
Other currencies	Not applicable	Not applicable	22,833
Sub-total			2,262,326
Long-term borrowings			
USD	140,061	6.5249	913,886
EUR	3,944,261	8.0250	31,652,691
JPY	69,460,000	0.0632	4,392,373
Other currencies	Not applicable	Not applicable	3,039
Sub-total			36,961,989

Foreign currencies in which the above monetary items are denominated refer to all currencies other than RMB.

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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 Hitachi Compressor (Thailand) Ltd., in March 2021 and Wandong Medical in May 2021.

The above acquisitions had 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 and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Hainan Midea International Logistics Technology Co., Ltd. in January 2021, 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 Hainan Midea Household Kitchen Appliance Manufacturing Co., Ltd. in January 2021, 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 Hainan Midea HVAC Equipment Co., Ltd. in January 2021, 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 Hainan Meizhi Canghai E-commerce Services Co., Ltd. in January 2021, 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 Hainan Meizhi Hangjian Electric Appliance Co., Ltd. in January 2021, 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 Hainan Zhiwei Electric Appliance Co., Ltd. in January 2021, 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 MiSilicon Semiconductor Technologies Co., Ltd. in January 2021, 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 Midea Family Cultural Creativity & Technologies (Shanghai) Corporation in January 2021, holding 95% and 5% of the shares respectively.

Guangdong Welling Motor Manufacturing Co., Ltd., a wholly-owned subsidiary of the Company, established Hainan Welling Motor Sales Co., Ltd. in January 2021, holding 100% of the shares.

Midea Electrics Netherlands B.V., a wholly-owned subsidiary of the Company, established Meco Innovations Technology, LLC in January 2021, holding 100% of the shares.

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5 Changes of consolidation scope (Cont'd)

(2) Changes in consolidation scope due to other reasons (Cont'd)

(a) Increase of consolidation scope (Cont'd)

Annto Logistics Supply Chain Technology Co., Ltd. and Foshan Annto Logistics Technology Co., Ltd., the Company's subsidiaries, established Hainan Annto Logistics Supply Chain Management Co., Ltd. in January 2021, holding 99% and 1% of the shares respectively.

Wuxi Little Swan Electric Co., Ltd. and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Hainan Midea Refrigerator & Laundry Appliance Sales Co., Ltd. in January 2021, 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 Midea (Beijing) Technology Group Co., Ltd. in February 2021, 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 Midea (Hainan) Cross-border E-commerce Co., Ltd. in February 2021, 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 Midea Investment Co., Ltd. in February 2021, holding 90% and 10% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Wuhu Midea Smart Kitchen Appliances Manufacturing Co., Ltd. in February 2021, holding 95% and 5% of the shares respectively.

Foshan Shunde Midea Household Appliances Industry Co., Ltd., a wholly-owned subsidiary of the Company, and Foshan Shunde Shunsheng Investment Development Co., Ltd., established Guangdong Midea Supply Chain Finance Co., Ltd. in March 2021, holding 85% and 15% of the shares respectively.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Handan Midea Smart Kitchen Appliances Manufacturing Co., Ltd. in March 2021, 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 Hefei Midea Biomedical Co., Ltd. in March 2021, holding 95% and 5% of the shares respectively.

Midea Group (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, established Zhejiang Meiqin Maternity & Baby Products Co., Ltd. in March 2021, holding 100% of the shares.

Midea Group (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, established Zhejiang Meixin Pet Technology Co., Ltd. in March 2021, holding 100% of the shares.

The Company and Foshan Midea Air-conditioning Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Midea (Hangzhou) E-commerce Co., Ltd. in April 2021, holding 95% and 5% of the shares respectively.

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5 Changes of consolidation scope (Cont'd)

(2) Changes in consolidation scope due to other reasons (Cont'd)

(a) Increase of consolidation scope (Cont'd)

Guangdong Meicloud Technology Co., Ltd., the Company's subsidiary, established Wuhan Midea Cloud Technology Co., Ltd. in April 2021, holding 100% of the shares.

Foshan Shunde Midea Household Appliances Industry Co., Ltd., and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Tianjin Midea Financial Leasing Co., Ltd. in May 2021, holding 95% and 5% of the shares respectively.

Swisslog Malaysia Sdn Bhd and Swisslog Singapore Pte Ltd., the Company's subsidiaries, established PT Swisslog Logistics Automation in May 2021, 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 Hubei Midea Commercial Refrigeration Equipment Co., Ltd. in June 2021, holding 95% and 5% of the shares respectively.

The Company and Midea Group (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, established Guangdong Jiya Precision Machinery Technology Co., Ltd. in July 2021, holding 90% and 10% of the shares respectively.

Wuxi Little Swan Electric Co., Ltd. and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Little Swan (Wuxi) Cross-border E-commerce Co., Ltd. in July 2021, holding 95% and 5% of the shares respectively.

Midea Group (Shanghai) Co., Ltd. and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Eureka Intelligent Technology Co., Ltd. in August 2021, holding 95% and 5% of the shares respectively.

Guangdong Meicloud Technology Co., Ltd., a wholly-owned subsidiary of the Company, established Suzhou Midea Cloud Technology Co., Ltd. in September 2021, holding 100% of the shares.

Midea Group (Shanghai) Co., Ltd. and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Hubei Midea Building Technology Co., Ltd. in November 2021, holding 95% and 5% of the shares respectively.

Midea Group (Shanghai) Co., Ltd. and Foshan Midea Air-conditioning Industry Investment Co., Ltd., the Company's wholly-owned subsidiaries, established Mement Science and Technology Co., Ltd. in November 2021, holding 95% and 5% of the shares respectively.

Beijing Hiconics Eco-energy Frequency Conversion Technology Co., Ltd., the Company's subsidiary, established Wuhu Jumei New Energy Co., Ltd. in November 2021, holding 100% of the shares.

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5 Changes of consolidation scope (Cont'd)

(2) Changes in consolidation scope due to other reasons (Cont'd)

(a) Increase of consolidation scope (Cont'd)

Western-style Electric Products Company, a wholly-owned subsidiary of the Company, established Hangzhou Long-termism Tech Co., Ltd. in December 2021, holding 100% of the shares.

Maytech Technology Co., LTD., the Company's subsidiary, established Midea Robometa Technology Co., Ltd. in December 2021, holding 100% of the shares.

(b) Decrease of consolidation scope

Decrease of consolidation scope in the current year mainly includes deregistration of subsidiaries. Details are as follows:

Name of company	Disposal method of the equity	Disposal time-point of the equity
Reis Espana S.L.	Deregistration	January 2021
Hiconics International Financial Leasing Co., Ltd.	Change of equity	January 2021
Beijing Ruihe New Energy Technology Co., Ltd.	Change of equity	January 2021
Jiangsu Little Swan Marketing and Sales Co., Ltd.	Deregistration	March 2021
Wuhan Hiconics Intelligent Electric Co., Ltd.	Change of equity	March 2021
Guangzhou Chang Dee Technology Co., Ltd.	Change of equity	March 2021
Wuhan Hiconics Power Technology Co., Ltd.	Change of equity	April 2021
Wuxi Little Swan Import and Export Co., Ltd.	Deregistration	June 2021
Toshiba Home Appliances Manufacturing (Shenzhen) Co., Ltd.	Deregistration	June 2021
Zhengzhou Chang Dee Technology Co., Ltd.	Change of equity	June 2021
Hangzhou Fields Technology Co., Ltd.	Deregistration	June 2021
Pingdingshan Changdi Technology Co., Ltd.	Change of equity	August 2021
Sloan Elevator (Guangdong) Co., Ltd.	Deregistration	August 2021
Changzhou Honglu Huate Motor Co., Ltd.	Deregistration	September 2021
Shenzhen Sunye Electric Co., Ltd.	Deregistration	September 2021
Ningbo Annto Logistics Technology Co., Ltd.	Deregistration	December 2021
Changzhou Welling Motor Manufacturing Co., Ltd.	Deregistration	December 2021
Reis GmbH	Deregistration	December 2021
Verwaltungsgesellschaft Walter Reis GmbH	Deregistration	December 2021
Walter Reis GmbH&Co KG	Deregistration	December 2021
KUKA Industries GmbH & Co. KG	Deregistration	December 2021

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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 combination involving enterprises under common control
Wuxi Little Swan Electric Co., Ltd.	Wuxi, PRC	Wuxi, PRC	Manufacture of washing machine	100%	-	Establishment
Midea Electric Trading (Singapore) Co., Pte. Ltd.	Singapore	Singapore	Export trade	-	100%	Establishment

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6 Interests in other entities (Cont'd)

(1) Interests in subsidiaries (Cont'd)

(a) Composition of significant subsidiaries (Cont'd)

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
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	-	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%	-	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) Interest in associates

The Group's associates have no significant influence on the Group and are summarised as follows:

	2021	2020
Aggregated carrying amount of investments	<u>3,796,705</u>	<u>2,901,337</u>
Aggregate of the following items in proportion		
Net profit (i)	560,679	402,528
Other comprehensive income (i)	<u>(3,032)</u>	<u>(20,445)</u>
Total comprehensive income	<u>557,647</u>	<u>382,083</u>

(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.

(ii) The adoption of the new financial instruments standards, new revenue standard and new lease standard by the Group's associates exerted no significant impact on the opening balances of the financial statements for the year ended 31 December 2021.

7 Segment information

The reportable segments of the Group are the business units that provide different products or service, 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 each segment are allocated to the segments 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 income.

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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 year ended 31 December 2021 is as follows:

	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Elimination	Total
Revenue from external customers	165,428,603	140,406,787	27,545,334	9,980,101	-	343,360,825
Inter-segment revenue	3,548,892	497,761	255,284	8,032,181	(12,334,118)	-
Operating expenses	(155,063,889)	(127,385,637)	(27,349,260)	(15,285,750)	12,306,649	(312,777,887)
Segment profit	13,913,606	13,518,911	451,358	2,726,532	(27,469)	30,582,938
Other profit or loss						3,134,606
Total profit						33,717,544
Total assets	159,934,918	150,200,053	34,442,640	186,546,737	(143,178,244)	387,946,104
Total liabilities	116,536,045	115,848,036	23,383,691	167,205,006	(169,851,750)	253,121,028
Long-term equity investments in associates	312,249	109,982	36,564	3,337,910	-	3,796,705
Investment income from associates	185,835	5,976	2,182	366,686	-	560,679
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	4,946,978	2,923,405	981,504	3,996,272	-	12,848,159
Asset impairment losses	85,227	292,077	95,462	10,654	-	483,420
Losses on/(Reversal of) credit impairment	76,301	(84,444)	82,143	383,414	(73,963)	383,451
Depreciation of right-of-use assets	73,261	163,480	275,105	400,612	-	912,458
Depreciation and amortisation	2,075,059	1,441,245	1,161,783	592,307	-	5,270,394

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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 year ended 31 December 2020 is as follows:

	Heating & ventilation, as well as air-conditioner	Consumer appliances	Robotics and automation system	Other segments and unallocated	Elimination	Total
Revenue from external customers	137,750,899	120,229,314	21,743,789	5,985,727	-	285,709,729
Inter-segment revenue	2,969,649	417,949	174,762	7,504,091	(11,066,451)	-
Operating expenses	(127,623,183)	(107,643,923)	(23,045,690)	(11,197,652)	10,758,011	(258,752,437)
Segment profit	13,097,365	13,003,340	(1,127,139)	2,292,166	(308,440)	26,957,292
Other profit or loss						4,706,247
Total profit						31,663,539
Total assets	141,224,648	126,922,410	34,082,837	174,557,282	(116,404,574)	360,382,603
Total liabilities	100,386,504	100,604,599	24,094,633	150,399,172	(139,339,405)	236,145,503
Long-term equity investments in associates	240,925	124,128	31,877	2,504,407	-	2,901,337
Investment income from associates	115,265	12,692	(19,464)	294,035	-	402,528
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	2,958,978	1,558,622	1,872,743	352,374	-	6,742,717
Asset impairment losses (Reversal of)/losses on credit impairment	22,389 (11,271)	252,621 (79,131)	424,710 25,641	5,489 311,653	- 713	705,209 247,605
Depreciation and amortisation	1,660,118	1,629,611	1,104,376	626,151	-	5,020,256

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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, Hong Kong, Singapore, Japan, the USA, Italy, South America, etc.) are as follows:

Revenue from external customers	2021	2020
Domestic	205,706,997	164,628,321
In other countries/geographical areas	137,653,828	121,081,408
	<u>343,360,825</u>	<u>285,709,729</u>
Total non-current assets	31 December 2021	31 December 2020
Domestic	31,293,535	24,258,048
In other countries/geographical areas	16,863,065	17,715,088
	<u>48,156,600</u>	<u>41,973,136</u>

In 2021 and 2020, revenue from each individual customer is lower than 10% of the Group's total revenue.

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

	31 December 2021 and 31 December 2020
Midea Holding Co., Ltd.	<u>330,000</u>

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9 Related parties and significant related party transactions (Cont'd)

(1) Information of the parent company (Cont'd)

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

	31 December 2021		31 December 2020	
	Shareholding (%)		Shareholding (%)	
	Direct	Indirect	Direct	Indirect
Midea Holding Co., Ltd.	31.05%	-	30.86%	-
		31.05%		30.86%

(2) Information of the Company's subsidiaries

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

(3) Information of other related parties

Name of other related parties	Relationship
Guangdong Wellkey Electrician Material Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholder within the past 12 months
Anhui Wellkey Electrician Material Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholder within the past 12 months
Orinko New Material Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholder
Guangdong Infore Material-Tech Co., Ltd.	Under the common control of the direct relatives of the Company's ultimate controlling shareholder
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Under the common control of 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 with major related parties are conducted in accordance with normal commercial terms by both parties involved and by making reference to the market price.

(a) Purchase of goods:

Related parties	Content of related party transactions	2021	2020
Guangdong Wellkey Electrician Material Co., Ltd.	Purchase of goods	958,908	708,793
Foshan Micro Midea Filter Mfg. Co., Ltd	Purchase of goods	358,641	312,860
Anhui Wellkey Electrician Material Co., Ltd.	Purchase of goods	522,549	242,408
Orinko New Material Co., Ltd.	Purchase of goods	1,506,809	1,238,817
		<u>3,346,907</u>	<u>2,502,878</u>

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9 Related parties and significant related party transactions (Cont'd)

(4) Information of related party transactions (Cont'd)

(b) Sales of goods

Related parties	Content of related party transactions	2021	2020
Guangdong Ruizhu Intelligent Technology Co., Ltd.	Sales of goods	<u>202,625</u>	<u>198,903</u>

(c) Investment income and interest income

	2021	2020
Guangdong Shunde Rural Commercial Bank Co., Ltd.	<u>223,659</u>	<u>130,457</u>

(d) Remuneration of key management

	2021	2020
Remuneration of key management	<u>83,530</u>	<u>76,940</u>

(5) Balances with related parties

	31 December 2021	31 December 2020
Cash at bank and on hand, other debt investments and current portion of non-current assets, etc.	<u>6,218,638</u>	<u>3,653,592</u>
	31 December 2021	31 December 2020
Accounts payable		
Guangdong Wellkey Electrician Material Co., Ltd.	186,309	133,290
Foshan Micro Midea Filter Mfg. Co., Ltd	80,498	62,837
Anhui Wellkey Electrician Material Co., Ltd.	96,106	53,889
Orinko New Material Co., Ltd.	<u>150,002</u>	<u>218,888</u>
Notes payable		
Guangdong Wellkey Electrician Material Co., Ltd.	<u>54,613</u>	<u>52,246</u>

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10 Share-based payment

(1) Share option incentive plan

- (a) Pursuant to the eighth share option incentive plan (the “Eighth Share Option Incentive Plan”) approved at the 2020 annual shareholders’ meeting in 2021, the Company granted 82,260,000 share options with exercise price of RMB 81.41 to 1,897 employees. Under the circumstance that the Company meets expected performance, 30%, 30%, 40% of the total share options granted will become effective after 2 years, 3 years and 4 years respectively since 4 June 2021.

Determination method for fair value of share options at the grant date

Exercise price of options:	RMB 81.41
Effective period of options:	5 years
Current price of underlying shares:	RMB 77.73
Estimated fluctuation rate of share price:	35.78%
Estimated dividend rate:	2.42%
Risk-free interest rate within effective period of options:	2.34%

The fair value of the Eighth Share Option Incentive Plan calculated pursuant to the above parameters is: RMB 1,457,678,000.

(b) Movements in share options during the year

	2021 (Share in thousands)
Share options issued at the beginning of the year	168,231
Share options granted during the year	82,260
Share options exercised during the year	(34,437)
Share options lapsed during the year	(17,284)
Share options issued at the end of the year	<u>198,770</u>

As at 31 December 2021, 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 3 June 2026.

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10 Share-based payment (Cont'd)

(2) Restricted share plan

(a) Pursuant to the restricted shares incentive plan for 2021 approved at the 2020 annual shareholders' meeting in 2021 (the "Restricted Shares Incentive Plan for 2021"), the Company granted 9,940,000 restricted shares with exercise price of RMB 39.92 to 139 employees. Under the circumstance that the Company meets expected performance, 30%, 30%, 40% of the total restricted shares granted will be unlocked after 2 years, 3 years and 4 years respectively since 4 June 2021. The listing date for the granted restricted shares of this plan is 16 July 2021.

(b) Movements in restricted shares during the year

	2021 (Share in thousands)
Restricted shares issued at the beginning of the year	74,082
Restricted shares granted during the year	9,940
Restricted shares unlocked during the year	(15,882)
Restricted shares lapsed during the year	(5,873)
Restricted shares issued at the end of the year	<u>62,267</u>

(3) Employee stock ownership plan

Pursuant to the seventh stock ownership plan of the Midea Global Partner Plan (the "Seventh Global Partner Plan") approved at the shareholders' meeting for the year ended 31 December 2020 held during the year 2021, the Company would purchase a total of 2,436,518 shares of Midea Group from the secondary market, with an average purchase price of RMB 82.70 per share and the purchase fund was the special fund of approximately RMB 201,500,000 accrued by the Company. The Company then entrusted China International Capital Corporation Limited ("CICC") to provide an asset management plan. The lock-up period of shares under this plan is from 4 August 2021 to 4 August 2022.

Pursuant to the fourth stock ownership plan of the Midea Business Partner Plan (the "Fourth Business Partner Plan") approved at the shareholders' meeting for the year ended 31 December 2020 held during the year 2021. The Company would purchase a total of 1,985,611 shares of Midea Group from the secondary market, with an average purchase price of RMB 82.70 per share. The purchase fund was the special fund for the stock ownership plan and part of performance bonus for management of approximately RMB 164,210,000 in total accrued by the Company. The Company then entrusted CICC to provide an asset management plan. The lock-up period of shares under this plan is from 13 August 2021 to 13 August 2022.

(4) The total expenses due to the above share-based payment incentive plan, which were granted, recognised for the year ended 31 December 2021 were approximately RMB 1,578,070,000 (2020: RMB 1,077,550,000). As at 31 December 2021, the balance relating to the share-based payment incentive plan and accrued from capital surplus was approximately RMB 2,161,354,000 (31 December 2020: RMB 1,414,842,000).

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11 Contingencies

As at 31 December 2021, the amount in tax disputes involving Brazilian subsidiary with 51% interests held by the Company was about BRL 614 million (equivalent to about RMB 702 million) (Some cases have lasted for more than 10 years. The above amount included the principal and interest). As at the date on which the financial statements were authorised for issue, relevant cases is still at court. With reference to judgements of third-party attorneys, management believes that the probability of losing lawsuits and making compensation is small, and has accrued sufficient amount of provisions based on the probability of making compensation. In addition, original shareholders of Brazilian subsidiary have agreed to compensate the Company according to verdict results of the above tax disputes. The maximum compensation amount is about BRL 157 million (equivalent to RMB 179 million).

12 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	31 December 2021	31 December 2020
Buildings, machinery and equipment	<u>5,990,809</u>	<u>2,896,245</u>

13 Events after the balance sheet date

(1) Repurchased shares

Pursuant to the *Proposal on the Scheme for the Repurchase of Certain Social Public Shares* approved at the sixth meeting of the fourth Board of Directors dated 10 March 2022, the Company is allowed to use its own funds to repurchase some of the Company's shares through centralised price bidding, with number of shares to be repurchased ranging from 35,714,285 to 71,428,571 and purchase price not exceeding RMB 70 per share. The scheme is to be implemented within 12 months from the date of approval by the Board of Directors. As at the date on which the financial statements were authorised for issue, the Group has repurchased approximately 947,400 shares, and purchase price was approximately RMB 53,910,000.

(2) Overview of profit distribution

On 28 April 2022, on the basis of the total shares 6,869,123,038 to be distributed (total existing 6,997,053,441 shares net of repurchased 127,930,403 shares) of the Company, the Board of Directors proposed a distribution of cash dividends of approximately RMB 11,677,509,000 at RMB 17 every 10 shares (including tax). Such proposal is pending for approval at the shareholders' meeting. The distribution of cash dividends proposed after the balance sheet date is not recognised as liabilities at the balance sheet date.

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14 Operating lease proceeds after the balance sheet date

As the lessor, the Group's undiscounted lease proceeds receivable after the balance sheet date are as follows:

	31 December 2021
Within 1 year	53,370
1 to 2 years	52,871
2 to 3 years	45,965
3 to 4 years	44,678
4 to 5 years	43,903
Over 5 years	501,571
	<u>742,358</u>

15 Financial instruments and risks

The Group is exposed to various financial risks in the ordinary course of business, mainly including:

- Market risk (mainly including foreign exchange risk, interest rate risk and other price risk)
- Credit risk
- Liquidity risk

The following mainly relates to the above risk exposures and relevant causes, objectives, policies and process of risk management, method of risk measurement, etc.

The objective of the Group's risk management is to seek balance between risk and income, minimising the adverse impact of financial risks on the Group's financial performance. Pursuant to the risk management objective, the Group has made risk management policies to identify and analyse the risks it is exposed to and set appropriate risk resistant level and design relevant internal control procedures to monitor the Group's risk level. The Group reviews regularly these risk management policies and relevant internal control systems to adapt to changes in market condition or its operating activities.

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15 Financial instruments and risks (Cont'd)

(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. 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 31 December 2021, the Group's long-term interest bearing borrowings at floating rates amounted to RMB 891,817,000 (31 December 2020: RMB 933,886,000) (Note 4(36)).

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. The Group 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.

As at 31 December 2021, if the borrowing rate had risen or fallen by 50 base points while other factors had been remained constant, the Group's profit before tax would decrease or increase by approximately RMB 4,459,000 (31 December 2020: RMB 4,669,000).

(c) Other price risk

The Group's other price risk arises mainly from financial assets held for trading (Note 4(2)), other non-current financial assets (Note 4(16)) and investments in other equity instruments measured at fair value. As at 31 December 2021, if expected price of the investments held by the Group fluctuated, the Group's gains or losses on changes in fair value and other comprehensive income would be affected accordingly.

As at 31 December 2021, if the Group's expected price of equity instruments investment had risen or fallen by 10% while other factors had been remained constant, the Group would have an increase or decrease in profit before tax amounting to approximately RMB 723,234,000 (31 December 2020: approximately RMB 567,581,000), and an increase or decrease in other comprehensive income amounting to approximately RMB 4,574,700 (31 December 2020: approximately RMB 4,665,000).

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15 Financial instruments and risks (Cont'd)

(2) Credit risk

Credit risk is managed on the grouping basis. 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, lease receivables, other debt investments, other current assets, other non-current assets and derivative financial assets at fair value through profit or loss that are not included in the impairment assessment scope.

The Group expects that there is no significant credit risk associated with cash at bank, deposits with the Central Bank and deposits with banks and other financial institutions since they are deposited at state-owned banks and other medium or large size listed banks with good reputation and high credit rating. Management 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, contract assets, loans and advances, other receivables, lease receivables, fixed-income products in other current assets, other debt investments and fixed-income products in other non-current assets. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 31 December 2021, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2020: Nil).

(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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15 Financial instruments and risks (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 :

	31 December 2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings (including interest)	5,420,066	-	-	-	5,420,066
Borrowings from 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
	<u>155,184,074</u>	<u>7,323,725</u>	<u>15,293,631</u>	<u>143,316</u>	<u>177,944,746</u>

	31 December 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings (including interest)	10,033,656	-	-	-	10,033,656
Customer deposits and deposits from banks and other financial institutions (including interest)	87,596	-	-	-	87,596
Notes payable	28,249,939	-	-	-	28,249,939
Accounts payable	53,930,261	-	-	-	53,930,261
Other payables	4,501,391	-	-	-	4,501,391
Derivative financial liabilities	161,225	-	-	-	161,225
Other current liabilities (including interest)	18,661,350	-	-	-	18,661,350
Current portion of non-current liabilities (including interest)	6,355,016	-	-	-	6,355,016
Long-term borrowings (including interest)	557,805	31,435,123	12,002,785	-	43,995,713
Long-term payables	-	8,870	4,390	-	13,260
Other non-current liabilities	-	-	692,986	-	692,986
	<u>122,538,239</u>	<u>31,443,993</u>	<u>12,700,161</u>	<u>-</u>	<u>166,682,393</u>

(i) As at the balance sheet date, the Group did not provide financial guarantees to external parties or loan commitments to related parties.

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16 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 31 December 2021, the financial assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	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
Total assets	1,319,470	43,616,421	5,958,620	50,894,511
Financial liabilities measured at fair value -				
Derivative financial liabilities	-	157,602	-	157,602
Other financial liabilities - hedging instruments	-	9,047	-	9,047
Total liabilities	-	166,649	-	166,649

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

As at 31 December 2020, the financial assets and liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value -				
Financial assets held for trading	2,324,965	25,914,636	-	28,239,601
Derivative financial assets	-	420,494	-	420,494
Receivables financing	-	13,901,856	-	13,901,856
Other current assets - hedging instruments	-	767,934	-	767,934
Other debt investments	-	21,456,155	-	21,456,155
Investments in other equity instruments	-	-	46,651	46,651
Other non-current financial assets	-	-	3,360,849	3,360,849
Total assets	<u>2,324,965</u>	<u>62,461,075</u>	<u>3,407,500</u>	<u>68,193,540</u>
Financial liabilities measured at fair value -				
Derivative financial liabilities	-	161,225	-	161,225
Other financial liabilities - hedging instruments	-	19,511	-	19,511
Total liabilities	<u>-</u>	<u>180,736</u>	<u>-</u>	<u>180,736</u>

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.

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16 Fair value estimates (Cont'd)

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

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 are analysed below:

	Financial assets held for trading, investments in other equity instruments and other non-current financial assets
1 January 2021	3,407,500
Increase	2,492,898
Decrease	(869,794)
Transfer to Level 3	28,666
Total gains of current period	
Investment income recognised in the income statement	943,969
Gains recognised in other comprehensive income	(44,619)
31 December 2021	<u>5,958,620</u>
	Financial assets held for trading, investments in other equity instruments and other non-current financial assets
1 January 2020	1,750,107
Increase	1,872,884
Decrease	(63,570)
Transfer out of Level 3	(226,060)
Total gains of current period	
Investment income recognised in the income statement	181,583
Gains recognised in other comprehensive income	(107,444)
31 December 2020	<u>3,407,500</u>

- (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, receivables financing and forward exchange contracts and are evaluated by market approach and income approach.

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16 Fair value estimates (Cont'd)

(2) Assets and liabilities not measured at fair value but disclosed

The Group's financial assets and financial liabilities measured at amortised cost mainly include: cash at bank and on hand, deposits with the Central Bank, deposits with banks and other financial institutions, notes receivable, accounts receivable, contract assets, loans and advances, other receivables, lease receivables, current portion of non-current assets, other current assets (excluding those mentioned in Note 16(1)), notes payable, accounts payable, contract liabilities, short-term borrowings, lease liabilities, long-term borrowings, 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 31 December 2021 and 31 December 2020 approximated to their fair value.

17 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 31 December 2021 and 31 December 2020, the Group's gearing ratio was as follows:

	31 December 2021	31 December 2020
Total liabilities	253,121,028	236,145,503
Total assets	387,946,104	360,382,603
Gearing ratio	<u>65.25%</u>	<u>65.53%</u>

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18 Notes to the Company's financial statements

(1) Other receivables

	31 December 2021	31 December 2020
Other receivables	31,465,557	28,332,268
Less: Provision for bad debts	(17,708)	(13,598)
	<u>31,447,849</u>	<u>28,318,670</u>

(a) Other receivables are analysed by ageing as follows:

	31 December 2021	31 December 2020
Within 1 year	31,461,940	28,205,960
1 to 2 years	1,708	125,127
Over 2 years	1,909	1,181
	<u>31,465,557</u>	<u>28,332,268</u>

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

	Stage 1		Stage 3		Sub-total Provision for bad debts		
	12-month ECL (Grouping)	12-month ECL (Individual)	Lifetime ECL (Credit impaired)	Lifetime ECL (Credit impaired)			
	Book balance	Provision for bad debts	Book balance(i)	Provision for bad debts	Book balance	Provision for bad debts	Provision for bad debts
31 December 2020	423,516	13,540	27,908,694	-	58	58	13,598
Transfer to Stage 3 in the current year	(123,583)	(12,358)	-	-	123,583	12,358	-
Net increase/(decrease) in the current year	31,015,301	16,526	(27,758,371)	-	(123,641)	(12,416)	4,110
Including: Written-off in the current year	-	-	-	-	(123,641)	(123,641)	(123,641)
Derecognition	-	-	-	-	-	-	-
31 December 2021	<u>31,315,234</u>	<u>17,708</u>	<u>150,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,708</u>

(i) In the current year, the Company changed the provision for bad debts of other receivables of RMB 27,758,371,000 from individual basis to collective basis.

(ii) As at 31 December 2021 and 31 December 2020, the Company did not have other receivables in Stage 2.

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

(1) Other receivables (Cont'd)

(c) Provision for bad debts

As at 31 December 2021 and 31 December 2020, other receivables of the Company in Stage 1 and Stage 3 were analysed as follows:

(i) As at 31 December 2021, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	12-month ECL rate	Provision for bad debts	Reason
Stage 1	150,323	0%	-	Relatively low expected loss risk

As at 31 December 2020, other receivables for which the related provision for bad debts was provided on the individual basis were analysed as follows:

	Book balance	12-month ECL rate	Provision for bad debts	Reason
Stage 1	27,908,694	0%	-	Relatively low expected loss risk
	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Stage 3	58	100.00%	(58)	The debtor encountered financial distress, etc.

(ii) As at 31 December 2021 and 31 December 2020, other receivables of which provision for bad debts was calculated on grouping basis were all in Stage 1, which was analysed as follows:

	31 December 2021			31 December 2020		
	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	31,315,234	(17,708)	0.06%	423,516	(13,540)	3.20%

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

(1) Other receivables (Cont'd)

(d) As at 31 December 2021, the five largest other receivables aggregated by debtors were analysed as follows:

	Nature	Balance	Ageing	% of total balance	Provision for bad debts
Company A	Current accounts	27,310,000	Within 1 year	86.79%	(15,116)
Company B	Current accounts	1,442,999	Within 1 year	4.59%	(799)
Company C	Current accounts	1,058,011	Within 1 year	3.36%	(586)
Company D	Current accounts	451,072	Within 1 year	1.43%	(250)
Company E	Current accounts	225,000	Within 1 year	0.72%	(125)
		<u>30,487,082</u>		<u>96.89%</u>	<u>(16,876)</u>

(2) Long-term equity investments

Long-term equity investments are classified as follows:

	31 December 2021	31 December 2020
Subsidiaries (a)	64,376,850	53,320,578
Associates (b)	<u>2,428,841</u>	<u>1,670,583</u>
	66,805,691	54,991,161
Less: Provision for impairment	<u>-</u>	<u>-</u>
	<u>66,805,691</u>	<u>54,991,161</u>

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

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

(a) Subsidiaries

	Movements in the current year					31 December 2021	Provision for impairment Ending balance	Cash dividends attributable to the parent company declared in the current year
	31 December 2020	Increase in investment	Decrease in investment	Provision for impairment	Others			
Wuxi Little Swan Electric Co., Ltd.	20,194,240	-	-	-	72,344	20,266,584	-	1,120,685
Guangdong Midea Electric Co., Ltd.	5,000,000	-	-	-	-	5,000,000	-	-
Midea Group Finance Co., Ltd.	3,360,577	-	-	-	1,279	3,361,856	-	-
Foshan Shunde Midea Household Appliances Industry Co., Ltd.	2,949,000	3,000,000	-	-	-	5,949,000	-	-
Guangdong Midea Microwave Oven Manufacturing Co., Ltd.	1,880,041	-	-	-	-	1,880,041	-	-
GD Midea Air-Conditioning Equipment Co., Ltd.	1,792,170	-	-	-	114,350	1,906,520	-	322,962
Guangdong Midea Consumer Electric Manufacturing Co., Ltd.	1,146,142	-	-	-	25,307	1,171,449	-	-
Hefei Midea Heating & Ventilation Equipment Co., Ltd.	1,076,253	-	-	-	3,796	1,080,049	-	1,501,888
Guangdong Midea Intelligent Technologies Co., Ltd.	1,053,484	-	-	-	5,967	1,059,451	-	-
Midea Group (Shanghai) Co. Ltd.	903,368	-	-	-	9,217	912,585	-	-
Hubei Midea Refrigerator Co., Ltd.	855,003	-	-	-	19,837	874,840	-	642,040
Anhui Meizhi Precision Manufacturing Co., Ltd.	827,603	-	-	-	4,095	831,698	-	974,185
GD Midea Heating & Ventilating Equipment Co., Ltd.	780,128	-	-	-	70,620	850,748	-	529,444
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	764,440	-	-	-	8,228	772,668	-	1,522,615
Annto Logistics Technology Co., Ltd.	742,684	-	-	-	-	742,684	-	-
Hefei Midea Refrigerator Co., Ltd.	532,048	-	-	-	19,838	551,886	-	-
Ningbo Midea United Materials Supply Co., Ltd.	497,867	-	-	-	3,177	501,044	-	662,907
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	352,061	129,708	-	-	-	481,769	-	-
Hefei Hualing Co., Ltd.	265,630	-	-	-	47,582	313,212	-	-
Midea International Corporation Company Limited	176,974	-	-	-	-	176,974	-	-
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	172,612	-	-	-	20,977	193,589	-	830,542
Midea Group Wuhan Refrigeration Equipment Co., Ltd.	110,327	-	-	-	5,900	116,227	-	255,963
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	83,953	-	-	-	4,443	88,396	-	723,803
Zhejiang Meizhi Compressor Co., Ltd.	66,280	-	-	-	273	66,553	-	832,515
Wuhu Midea Life Appliances Mfg Co., Ltd.	56,223	-	-	-	321	56,544	-	-
Wandong Medical	-	2,297,093	-	-	-	2,297,093	-	20,454
Midea Innovation Investment Co., Ltd.	35,000	2,100,000	-	-	-	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.	569,430	200,000	-	-	-	769,430	-	-
Others	7,077,040	805,010	(15,935)	-	681,345	8,547,460	-	1,348,470
	<u>53,320,578</u>	<u>9,953,311</u>	<u>(15,935)</u>	<u>-</u>	<u>1,118,896</u>	<u>64,376,850</u>	<u>-</u>	<u>11,288,473</u>

MIDEA GROUP CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

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

(b) Associates

Investment in associates mainly refers to the investments in Guangdong Shunde Rural Commercial Bank Co., Ltd. and Hefei Royalstar Motor Co., Ltd. and other enterprises by the Company.

(3) Operating revenue

Operating revenue mainly comprises other operating revenue including the trademark royalty income, rental income, management fee income, etc. obtained by the Company from the subsidiaries.

(4) Investment income

	2021	2020
Income from long-term equity investments under cost method	11,288,473	11,355,426
Investment income from associates	265,491	216,318
Investment income from holding of financial assets held for trading	292,890	1,063,774
Others	615,249	(57,063)
	<u>12,462,103</u>	<u>12,578,455</u>

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

	2021	2020
Gains or losses on disposal of non-current assets	77,527	(52,424)
Except for the effective hedging activities related to the Group's ordinary activities, gains or losses on changes in fair value arising from financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, other non-current financial assets, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, other non-current financial assets.	995,824	2,204,165
Others (mainly including government grants, compensation income, penalty income and other non-operating income and expenses)	2,352,849	1,378,105
	<u>3,426,200</u>	<u>3,529,846</u>
Less: Effect of income tax	(668,578)	(765,871)
Effect of minority interests (after tax)	(113,058)	(155,659)
	<u>2,644,564</u>	<u>2,608,316</u>

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:

	Weighted average return on net asset (%)		Earnings per share (in RMB Yuan)			
			Basic earnings per share		Diluted earnings per share	
	2021	2020	2021	2020	2021	2020
Net profit attributable to shareholders of the Company	24.09%	24.95%	4.17	3.93	4.14	3.90
Net profit attributable to shareholders of the Company net of non-recurring profit or loss	21.86%	22.56%	3.78	3.55	3.75	3.53

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 N/A

(2) Differences in the net profit and net assets disclosed in the financial reports prepared under CAS and foreign accounting standards

Applicable N/A

(3) Reasons for the differences. Where any reconciliation is made to any data that have been audited by an overseas auditor, the name of the overseas auditor shall be provided.

Midea Group Co., Ltd.

Legal Representative: Fang Hongbo

30 April 2022